CANADA

DEBATES OF THE SENATE

OFFICIAL REPORT
(HANSARD)

THE HONOURABLE RENAUDE LAPOINTE
SPEAKER

1977-78
THIRD SESSION, THIRTIETH PARLIAMENT
26-27 ELIZABETH II

Parliament was opened on October 18, 1977
and was prorogued on October 10, 1978

Queen's Printer for Canada, Ottawa

80023—A

The Speaker

THE HONOURABLE RENAUDE LAPOINTE

The Leader of the Government

THE HONOURABLE RAYMOND J. PERRAULT, P.C.

The Leader of the Opposition

THE HONOURABLE JACQUES FLYNN, P.C.

THE MINISTRY

According to Precedence

At Prorogation, October 10, 1978

The Right Honourable Pierre Elliott Trudeau	Prime Minister
The Honourable Allan Joseph MacEachen	Deputy Prime Minister and President of the Queen's Privy Council for Canada
The Honourable Jean Chrétien	Minister of Finance
The Honourable Donald Campbell Jamieson	Secretary of State for External Affairs
The Honourable Robert Knight Andras	President of the Treasury Board
The Honourable Otto Emil Lang	Minister of Transport and Minister of Justice and Attorney General of Canada
The Honourable Jean-Pierre Goyer	Minister of Supply and Services
The Honourable Alastair William Gillespie	Minister of Energy, Mines and Resources
The Honourable Eugene Francis Whelan	Minister of Agriculture
The Honourable W. Warren Allmand	Minister of Consumer and Corporate Affairs
The Honourable James Hugh Faulkner	Minister of Indian Affairs and Northern Development
The Honourable André Ouellet	Minister of State for Urban Affairs
The Honourable Daniel Joseph MacDonald	Minister of Veterans Affairs
The Honourable Marc Lalonde	Minister of State for Federal-Provincial Relations
The Honourable Jeanne Sauvé	Minister of Communications
The Honourable Raymond Joseph Perrault	Leader of the Government in the Senate
The Honourable Barnett Jerome Danson	Minister of National Defence
The Honourable J. Judd Buchanan	Minister of Public Works and Minister of State for Science and Technology
The Honourable Roméo LeBlanc	Minister of Fisheries and the Environment
The Honourable Marcel Lessard	Minister of Regional Economic Expansion
The Honourable Jack Sydney George Cullen	Minister of Employment and Immigration
The Honourable Leonard Stephen Marchand	Minister of State (Environment)
The Honourable John Roberts	Secretary of State of Canada
The Honourable Monique Bégin	Minister of National Health and Welfare
The Honourable Jean-Jacques Blais	Solicitor General of Canada
The Honourable Anthony Chisholm Abbott	Minister of State (Small Businesses)
The Honourable Iona Campagnolo	Minister of State (Fitness and Amateur Sport)
The Honourable Joseph-Philippe Guay	Minister of National Revenue
The Honourable John Henry Horner	Minister of Industry, Trade and Commerce
The Honourable Norman A. Cafik	Minister of State (Multiculturalism)
The Honourable J. Gilles Lamontagne	Postmaster General

PARLIAMENTARY SECRETARIES

Yvon Pinard	to Deputy Prime Minister and President of the Privy Council
Alan Martin	to Minister of Finance
Louis Duclos	to Secretary of State for External Affairs
Thomas-Henri Lefebvre	to President of the Treasury Board
Claude-André Lachance	to Minister of Justice and Attorney General of Canada
Charles Lapointe	to Minister of Transport
Pierre Bussières	to Minister of Energy, Mines and Resources
Yves Caron	to Minister of Agriculture
Aideen Nicholson	to Minister of Consumer and Corporate Affairs
Hugh Anderson	to Minister of Indian Affairs and Northern Development
Harold Thomas Herbert	to Minister of State for Urban Affairs
Gilbert Parent	to Minister of Veterans Affairs
Gus MacFarlane	to Minister of State for Federal-Provincial Relations
Crawford Douglas	to Minister of Communications
Raymond Dupont	to Minister of National Defence
Maurice Harquail	to Minister of Public Works and Minister of State for Science and Technology
Jack Pearsall	to Minister of Fisheries and the Environment
Donald Paul Wood	to Minister of Regional Economic Expansion
Frank Maine	to Minister of Employment and Immigration
Robert Daudlin	to Secretary of State
William Kenneth Robinson	to Minister of National Health and Welfare
Roger Young	to Solicitor General
Yves Demers	to Minister of National Revenue
Bernard Loiselle	to Minister of Industry, Trade and Commerce
William Andres	to Minister of State (Multiculturalism)
David Collenette	to Postmaster General

SENATORS OF CANADA

ACCORDING TO SENIORITY

At Prorogation, October 10, 1978

Senators	Designation	Post Office Address
THE HONOURABLE		
Salter Adrian Hayden	Toronto	Toronto, Ont.
Norman McLeod Paterson	Thunder Bay	Thunder Bay, Ont.
Sarto Fournier	de Lanaudière	Montreal, Que.
John J. Connolly, P.C.	Ottawa West	Ottawa, Ont.
Donald Cameron	Banff	Banff, Alta.
David A. Croll	Toronto-Spadina	Toronto, Ont.
Fred A. McGrand	Sunbury	Fredericton Junction, N.B.
Donald Smith	Queens-Shelburne	Liverpool, N.S.
Harold Connolly	Halifax North	Halifax, N.S.
Florence Elsie Inman	Murray Harbour	Montague, P.E.I.
Hartland de Montarville Molson	Alma	Montreal, Que.
Joseph A. Sullivan	North York	Toronto, Ont.
Lionel Choquette	Ottawa East	Ottawa, Ont.
John Michael Macdonald	Cape Breton	North Sydney, N.S.
Josie Alice Dinan Quart	Victoria	Quebec, Que.
Louis Philippe Beaubien	Bedford	Montreal, Que.
Allister Grosart	Pickering	Toronto, Ont.
Edgar Fournier	Madawaska-Restigouche	Iroquois, N.B.
Jacques Flynn, P.C.	Rougemont	Quebec, Que.
David James Walker, P.C.	Toronto	Toronto, Ont.
Rhéal Bélisle	Sudbury	Sudbury, Ont.
Paul Yuzyk	Fort Garry	Winnipeg, Man.
Orville Howard Phillips	Prince	Alberton, P.E.I.
Maurice Bourget, P.C.	The Laurentides	Lévis, Que.
Azellus Denis, P.C.	La Salle	Montreal, Que.
Eric Cook	Harbour Grace	St. John's, Nfld.
Daniel Aiken Lang	South York	Toronto, Ont.
William Moore Benidickson, P.C.	Kenora-Rainy River	Kenora, Ont.
Alexander Hamilton McDonald	Moosomin	Moosomin, Sask.
Earl Adam Hastings	Palliser-Foothills	Calgary, Alta.
Harry William Hays, P.C.	Calgary	Calgary, Alta.
Charles Robert McElman	Nashwaak Valley	Fredericton, N.B.
Douglas Keith Davey	York	Don Mills, Ont.
Jean-Paul Deschatelets, P.C.	Lauzon	Montreal, Que.
Hazen Robert Argue	Regina	Kayville, Sask.
J. G. Léopold Langlois	Grandville	Quebec, Que.
Paul Desruisseaux	Wellington	Sherbrooke, Que.
Douglas Donald Everett	Fort Rouge	Winnipeg, Man.
Maurice Lamontagne, P.C.	Inkerman	Aylmer, Que.
Andrew Ernest Thompson	Dovercourt	Kendal, Ont.
Keith Laird	Windsor	Windsor, Ont.
Herbert O. Sparrow	Saskatchewan	North Battleford, Sask.
Richard James Stanbury	York Centre	Toronto, Ont.
William John Petten	Bonavista	St. John's, Nfld.
Raymond Eudes	de Lorimier	Montreal, Que.
Louis de Gonzague Giguère	de la Durantaye	Montreal, Que.
Ernest C. Manning, P.C.	Edmonton West	Edmonton, Alta.
Gildas L. Molgat	Ste. Rose	St. Vital, Man.

Senators	Designation	Post Office Address
THE HONOURABLE		
Eugene A. Forsey	Nepean	Ottawa, Ont.
William C. McNamara	Winnipeg	Winnipeg, Man.
Paul C. Lafond	Gulf	Hull, Que.
Ann Elizabeth Bell	Nanaimo-Malaspina	Nanaimo, B.C.
Edward M. Lawson	Vancouver	Vancouver, B.C.
H. Carl Goldenberg	Rigaud	Westmount, Que.
George Clifford van Roggen	Vancouver-Point Grey	Vancouver, B.C.
Sidney L. Buckwold	Saskatoon	Saskatoon, Sask.
Renaude Lapointe (Speaker)	Mille Isles	Montreal, Que.
Mark Lorne Bonnell	Murray River	Murray River, P.E.I.
Guy Williams	Richmond	Richmond, B.C.
Michel Fournier	Restigouche-Gloucester	Pointe Verte, N.B.
Frederick William Rowe	Lewisporte	St. John's, Nfld.
George James McIlraith, P.C.	Ottawa Valley	Ottawa, Ont.
Margaret Norrie	Colchester-Cumberland	Truro, N.S.
Henry D. Hicks	The Annapolis Valley	Halifax, N.S.
Bernard Alasdair Graham	The Highlands	Sydney, N.S.
Martial Asselin, P.C.	Stadacona	La Malbaie, Que.
John James Greene, P.C.	Niagara	Niagara Falls, Ont.
Joan Neiman	Peel	Caledon East, Ont.
Raymond J. Perrault, P.C.	North Shore-Burnaby	Vancouver, B.C.
John Morrow Godfrey	Rosedale	Toronto, Ont.
Maurice Riel	Shawinigan	Westmount, Que.
Louis-J. Robichaud, P.C.	L'Acadie-Acadia	Saint Antoine, N.B.
Daniel Riley	Saint John	Saint John West, N.B.
Augustus Irvine Barrow	Halifax-Dartmouth	Halifax, N.S.
Ernest George Cottreau	South Western Nova	Yarmouth, N.S.
George Isaac Smith	Colchester	Truro, N.S.
Jack Austin	Vancouver South	Vancouver, B.C.
Paul Lucier	Yukon	Whitehorse, Yukon.
Jean Marchand, P.C.	de la Vallière	Quebec, Que.
David Gordon Steuart	Prince Albert-Duck Lake	Regina, Sask.
Pietro Rizzuto	Repentigny	Laval sur le Lac, Que.
Willie Adams	Northwest Territories	Rankin Inlet, N.W.T.
Horace Andrew (Bud) Olson, P.C.	Alberta South	Iddesleigh, Alta.
Royce Frith	Lanark	Perth, Ont.
Peter Bosa	York-Caboto	Etobicoke, Ont.
Duff Roblin, P.C.	Red River	Winnipeg, Man.
Joseph-Philippe Guay, P.C.	St. Boniface	St. Boniface, Man.
Stanley Haidasz, P.C.	Toronto-Parkdale	Toronto, Ont.
Florence Bayard Bird	Carleton	Ottawa, Ont.
Philip Derek Lewis	St. John's	St. John's, Nfld.
Jack Marshall	Humber-St. George's-St. Barbe	Corner Brook, Nfld.
Margaret Jean Anderson	Northumberland-Miramichi	Newcastle, N.B.
Joseph Napoléon Claude Wagner	Kennebec	Montreal, Que.

Note: For names of senators who resigned, retired, or died during the Third Session of the Thirtieth Parliament, see Index.

SENATORS OF CANADA

ALPHABETICAL LIST

At Prorogation, October 10, 1978

Senators	Designation	Post Office Address
THE HONOURABLE		
Adams, Willie	Northwest Territories	Rankin Inlet, N.W.T.
Anderson, Margaret Jean	Northumberland-Miramichi	Newcastle, N.B.
Argue, Hazen	Regina	Kayville, Sask.
Asselin, Martial, P.C.	Stadacona	La Malbaie, Que.
Austin, Jack	Vancouver South	Vancouver, B.C.
Barrow, Augustus Irvine	Halifax-Dartmouth	Halifax, N.S.
Beaubien, L. P.	Bedford	Montreal, Que.
Bélisle, Rhéal	Sudbury	Sudbury, Ont.
Bell, Ann Elizabeth	Nanaimo-Malaspina	Nanaimo, B.C.
Benidickson, W. M., P.C.	Kenora-Rainy River	Kenora, Ont.
Bird, Florence Bayard	Carleton	Ottawa, Ont.
Bonnell, M. Lorne	Murray River	Murray River, P.E.I.
Bosa, Peter	York-Caboto	Etobicoke, Ont.
Bourget, Maurice, P.C.	The Laurentides	Lévis, Que.
Buckwold, Sidney L.	Saskatoon	Saskatoon, Sask.
Cameron, Donald	Banff	Banff, Alta.
Choquette, Lionel	Ottawa East	Ottawa, Ont.
Connolly, Harold	Halifax North	Halifax, N.S.
Connolly, John J., P.C.	Ottawa West	Ottawa, Ont.
Cook, Eric	Harbour Grace	St. John's, Nfld.
Cottreau, Ernest G.	South Western Nova	Yarmouth, N.S.
Croll, David A.	Toronto-Spadina	Toronto, Ont.
Davey, Keith	York	Don Mills, Ont.
Denis, Azellus, P.C.	La Salle	Montreal, Que.
Deschatelets, Jean-Paul, P.C.	Lauzon	Montreal, Que.
Desruisseaux, Paul	Wellington	Sherbrooke, Que.
Eudes, Raymond	de Lorimier	Montreal, Que.
Everett, Douglas D.	Fort Rouge	Winnipeg, Man.
Flynn, Jacques, P.C.	Rougemont	Quebec, Que.
Forsey, Eugene A.	Nepean	Ottawa, Ont.
Fournier, Edgar	Madawaska-Restigouche	Iroquois, N.B.
Fournier, Michel	Restigouche-Gloucester	Pointe Verte, N.B.
Fournier, Sarto	de Lanaudière	Montreal, Que.
Frith, Royce	Lanark	Perth, Ont.
Giguère, Louis de G.	de la Durantaye	Montreal, Que.
Godfrey, John Morrow	Rosedale	Toronto, Ont.
Goldenberg, H. Carl	Rigaud	Westmount, Que.
Graham, Bernard Alasdair	The Highlands	Sydney, N.S.
Greene, John James, P.C.	Niagara	Niagara Falls, Ont.
Grosart, Allister	Pickering	Toronto, Ont.
Guay, Joseph-Philippe, P.C.	St. Boniface	St. Boniface, Man.
Haidasz, Stanley, P.C.	Toronto-Parkdale	Toronto, Ont.
Hastings, Earl A.	Palliser-Foothills	Calgary, Alta.
Hayden, Salter A.	Toronto	Toronto, Ont.
Hays, Harry, P.C.	Calgary	Calgary, Alta.
Hicks, Henry D.	The Annapolis Valley	Halifax, N.S.
Inman, F. Elsie	Murray Harbour	Montague, P.E.I.
Lafond, Paul C.	Gulf	Hull, Que.

Senators	Designation	Post Office Address
THE HONOURABLE		
Laird, Keith	Windsor	Windsor, Ont.
Lamontagne, Maurice, P.C.	Inkerman	Aylmer, Que.
Lang, Daniel A.	South York	Toronto, Ont.
Langlois, Léopold	Grandville	Quebec, Que.
Lapointe, Renaude (Speaker)	Mille Isles	Montreal, Que.
Lawson, Edward M.	Vancouver	Vancouver, B.C.
Lewis, Philip Derek	St. John's	St. John's, Nfld.
Lucier, Paul	Yukon	Whitehorse, Yukon.
Macdonald, John M.	Cape Breton	North Sydney, N.S.
Manning, Ernest C., P.C.	Edmonton West	Edmonton, Alta.
Marchand, Jean, P.C.	de la Vallière	Quebec, Que.
Marshall, Jack	Humber-St. George's-St. Barbe	Corner Brook, Nfld.
McDonald, A. Hamilton	Moosomin	Moosomin, Sask.
McElman, Charles	Nashwaak Valley	Fredericton, N.B.
McGrand, Fred A.	Sunbury	Fredericton Junction, N.B.
McIlraith, George J., P.C.	Ottawa Valley	Ottawa, Ont.
McNamara, William C.	Winnipeg	Winnipeg, Man.
Molgat, Gildas L.	Ste. Rose	St. Vital, Man.
Molson, Hartland de M.	Alma	Montreal, Que.
Neiman, Joan	Peel	Caledon East, Ont.
Norrie, Margaret	Colchester-Cumberland	Truro, N.S.
Olson, Horace Andrew (Bud), P.C.	Alberta South	Iddesleigh, Alta.
Paterson, Norman McL	Thunder Bay	Thunder Bay, Ont.
Perrault, Raymond J., P.C.	North Shore-Burnaby	Vancouver, B.C.
Petten, William J.	Bonavista	St. John's, Nfld.
Phillips, Orville H.	Prince	Alberton, P.E.I.
Quart, Josie D.	Victoria	Quebec, Que.
Riel, Maurice	Shawinigan	Westmount, Que.
Riley, Daniel	Saint John	Saint John West, N.B.
Rizzuto, Pietro	Repentigny	Laval sur le Lac, Que.
Robichaud, Louis-J., P.C.	L'Acadie-Acadia	Saint Antoine, N.B.
Roblin, Duff, P.C.	Red River	Winnipeg, Man.
Rowe, Frederick William	Lewisporte	St. John's, Nfld.
Smith, Donald	Queens-Shelburne	Liverpool, N.S.
Smith, George I.	Colchester	Truro, N.S.
Sparrow, Herbert O.	Saskatchewan	North Battleford, Sask.
Stanbury, Richard J.	York Centre	Toronto, Ont.
Steuart, David Gordon	Prince Albert-Duck Lake	Regina, Sask.
Sullivan, Joseph A.	North York	Toronto, Ont.
Thompson, Andrew	Dovercourt	Kendal, Ont.
van Roggen, George	Vancouver-Point Grey	Vancouver, B.C.
Wagner, Joseph Napoléon Claude	Kennebec	Montreal, Que.
Walker, David, P.C.	Toronto	Toronto, Ont.
Williams, Guy	Richmond	Richmond, B.C.
Yuzyk, Paul	Fort Garry	Winnipeg, Man.

SENATORS OF CANADA

BY PROVINCES

At Prorogation, October 10, 1978

ONTARIO—24

	Senators	Designation	Post Office Address
	THE HONOURABLE		
1	Salter Adrian Hayden	Toronto	Toronto.
2	Norman McLeod Paterson	Thunder Bay	Thunder Bay.
3	John J. Connolly, P.C.	Ottawa West	Ottawa.
4	David A. Croll	Toronto-Spadina	Toronto.
5	Joseph A. Sullivan	North York	Toronto.
6	Lionel Choquette	Ottawa East	Ottawa.
7	Allister Grosart	Pickering	Toronto.
8	David James Walker, P.C.	Toronto	Toronto.
9	Rhéal Bélisle	Sudbury	Sudbury.
10	Daniel Aiken Lang	South York	Toronto.
11	William Moore Benidickson, P.C.	Kenora-Rainy River	Kenora.
12	Douglas Keith Davey	York	Don Mills.
13	Andrew Ernest Thompson	Dovercourt	Kendal.
14	Keith Laird	Windsor	Windsor.
15	Richard James Stanbury	York Centre	Toronto.
16	Eugene A. Forsey	Nepean	Ottawa.
17	George James McIlraith, P.C.	Ottawa Valley	Ottawa.
18	John James Greene, P.C.	Niagara	Niagara Falls.
19	Joan Neiman	Peel	Caledon East.
20	John Morrow Godfrey	Rosedale	Toronto.
21	Royce Frith	Lanark	Perth.
22	Peter Bosa	York-Caboto	Etobicoke.
23	Stanley Haidasz, P.C.	Toronto-Parkdale	Toronto.
24	Florence Bayard Bird	Carleton	Ottawa.

QUEBEC—24

	Senators	Electoral Division	Post Office Address
	THE HONOURABLE		
1	Sarto Fournier	de Lanaudière	Montreal.
2	Hartland de Montarville Molson	Alma	Montreal.
3	Josie Alice Dinan Quart	Victoria	Quebec.
4	Louis Philippe Beaubien	Bedford	Montreal.
5	Jacques Flynn, P.C.	Rougemont	Quebec.
6	Maurice Bourget, P.C.	The Laurentides	Lévis.
7	Azellus Denis, P.C.	La Salle	Montreal.
8	Jean-Paul Deschatelets, P.C.	Lauzon	Montreal.
9	J. G. Léopold Langlois	Grandville	Quebec.
10	Paul Desruisseaux	Wellington	Sherbrooke.
11	Maurice Lamontagne, P.C.	Inkerman	Aylmer.
12	Raymond Eudes	de Lorimier	Montreal.
13	Louis de Gonzague Giguère	de la Durantaye	Montreal.
14	Paul C. Lafond	Gulf	Hull.
15	H. Carl Goldenberg	Rigaud	Westmount.
16	Renaude Lapointe (Speaker)	Mille Isles	Montreal.
17	Martial Asselin, P.C.	Stadacona	La Malbaie.
18	Maurice Riel	Shawinigan	Westmount.
19	Jean Marchand, P.C.	de la Vallière	Quebec.
20	Pietro Rizzuto	Repentigny	Laval sur le Lac.
21	Joseph Napoléon Claude Wagner	Kennebec	Montreal.
22	....	....	....
23	....	....	....
24	....	....	....

NOVA SCOTIA—10

	Senators	Designation	Post Office Address
	THE HONOURABLE		
1	Donald Smith	Queens-Shelburne	Liverpool.
2	Harold Connolly	Halifax North	Halifax.
3	John Michael Macdonald	Cape Breton	North Sydney.
4	Margaret Norrie	Colchester-Cumberland	Truro.
5	Henry D. Hicks	The Annapolis Valley	Halifax.
6	Bernard Alasdair Graham	The Highlands	Sydney.
7	Augustus Irvine Barrow	Halifax-Dartmouth	Halifax.
8	Ernest George Cottreau	South Western Nova	Yarmouth.
9	George Isaac Smith	Colchester	Truro.
10	....	....	....

NEW BRUNSWICK—10

	THE HONOURABLE		
1	Fred A. McGrand	Sunbury	Fredericton Junction.
2	Edgar Fournier	Madawaska-Restigouche	Iroquois.
3	Charles Robert McElman	Nashwaak Valley	Fredericton.
4	Michel Fournier	Restigouche-Gloucester	Pointe Verte.
5	Louis-J. Robichaud, P.C.	L'Acadie-Acadia	Saint Antoine.
6	Daniel Riley	Saint John	Saint John West.
7	Margaret Jean Anderson	Northumberland-Miramichi	Newcastle.
8	....	....	....
9	....	....	....
10	....	....	....

PRINCE EDWARD ISLAND—4

	THE HONOURABLE		
1	Florence Elsie Inman	Murray Harbour	Montague.
2	Orville Howard Phillips	Prince	Alberton.
3	Mark Lorne Bonnell	Murray River	Murray River.
4	....	....	....

MANITOBA—6

	Senators	Designation	Post Office Address
	THE HONOURABLE		
1	Paul Yuzyk	Fort Garry	Winnipeg.
2	Douglas Donald Everett	Fort Rouge	Winnipeg.
3	Gildas L. Molgat	Ste. Rose	St. Vital.
4	William C. McNamara	Winnipeg	Winnipeg.
5	Duff Roblin, P.C.	Red River	Winnipeg.
6	Joseph-Philippe Guay, P.C.	St. Boniface	St. Boniface.

BRITISH COLUMBIA—6

	THE HONOURABLE		
1	Ann Elizabeth Bell	Nanaimo-Malaspina	Nanaimo.
2	Edward M. Lawson	Vancouver	Vancouver.
3	George Clifford van Roggen	Vancouver-Point Grey	Vancouver.
4	Guy Williams	Richmond	Richmond.
5	Raymond J. Perrault, P.C.	North Shore-Burnaby	Vancouver.
6	Jack Austin	Vancouver South	Vancouver.

SASKATCHEWAN—6

	THE HONOURABLE		
1	Alexander Hamilton McDonald	Moosomin	Moosomin.
2	Hazen Robert Argue	Regina	Kayville.
3	Herbert O. Sparrow	Saskatchewan	North Battleford.
4	Sidney L. Buckwold	Saskatoon	Saskatoon.
5	David Gordon Steuart	Prince Albert-Duck Lake	Regina.
6	....	.....	.....

ALBERTA—6

	THE HONOURABLE		
1	Donald Cameron	Banff	Banff.
2	Earl Adam Hastings	Palliser-Foothills	Calgary.
3	Harry William Hays, P.C.	Calgary	Calgary.
4	Ernest C. Manning, P.C.	Edmonton West	Edmonton.
5	Horace Andrew (Bud) Olson, P.C.	Alberta South	Iddesleigh.
6	....	.....	.....

NEWFOUNDLAND—6

	Senators	Designation	Post Office Address
	THE HONOURABLE		
1	Eric Cook	Harbour Grace	St. John's.
2	William John Petten	Bonavista	St. John's.
3	Frederick William Rowe	Lewisporte	St. John's.
4	Philip Derek Lewis	St. John's	St. John's.
5	Jack Marshall	Humber-St. George's-St. Barbe	Corner Brook.
6	....	.....	.....

NORTHWEST TERRITORIES—1

	THE HONOURABLE		
1	Willie Adams	Northwest Territories	Rankin Inlet.

YUKON TERRITORY—1

	THE HONOURABLE		
1	Paul Lucier	Yukon	Whitehorse.

THE SENATE

OFFICERS AND CHIEFS OF PRINCIPAL BRANCHES

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Law Clerk and Parliamentary Counsel	R. L. du Plessis, Q.C., B.A., LL.L.
First Clerk Assistant	Alcide Paquette, B.A.
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Editor of Debates and Chief of Reporting Branch	T. S. Hubbard
Director of Committees	Flavien J. Belzile, B.A.
Chief of Minutes and Journals (English)	Mrs. Jean F. Sutherland
Chief of Minutes and Journals (French)	Miss Madeleine Ouimet
Assistant Gentleman Usher of the Black Rod	Charles H. E. Askwith

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Department of Secretary of State

Director, Special Operations	Roch Blais
Chief, Parliamentary Translations	André Audette
Chief of Debates	Mireille Couillard

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Parliamentary Librarian	Erik J. Spicer, C.D., B.A., B.L.S., M.A.L.S.
Associate Parliamentary Librarian	Gilles J. C. Frappier, B.A., B.Ph., B.L.S.

THE SENATE

Tuesday, October 18, 1977

OPENING OF THE THIRD SESSION

THIRTIETH PARLIAMENT

Parliament having been summoned by Proclamation to meet this day for the dispatch of business:

The Senate met at 3.30 p.m., the Speaker in the Chair.

Prayers.

COMMUNICATION FROM THE CANADIAN SECRETARY TO HER MAJESTY THE QUEEN

The Hon. the Speaker: Honourable senators, I have the honour to inform you that I have received the following communication from the Canadian Secretary to Her Majesty the Queen:

GOVERNMENT HOUSE
OTTAWA, CANADA

October 18, 1977

Madam,

I have the honour to inform you that Her Majesty the Queen will arrive at the Main Entrance of the Parliament Buildings at 3.45 p.m. on this day, Tuesday, the 18th of October 1977, and when it has been signified that all is in readiness, will proceed to the Chamber of the Senate to open formally the Third Session of the Thirtieth Parliament of Canada.

I have the honour to be,
Madam,
Your obedient servant,
Michel Gauvin
Canadian Secretary to the Queen.

The Honourable
The Speaker of the Senate,
Ottawa.

The Senate adjourned during pleasure.

SPEECH FROM THE THRONE

At 4 p.m. Her Majesty the Queen proceeded to the Senate Chamber and took her seat upon the Throne. Her Majesty was pleased to command the attendance of the House of Commons, and, that House being come, with their Speaker, Her Majesty the Queen was pleased to open the Third Session of the Thirtieth Parliament of Canada with the following speech:

● (0000)

Honourable Members of the Senate:

Members of the House of Commons:

I have greatly looked forward to being with you here in the Canadian Parliament in my Silver Jubilee year. Whenever I am in this wonderful country of Canada, with her vast resources and unlimited challenges, I feel thankful that Canadians have been so successful in establishing a vigorous democracy well suited to a proud and free people.

In this historic Chamber surrounded by the symbols and records of generations of Canadian legislators, I am very conscious of what Parliament has achieved—by transforming the visions and ideals of a great country into the enduring law of the land.

In ten visits together to Canada spread over a quarter of a century—seven in the last decade alone—Prince Philip and I have met many thousands of Canadians in all walks of life, of all ages, in every province and territory. My happiest memories of our travels throughout Canada have been these individual contacts which have revealed the enormous strength and astonishing diversity of this nation.

A generation of Canadians has been born, and grown to maturity during my reign. I know you will understand when I say that I have a special interest in these young men and women, contemporaries of our own children. They are people made strong by the achievements of their parents and grandparents, but not imprisoned by the prejudices of the past. In their sensitivity towards other people, in their sense of justice, their generosity and good will, lie not only lessons for us all, but also the best and surest hope for unity and understanding among Canadians everywhere. I look forward to meeting more of them next year in Edmonton when I shall have the pleasure of opening the Commonwealth Games.

I have always been full of admiration for what Canada is: the new generation fill me with confidence for what Canada can become.

The growth of those young men and women over the past quarter-century has been matched by a rapid expansion of Canada's economic strength and international stature.

Within an evolving Commonwealth, Canada's influence is steadily growing, particularly as an advocate of human dignity, justice and co-operation.

This greater influence has been used by Canada to pursue such critical goals as a more equitable sharing of wealth and opportunity, the enhancement of individual freedom, the conservation of the planet's scarce resources, and the prudent control of nuclear technology.

The post-war period of sustained economic growth conferred great new wealth upon Canada. Productivity and standards of living improved substantially, and the country could afford to provide better economic protection for the sick, the aged, the unemployed and the poor.

But growth produced new sets of problems with which the world community has not yet learned to cope successfully.

High rates of unemployment and inflation are clear signals of the inadequacy of economic strategies appropriate to simpler times. They are also signals of the urgent need for important structural adjustments in the economies of Canada and other industrialized countries. More than that, they are the symptoms of an illness which can be cured only by a readjustment of our values, and by a re-discovery of the merits of self-discipline and fair sharing.

The process of change will require continued consultation with Canadians, so that there may be a shared appreciation of current problems, and a shared acceptance of strategies for the future.

The government publications entitled *The Way Ahead* and *The Agenda For Co-operation* were designed to involve all Canadians in the discussion of how best to adapt to changing economic circumstances.

The changes that are now taking place impose burdens on some Canadians, and the Government remains committed to protecting these individuals.

The Government has recently made new funding proposals to the provinces which will improve the efficiency and flexibility of social services such as the rehabilitation of disabled persons, day care and community development services. The delivery of these services will thereby better reflect varying conditions and priorities across the country. It is hoped that the response of provincial governments will lead to the introduction of a revised Social Services Act during this Session.

The human hardship imposed by the current level of unemployment in Canada is deeply disturbing. It is neither just nor tolerable that in this country there should be so many men and women deprived of the dignity of self-supporting work, unable to meet their financial commitments and plan confidently for the future. It is intolerable that so many are deprived of their right to secure and productive lives, and that their families bear an unfair burden of worry, uncertainty, and deprivation. On a national scale, unemployment now constitutes a very serious obstacle to economic growth.

The benefits of existing government job stimulation programs, such as youth and community employment projects, and direct job creation by government, are visible to all. New initiatives have also been taken to encourage the mobility and upgrade the skills of the Canadian labour force, and to encourage small business. But more must be done.

To stimulate the expansion of industrial activity and create jobs in the private sector, the Government adopted a number of initiatives in its March budget. The investment tax credit was extended and was also increased in slower-growing regions of the country as a means of reinforcing the regional development policy of the Government. Tax incentives were increased for energy exploration and rail facilities. The dividend tax credit was substantially increased to encourage investment; deductible capital losses were doubled; and businesses were permitted to adjust inventory valuations to partially offset the effects of inflation.

Legislation will be reintroduced to effect these tax reductions and investment incentives. But the current unemployment situation obviously requires further action. Therefore, this legislation will be significantly strengthened to provide further immediate stimulus to the economy and to create new employment. The details of these further initiatives will be announced by the Minister of Finance during the course of the debate which begins tomorrow.

Further stimulus must not be allowed to compromise our objective of continuing reductions in inflation. The Government will continue to exercise responsibility in controlling its expenditures. The continuation of the income and price controls program through the early part of 1978 will help to contain inflationary pressures, but controls on prices and incomes must then end. You will be asked to approve legislation to amend the Anti-Inflation Act to allow an orderly process of decontrol, as well as legislation to create a monitoring agency.

The Government is confident that the outcome of the Multilateral Trade Negotiations now underway in Geneva will be of considerable benefit to Canada. Consultations with the provinces and with the private sector will be intensified, in order to ensure that this benefit is shared by all regions of the country.

In preparation for the new trading environment which Canada will face in the 1980's, the Government will introduce measures in this Session to enhance Canada's exports. Further support will be provided to the private sector in undertaking large capital projects in other countries.

In the continuing implementation of its food strategy, the Government will work with the provinces to ensure a coordinated approach to agricultural development, making better use of Canada's food-producing potential.

As part of the Government's consultation process, a National Food Conference will be held. It will bring together representatives of governments, producers, consumers and the food industry to work together toward a national agreement on how Canada's food strategy should be further developed and implemented. New initiatives are underway to provide the consumer with readily accessible information on food prices and nutrition. The Government will ensure that the views of producers,

processors and consumers are adequately represented on marketing boards and agencies, so that they may operate more effectively.

Several measures will be placed before you to improve the national transportation system. For example, new ports legislation will be introduced which will enhance local autonomy while maintaining the overall national interest.

In the field of energy, it will continue to be the determined policy of the Government to work with the provinces toward the goal of self-reliance, particularly by encouraging exploration and conservation to reduce our dependence on imported oil. Further encouragement will be given to the development of energy saving technology, of renewable energy sources, and of the application of solar energy.

There are encouraging signs that the policy measures introduced over the past few years to promote exploration and development are beginnning to bear fruit. In particular, exploration for natural gas in Western Canada appears to have been highly successful over the past two years. There are also encouraging prospects in the Beaufort Sea area and the Arctic Islands. Petro-Canada, in co-operation with the private sector, is seriously examining the feasibility of delivering natural gas to markets in Quebec and the Atlantic Provinces.

Exploration in the Arctic will be further encouraged by the proposed northern gas pipeline. A Bill will be placed before you to seek your approval for the implementation of the pipeline agreement negotiated with the Government of the United States. This historic agreement—which will launch one of the largest civil engineering projects in the history of the world—will provide immense benefits to Canada through jobs, investment, the purchase of materials and through easier and cheaper access to northern Canadian gas reserves.

You will also be asked to approve a Canadian Petroleum and Natural Gas Act, which will regulate oil and gas exploration on federally administered lands and establish a system of royalty payments.

● (0000)

The Government is committed to ensure that northern development occurs in a manner consistent with the rights of northern native peoples to negotiate a just and reasonable settlement of their land claims, and to participate in and shape such development. Consultations with native groups are continuing. In the Yukon, the Government will propose special measures to ensure that pipeline construction will not prejudice native rights or foreclose opportunities. In the Northwest Territories, the Government has appointed a commissioner to consult with interested groups and advise on the pace and manner of the further constitutional evolution of the Territories.

So pervasive are economic influences on people's daily lives that failure to secure economic stability and justice would, in itself, stimulate a sense of alienation, mutual hostility, and divisiveness among Canadians. In the context of the current national unity debate, therefore, it is imperative that feelings of linguistic or cultural inequality not be allowed to be further poisoned by evidence of economic injustice. Conversely, there is no doubt that the level of uncertainty evident in Quebec has a negative effect on the economy.

Few countries are as blessed as Canada, where a wealth of freedom and of this world's goods is apparent for all to see. Perhaps only those who have come here from less fortunate lands can appreciate to the full the great good fortune of living in a country so favored by nature, and so enriched by its cultural diversity.

Even in the midst of plenty, however, there are Canadians who know they are not receiving their fair share. To cite just one example, in those parts of the Atlantic Provinces where unemployment is particularly severe, some see themselves as an excluded group, able to gaze upon the good life only from a distance. There are many living in the West who have contributed much to Canada, yet believe their voice is little heard by others. There are many living in Quebec who feel deeply that Canada at present does not provide them with the opportunity to fulfill their reasonable aspirations. There are native peoples across the land who are still in search of a better life for themselves and their children.

This discontent in such a wealthy country must find its causes in the human spirit, and it is there also that the unity of the nation must be found. A greater willingness to listen to each other, to understand each other's needs, a greater generosity between individuals and between different parts of the country, a greater willingness to sacrifice so that others may have a chance, to take less so that others may have enough—all these are in the realm of the spirit. All are essential to the unity of the country. Governments, of course, have a special responsibility to both encourage and respond to the spirit of unity by their words and their actions. Canadians are, I believe, coming to recognize the seriousness of the problem. They are recognizing the need to make a new and deeper dedication to mutual understanding and sharing.

The Government dedicates itself profoundly to the re-discovery of the spirit of unity. It wishes to learn from all who are interested in Canada and who have thoughts on how it can be made a better place in which to live. It is prepared, particularly, to work with the governments of the provinces, all of whom have a vital interest in a better Canada.

The Government recently appointed the Task Force on Canadian Unity which is now in the process of canvassing opinion in all parts of Canada. The work of the Task Force should assist Canadians to participate more actively in debate, and to make a greater contribution to the future shaping of the country.

The Government will also be placing before Parliament, and in this way before the people of Canada, later in this Session, a measure that will contain a number of proposals relating to the Constitution of Canada, which it believes will be of particular importance for the future of the country. The proposals will be concerned, among other matters, with the essential nature of the Canadian federation and its objectives, with certain fundamental rights and freedoms which the Government feels

should be enjoyed by all Canadians as being essential to Canada's continuing existence as a free and democratic society, and with certain elements of the framework of the Canadian federation that are important to its effective functioning.

It is the hope of the Government that these proposals will stimulate a process of constitutional review in which all governments in Canada will share and in which Canadians generally will have an opportunity to express their views and convictions about the kind of Canada they wish to have now and in the future. We may confidently expect that, from that process, may emerge a new federalism that will receive the support and the devotion of Canadians everywhere.

The question of language rights is of particular relevance to national unity, and the Government has therefore welcomed the historic "Statement on Language" approved at the meeting of provincial Premiers at St. Andrews in August. The Government believes that this important initiative can and should become a basic part of our Constitution and has recently asked the provinces to consider this possibility.

After consultation with the provinces, the Government will amend the criminal code to guarantee the right of accused persons to be tried in the official language of their choice.

The goal of enhancing the rights and freedoms of Canadians can also be pursued through commitment to the principle of open government. An example of that commitment was the enactment of the Human Rights Act, and the recent appointment of the Human Rights Commission and the Privacy Commissioner. To the same end, the Government looks forward to hearing the views of Parliament on the Government's proposals concerning public access to official documents. In the further promotion of open government, you will be asked to approve the establishment of the office of ombudsman to deal with complaints arising from federal administrative actions.

The Government will also propose the amendment of the Official Languages Act, in order to make more specific its provisions respecting the language of work of federal employees, to strengthen the role of the Commissioner of Official Languages, and to clarify the role of the courts in safeguarding the equality of status of the official languages within the jurisdiction of the Government of Canada.

A comprehensive policy for official language minorities will be announced, and initiatives will be taken to ensure its full implementation within federal institutions. In the coming months, the Government will be proposing specific initiatives to be taken in collaboration with the provinces, and exploring ways of assisting the provinces in measures which they propose for ensuring greater availability of education in both official languages to all Canadians.

The unity of Canadians is often judged by the manner in which the federal and provincial governments work together for the benefit of the citizen. It is in recognition of this that the Government has recently designated a Minister of State responsible for federal-provincial relations, so that greater attention can be given to the search for harmony and co-operation between governments in Canada.

Given the new economic realities to which Canada must adjust, and the urgency of promoting linguistic and cultural harmony, it is readily apparent that Canada is now entering a new era.

It can be an era of increasing confrontation, tension and division, or an era of enhanced freedom, co-operation and unity of purpose. Fundamentally, the choice must be made by every citizen every day.

It is apparent to thoughtful Canadians everywhere that this is a time of great decisions for Canada, a time for re-discovering the strength and potential of a marvellously free and caring society.

That re-discovery will require that Canadians rededicate themselves to each other's well-being, just as I dedicate myself anew today to the people and the nation I am very proud to serve.

Members of the House of Commons,

You will be asked to consider budget proposals and to approve the expenditure of funds required for the administration of government services and programs.

Honourable Members of the Senate,

Members of the House of Commons,

May God bless and inspire all your deliberations and decisions.

The House of Commons withdrew.

Her Majesty the Queen was pleased to retire.

The sitting of the Senate was resumed.

RAILWAYS BILL

FIRST READING

Senator Langlois presented Bill S-1, relating to railways.

Bill read first time.

SPEECH FROM THE THRONE

CONSIDERATION NEXT SITTING

The Hon. the Speaker: Honourable senators, I have the honour to inform you that Her Majesty the Queen has caused to be placed in my hands a copy of Her Speech delivered this day from the Throne to the two Houses of Parliament. It is as follows:

Hon. Senators: Dispense.

The Hon. the Speaker: Honourable senators, when shall this Speech be taken into consideration?

Senator Langlois moved, seconded by Senator Petten:

That the Speech of Her Majesty the Queen, delivered this day from the Throne to the two Houses of Parliament, be taken into consideration at the next sitting of the Senate.

Motion agreed to.

ADDRESS TO HER MAJESTY

Senator Langlois: Honourable senators, I move, seconded by the Honourable Senator Flynn, P.C., that an humble Address be engrossed and presented to Her Majesty the Queen in the following words:

TO HER MOST EXCELLENT MAJESTY

ELIZABETH THE SECOND,

By the Grace of God of the United Kingdom, Canada and Her other Realms and Territories Queen, Head of the Commonwealth, Defender of the Faith:

MOST GRACIOUS SOVEREIGN:

We, Your Majesty's dutiful and loyal subjects, the Senate of Canada, in Parliament assembled, humbly wish to convey to Your Majesty the loyalty, affection and deepest respect of this House and of all Canadians, our happiness in welcoming Your Majesty and His Royal Highness the Prince Philip to Canada during Your Majesty's Silver Jubilee, and our gratitude to Your Majesty for graciously opening the Third Session of the Thirtieth Parliament.

Motion agreed to.

COMMITTEE ON ORDERS AND CUSTOMS

APPOINTMENT

Senator Langlois moved, seconded by Senator Petten:

That all the senators present during this session be appointed a committee to consider the Orders and Customs of the Senate and Privileges of Parliament, and that the said committee have leave to meet in the Senate Chamber when and as often as they please.

Motion agreed to.

COMMITTEE OF SELECTION

APPOINTMENT

Senator Langlois moved, seconded by Senator Petten:

That pursuant to rule 66, the following senators, to wit: the Honourable Senators Bourget, Choquette, Denis, Flynn, Grosart, Inman, Langlois, Macdonald, Perrault, Petten and Quart, be appointed a Committee of Selection to nominate senators to serve on the several select committees during the present session; and to report with all convenient speed the names of the senators so nominated.

Motion agreed to.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, October 19, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

HOUSE OF COMMONS

SENATE GALLERY

The Hon. the Speaker: Honourable senators who wish to sit in the Senate Gallery of the House of Commons are requested to use the north corridor to gain access to the gallery because the south corridor is under repair.

DOCUMENTS TABLED

Senator Perrault tabled:

Report on the activities of the Food and Agriculture Organization (FAO) for the fiscal year 1976-77, pursuant to section 3 of the Food and Agriculture Organization of the United Nations Act, Chapter F-26, R.S.C., 1970.

Report of the Superintendent of Insurance for Canada, Volume I, Abstract of Statements of Insurance Companies in Canada, for the year ended December 31, 1976, pursuant to section 8 of the Department of Insurance Act, Chapter I-17, R.S.C., 1970.

SPEECH FROM THE THRONE

TERMINATION OF DEBATE ON ADDRESS IN REPLY ON EIGHTH SITTING DAY

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(i), I move, seconded by Senator Perrault:

That the proceedings on the order of the day for resuming the debate on the motion for an Address in reply to Her Majesty the Queen's Speech from the Throne addressed to both Houses of Parliament be concluded on the eighth sitting day on which the order is debated.

Motion agreed to.

THE SENATE

HEATING OF OFFICES—QUESTION

Senator Forsey: Honourable senators, I wonder if I might ask the Leader of the Government a question with relation to the heat, or lack of it, in certain offices? I thoroughly agree with the policy of conserving energy, but I think we might also do a little to conserve senators. I find that there is at least one other senator having the same experience as I, that is that the office is very chilly.

Hon. Senators: Hear, hear.

Senator Perrault: Honourable senators, the Honourable Senator Forsey has correctly ascertained that there is a concerted effort on the part of the government to conserve energy. Allegations have been made—allegations not confined to members of this chamber—that some of the building temperatures being maintained may be somewhat lower than those levels necessary for human survival. I wish to assure the honourable senator that an inquiry will go forward and I shall bring his observations to the attention of the appropriate authorities.

Senator Flynn: Who are the appropriate authorities?

BUSINESS OF THE SENATE

LEGISLATION—QUESTION

Senator Olson: Can the Leader of the Government give us today, or very shortly, an indication of the magnitude of the number of bills that the government intends to initiate in this chamber during this session?

Senator Perrault: Honourable senators, that is a matter for discussion. I hope that at some time before we adjourn this week, information can be made available to members of the Senate in that respect. There are indications, on the basis of the gracious Speech delivered yesterday by Her Majesty the Queen, that this will be a very busy and productive session for all of us.

Senator Flynn: You should move the motion for an Address in reply.

RULES OF THE SENATE

AMENDMENTS

Senator Molson: Honourable senators, before the Orders of the Day are called, I wonder if I might have leave to call your attention to the fact that you will find in your desks today a revised copy of the Rules of the Senate.

It will be recalled that the rules were revised during the last session, and it was agreed that the revisions would become effective with the opening of the new session, which was yesterday. The amendments will be easily identified, and I would suggest that if you do not have a particular reason for retaining your old copy of the rules you leave that copy on your desk at the end of today's sitting so that it may be picked up and returned to the Law Clerk. From this point on the

Rules of the Senate, amended as of October 18, 1977, will govern our conduct.

Senator Smith (Colchester): Honourable senators, I wonder if I might make an observation. I seem not to have been the beneficiary of the distribution system, unless I misunderstood the honourable senator, because the only book I see on my desk is dated 1976, and has in it a number of notes which I made on another occasion. I am wondering if perhaps I missed something.

Sometimes, you know, a little comment will bring about miraculous results. Since beginning my remarks, a copy of the revised Rules of the Senate has landed on my desk. I wonder if we could be assured that when we address similar comments to the Leader of the Government, the response will be as prompt and effective as when we address comments to Senator Molson.

Senator Molson: Honourable senators, I suppose it would be out of order to say that the honourable senator's situation has been covered by rule X, which is that the squeaky wheel gets the grease.

Senator Grosart: Honourable senators, I wonder if I might ask the chairman of the Rules Committee if it is the intention to update Appendix 1, which is a very important appendix to our rules. It lists related documents which affect our procedures and rights and privileges in the Senate. The appendix is very much out of date, and I imagine the Law Clerk could easily bring it up to date.

● (1410)

SPEECH FROM THE THRONE

MOTION FOR ADDRESS IN REPLY—DEBATE ADJOURNED

The Senate proceeded to consideration of Her Majesty the Queen's Speech at the opening of the Third Session of the Thirtieth Parliament.

Hon. Royce Frith moved:

That an humble Address be presented to Her Majesty the Queen in the following words:

To the Queen's Most Excellent Majesty:
Most Gracious Sovereign:

We, Your Majesty's most dutiful and loyal subjects, the Senate of Canada, in Parliament assembled, beg leave to offer our humble thanks to Your Majesty for the Gracious Speech which Your Majesty has addressed to both Houses of Parliament.

He said: Honourable senators, before speaking in support of this motion, I should like to make a brief reference to the last session, which was my first session as a member of Parliament. I want to take this occasion to pay my compliments to and thank the Speaker, and to congratulate her on the resumption of another, and I hope long, gracious, warm and good-humoured reign. I also want to express my thanks and appreciation to the Leader of the Government in the Senate and the deputy leader for their thorough, skilful and, to me, most impressive attention to the Senate's business; to our smiling, efficient, velvet-gloved but iron-fisted Whip, Senator Petten, and also, if I may, honourable senators, to the Leader of the Opposition, the Honourable Jacques Flynn, P.C., and his colleagues, for what seemed to me to be their very loyal, effective work in the Senate in circumstances that I think should be acknowledged as difficult, having regard for the obligations that he and his colleagues have both in the Senate and in the manning of committees. The way they have carried that burden has earned the respect and admiration of us all.

If I may, I should like to add just one other word of appreciation for the staff, and to say how proud I was yesterday to be a senator playing, with all of you my colleagues, host to the House of Commons and many distinguished guests, and participating in an impressive and moving ceremony that went so well. In my experience, things like that just do not happen without hours and hours of hard detailed work by the staff.

Honourable senators, it is a privilege to be given the opportunity to move this motion, and a privilege to be a Canadian in these times—although I am beginning to understand that famous Chinese curse: May you live in interesting times.

The 25 years of Her Majesty's reign have certainly been interesting times. Perhaps it was less of a strain to be a Canadian in the more bountiful and placid fifties, when Her Gracious Majesty was crowned, than it is in the year of her jubilee, but I think that most of us welcome today's chance to test our individual and national mettle.

In speaking in support of the motion, honourable senators, I wish to examine an important theme that I heard throughout the Speech from the Throne. It seems to me that Her Majesty's gracious Speech to both houses of Parliament clearly addressed problems in terms of people and, in doing so, recognized the alienation and frustration of the individual human being in post-industrial society.

The Speech looks at unemployment, for example, in terms of its human hardship; not in terms of global statistics. It speaks of food and energy in terms of self-reliance and conservation; of the northern pipeline in terms of government consultation and native rights; of unity in terms of alienation, inequality and economic injustice. It speaks of finding the cause of problems in the human spirit, of the need to listen to each other, of generosity, of the realm of the spirit and the rediscovery of the spirit of the country that is in all of us. It speaks of learning from those who are interested in Canada and who have thoughts on how it can be a better place in which to live; of language rights of those who are members of minorities; of public access to official documents; and of a new era.

In the 25 years that have led to this Silver Jubilee, the world has changed dramatically, and so has our country. Our own experience confirms Alvin Toffler's analysis of accelerated change—change that has taken place in 25 years that in earlier times took 100 years or more. Canada, as we know it

today, has come a long way from the Canada we knew in the 1950s.

I do not believe it is just retrospect that makes me remember the year of Her Majesty's Coronation as a time when the world was a much simpler place. First, the industrialized world was just beginning to recover from the Second World War's acute polarization of purpose, and the Third World was only on the threshold of its thrust towards independence.

In Canada, change was taking place rapidly in an era of common purpose and optimism about the future. As we headed toward the age of affluence, our standard of living improved steadily and quickly. More and more parents could afford to give their children a university education, science and technology were advancing, everything seemed possible, and there was little time to think about where growth was leading us. We were confident that we were heading toward the most sophisticated and affluent society in the history of mankind. Now, with perhaps some collective humility, we can pause to admit that we ran aground somewhere along the way.

● (1420)

The whole experience is a stunning one for the individual, particularly in the post-industrial world. McLuhan's "global village" is here and it is too big. The city dweller feels alone in too big a community, and begins organizing "block" and "village" communities; and even the rural dweller, who may have a warmer sense of community, feels cut off from and often ignored by those making decisions affecting his or her life. Smaller social, political and even spiritual universes become more attractive. People begin turning inward. Even students tend to abandon the collective causes of the sixties for more personal and introspective interests. People are reacting against bigness and remoteness. There is a sense of frustration born of circumstances that are beyond the control of individuals. We long for what Martin Luther King called "a sense of 'somebodyness' ".

In its demographic manifestation this phenomenon of individualism becomes regionalism: the regionalism that pits our provinces against each other and makes us emphasize differences to justify identity rather than rejoicing that these distinctions are complementary elements of a greater, more stimulating, entity. It is the same regionalism that impels the Basques of Spain, the Bretons of France, the Scots and the Welsh to look for separate independence rather than federal independence in a greater country.

In that context, Canadian regionalism, gnawing at the fabric of our nation, is in many ways a petty reaction to the complexities of a global village that daily show up in our homes in too vivid, too living colour to be ignored with news of one or the other of its troubled regions. The same individualism is a reaction of the multiplication of "causes" that solicit our involvement. As we become more educated, as communications networks grow, and as we become more conscious of the entire world, we feel the pressure for "concern"—concern about Vietnam, the seals, South Africa, the elephants, democracy in India, oil drilling in the Beaufort, the PLO, the Canadian snow goose, Israel, the leopards, drought, Indian land rights, earthquakes in Guatemala, French schools in Essex County, chemical pollution in Dryden, James Bay and in the world's oceans, French in the air, freedom in Uganda—all with merit and all strident.

Of course, the concern for causes, for one's fellow human being, is the dynamo for all social reform; but the true obligation of a human being is also to himself. Here is Louis Pauwels:

[*Translation*]

> There is something more important and more fundamental than the ideal social order, that is the actual inner order; there is nothing, but nothing, more precious to man than his inner order.

[*English*]

Where do we find the balance? As our colleague Senator Lamontagne puts it, where do we find the "equilibrium between freedom and consensus"? We have tried to find solutions in confrontation—synthesis in the adversary system, management versus labour, government versus government, native versus white, farmer versus consumer, fisherman versus canner—and it has not worked. After more than two decades of confrontation and protest perhaps we are ready to discover the value and benefits of cooperation, and pass from "we" and "them" to just "we".

Can we, as uninvolved citizens, raging about what they—government, labour, business or whoever—are doing to us or not doing for us, become involved in something useful, something satisfying? Most feel that they cannot participate in the political process, and that they cannot influence the way their lives are being affected by big companies, big unions, big government, but these same frustrations led to one of the greatest, genuine populist movements in North America—the populist movement of the late 1800s in the United States. Lawrence Goodwyn in a recent book, *Democratic Promise—The Populist Moment in America*, describes and analyzes this populist movement and speaks of a need for the people to "see themselves experimenting in democratic forms." The movement was a manifestation of the kind of popular will that is capable of mobilizing energies and forces, capable of evolving solutions that are in unison with the feelings of the people—the vital juices of a community or a nation.

According to polls on the subject, respondents feel that the simple citizen has little or no influence on the future of the country, that the business world exercises a great influence, and that even the Prime Minister has less influence than the tycoons. But must that be true? Plato said that the best unifying agent is an enemy at the gate. Have we seen the enemy? Is it us—parochial and-proud-of-it us?

The challenge is great because we may be on the threshold of a fundamental reassessment of our values—a fundamental reassessment of what Canada means to each one of us and of what kind of Canada we want for ourselves, our children and their children. In particular, how do we want to be governed and how do we want to participate in the decisions that affect us? If our problems are not uniquely Canadian but are simply

our version of a worldwide phenomenon, then the séparatistes in Québec will not convince their francophone compatriots that theirs is an exotic and unique malaise. The essence of Québec séparatisme is the manifestation of a worldwide phenomenon.

But the challenge is not thereby less great because what is required is a fundamental reassessment of our values, a fundamental reassessment of what Canada means to each one of us and of what kind of Canada we want.

How far are we ready to go to restructure our society?

To define the symptoms, we may need to continue our sessions of organized, structured "collective self-analysis" in conferences and task forces. We need this debate and dialogue between the various interests. We should continue to have both experts and lawyers taking a thorough look at our Constitution to see whether or not changes are needed and, if so, to say what changes. I hope that the matter of constitutional amendment will be addressed in this debate by our learned colleague, Senator Forsey, and others.

All these elements—debate, dialogue, analysis and reform—are important ones in defining the problems, but a lasting remedy will only come through the political process and from people-participation in the political process. If the frustration and the alienation we have been speaking of are real, then more people will voluntarily become involved in the political process to take advantage of an opportunity most of our fellow human beings on this planet do not have.

I believe the pressures of this populist phenomenon have already been transformed into political reality. Studies show that until recently only 10 to 20 per cent of the population really engaged in any way in the political process. In saying that I am referring to engagement ranging all the way from engagement in political campaigns, at the ballot box, as candidates in federal, provincial or municipal "legislatures", organized participation through political parties or voluntary associations, and consultative participation.

● (1430)

The consultative participation is particularly important as evidence of the growing expectation that interested groups have a right to be consulted, and the realization by governments that they need to be consulted. Of course, the immediacy of some decisions makes prolonged consultation impossible, but many, if not most, of the decisions taken can and should involve consultation with the people whose rights and lives are being affected. The pipeline hearings are dramatic evidence of this trend. So is the practice established some years ago by the government to extend the process of consultation by the use of white papers, royal commission inquiries and the presentation of briefs to the cabinet.

More such participatory action helps close the alienation gap and engages citizens in the political process in every way, including party political activity and participation in and between elections. Such activity would bring us genuinely to grips with the essence of our particular version of this worldwide phenomenon, the separatist movement in Quebec.

That "problem", as it is called, only genuinely commanded our attention after a hundred years of "concern" because of a political event, the Quebec election of November 15, 1976. Then, through the political process—not by referendum, not by editorials, not by dialogue, not by conference, not by learned articles, not by constitutional amendment, but by the only truly significant political event in a democracy, an election—a political party capable of bringing about separatism took power. While it is true that it did not win that power on a separatist platform, it is there, in power, as a result of a political event. Only an equivalent political event removing it from, or confirming it in, power will deal directly with the question of national unity.

Honourable senators, I have a few words to say about the Senate. If we are looking at a worldwide phenomenon demanding fundamental re-examination of our society, our values and our institutions, what is the Senate's role in that process?

Since its origin as a founding institution of Confederation, with the duty to protect provincial and minority rights, the Senate has evolved into an institution doing more than that. The Senate has exercised its duty to apply sober second thought to legislation, and has at the same time evolved a highly effective committee system—probably the part of the Senate's work that is unanimously admired and respected.

As is to be expected, and indeed encouraged in a free country, the Senate's work has been the subject of criticism, and there has been a recurring and sometimes strident cry for Senate reform, a cry that comes from outside the Senate itself.

Meanwhile the Senate's work has continued, and an important part of its committee work has been the very examination and study of changing Canadian social, political and economic values. Its excellent reports on those subjects to the nation have played, and continue to play, an important role in our country's life. Who, then, is better able to weigh and evaluate proposals for Senate reform than the Senate itself through the work of a special committee?

What I am proposing, honourable senators, for your earnest consideration, is the establishment of a committee of the Senate to study proposals for Senate reform, wherever they may come from and whatever they may be. The committee and the Senate can then report to Canadians, as it has done on many other important Canadian issues, how the Senate itself feels it can best serve fundamental, social and political changes that world and Canadian institutions require for the next twenty-five years of Her Gracious Majesty's reign.

[*Translation*]

Hon. Jean Marchand: Honourable senators, first of all I would like to congratulate my colleague, Senator Frith. By the same token, I would like to include all the names he mentioned at the beginning as those people who in this house, if you like, make a daily worthy contribution. I will not repeat the names but I wholeheartedly agree.

Honourable senators, for the past year, probably like many Canadians, I have been trying to understand what was going on in the country. I read just about everything that can be

written on Canada, on the Constitution or constitutional reform, and on the way to remake the country in order to change the things that seem to stand correcting.

My Quebec colleagues will no doubt forgive me for a few minutes if I try to bring you up to date on what has happened in Quebec and place you in the context of the November 15, 1976 election. As you know, I participated in that election. It is needless for me to tell you the results. Anyway, if you went through the election, as I did, it is crystal clear that on November 15, 1976 the province of Quebec did not put a separatist party in power. What happened was there were so many grievances against the government or governments that the impossible happened.

Well, many of you know politics, and you know full well that when the electorate is unhappy, the first candidate who shows up gets it in the kisser, because nobody makes a fine distinction between jurisdictions, the Olympics, the dairy policy and indeed all the problems that may arise such as strikes in hospitals and schools, inflation, unemployment and what have you. The electorate will have a mass reaction when dissatisfied with the way it is being governed. I am not saying that Mr. Bourassa was responsible for all of that; I am just saying that he is the one who received the blow. And a severe blow it was, for he lost over half of his seats, retaining only some forty of them.

I am not saying either that the November 15 Quebec election was not an important one, honourable senators; in fact, that a separatist party should be in power in Quebec is very significant. This very fact is big with consequences. Therefore, I must not ignore it. But I suggest that this is not the true will of the people. If you consider what the political situation was in the province of Quebec on November 15, 1976, you will realize that the PQ was the only party which could really take advantage of the people's discontent. It was the only one which was well organized. In the Union Nationale party, Mr. Bellemare who had been elected following a by-election was practically alone. On the other hand, Social Crediters were also nearing the point of extinction. Therefore, what was left? Only the PQ, which was well organized, not only at the National Assembly level, but also within the various counties.

In order to gain the people's confidence and not scare the voters away, it came up with a great assurance which could be summarized as follows—certainly a master stroke: Gentlemen, voting for us is not voting for separation. It is voting against the Bourassa administration. The referendum will come later. So there are a great many people who voted against the Bourassa administration and for the PQ party who were not at all PQ sympathizers. It is a fact that many English-speaking Montrealers voted for the PQ, whether you like it or not. It was the only logical move. They rationalized: When and if a referendum is held, we will put an end to this movement. However, when a party forms a government and administers a budget of some $12 billion, you realize that many things may happen on the way.

[Senator Marchand.]

Therefore, there are two assurances of the PQ government which we must keep in mind. The first one is that a referendum will be held on the separation issue. The second one is that the Quebec government would behave until such time like any other ordinary government, which it has failed to do, unfortunately.

● (1440)

[*English*]

I do not think that the PQ government behaved in the manner of a normal provincial government. I could give many examples of this. For instance, you know that they even refused to participate in a meeting at which the Honourable André Ouellet was the speaker—and Mr. Ouellet is not someone from Calgary; his home is in Charlesbourg, Quebec. Of course, any provincial minister could have gone and said he thought that the federal government should be out of this field. That is something that could be discussed. However, the attitude that was taken was one of refusal, and not only in that case but at certain international conferences too. Mr. Louis O'Neill refused to participate in the federal-provincial conference on communications.

To tell me that they respected the word they gave to the population of Quebec is not correct. I regret saying it, but they did not respect their word. So right now, while we read many good things, such as the speeches of Senator Lamontagne and Senator Forsey and certain articles in the newspapers, the thing which worries me is that I have never seen in the history of the world a country which can be changed in that manner without terrible cost. It is not sufficient to simply decide to sit around a table and modify the whole thing, unless it is after a crisis of some kind like a civil war, or a war.

[*Translation*]

A great French author once said:

> What is a border? A border is usually drawn as a result of a war or as an indication of a balance of forces.

Such is the definition of a border. So whenever things are explained to me I want to understand them because I take them seriously. I may be wrong but I would like someone to tell me clearly what precisely is the proposal. For instance, when the Parti Québécois says it is in favour of sovereignty-association, well, it is quite hypothetical. Indeed no one in Canada has ever given any definition of these terms. On what would agreement be reached, on what association, under what terms and conditions? No one knows. When people go to the polls, they will not know on what they have to vote. They will not know what kind of country they are building. Do you believe such an effort of the mind is possible? There is only one way, I suggest, only one way that is honest, proper and frank under the circumstances: there must be a referendum to answer a "yes or no" question. Are we to preserve this country or to separate it? Afterwards, we shall sit down if necessary and discuss together what our new country should be. This is, in my view, the only way to proceed if we do not want to be in a mess.

As you know, I have heard all the other arguments, for instance "let us be flexible" and so on. Flexible on what? I, for one, am quite prepared to be as flexible as possible, but I would like to know in what matters precisely I should be so. They do not say. They refer to very general concepts. Therefore, one thing is certain, the sooner this referendum takes place the better for everybody—Quebecers as well as other Canadians. The sword of Damocles cannot hang this way over the people's head, as it is at present, without running into a disaster, because people want to know where this adventure will lead them. Then, what will happen? What kind of formula will be used? I read the white paper on the referendum. Well, I am sorry to say it is not honest to ask a question in this way of the people.

It does not mean that a large majority of Quebecers are in favour of separatism. I, for one, was a separatist at the age of 17. It is not a crime in itself. On the contrary, it is a crime to manipulate people and force them to go where they do not want to go. It is both criminal and unfair. We are therefore at this stage of our proceedings. An inquiry has been undertaken under the chairmanship of Mr. Robarts and Mr. Pepin. The more opinions that will be expressed, the better it will be. I have no objection to that, but it reminds me of what goes on in a laboratory. In a lab, it is possible to have several guinea pigs; if one is a failure, another is used, but you cannot do that with a nation. You see, there are some people who believe that they can break up a country without taking the consequences. It is impossible. It has never been the case and never will be. If you break up a country, bad feelings will last a long time, if not always. Therefore, I believe that if one wants to be really honest, one must say those things and that if separation occurs, and I sincerely believe this, Quebecers will have a high price to pay. Very high! I do not object to their saying it to them and perhaps our people are willing to make that sacrifice. But it is to mislead them to make them believe that our problems will be easily resolved afterwards.

[*English*]

I was listening to some people saying that one of the main causes of Quebec's wanting to separate is unemployment. Come on! You have never been in Quebec if you think that way. The support the PQ got was not in the poor regions of Quebec, but in Montreal, where people are working and earning good wages. That is where they got the support of teachers and students. Do not come and tell me it was because of unemployment in Quebec. The province would have separated two or three generations ago if that were the case.

Don't think I like the unemployment there is in Quebec. All I am saying is that it is not the cause of the secessionist movement. Think of the Gaspé, and the St. Lawrence and Lake St. John regions, where in the winter there is sometimes 20 or 25 per cent unemployment. Those are not the places where the separatists are the strongest.

It is often repeated that the federal government is for the status quo. French Canadians have been in this country for many years, and they have had, and will continue to have, many reasons for complaint. In the reports of the B and B Commission we can read of all kinds of vexations and injustices. Just read them, and you will have all the complaints you need.

However, if each country in which there have been problems is going to proceed backwards, and try to correct past injustices, I think the world would turn out to be an awful hell. If things had not turned out in the manner in which they did, such as in the case of the war of secession in the United States, why not start it all over again? Consider for a moment the way in which France was united, the way in which Italy was united, and even the way in which Britain, at one time, was united. History is full of situations which are impossible to correct after centuries have passed.

Sometimes, from places in the west, I hear things like: "Those damn French Canadians, we're going to teach them a lesson. We're going to start 1760 all over again, and they're going to get it." Such talk is entirely silly and irresponsible. You know, this is not much better than what we hear sometimes in Quebec. So I tell those people that a big country, the United States of America, tried to control Vietnam and did not succeed. So I do not believe that we should look in that direction for a sound solution.

I am not trying to provoke; I am not trying to start a war of any kind. All I want you to understand is that we must be realistic. We have a living country, and it is just like a human being, in that it cannot be operated on in the same manner as cattle.

● (1450)

[*Translation*]

It would not be the same thing, for sure.

So, now you have people saying they are going to revamp the whole country. You have the Maritimes. You have Prince Edward Island. You have New Brunswick and Nova Scotia. They are going to make five or six regions. They are going to have a corridor. In short, 150 different theories can be had. But the one thing we know for sure is that Canada is what it is, and the only thing to do if we do not want to break it down is to change it by meeting and negotiating honestly and seeking solutions to our problems. We know that the Constitution must be amended. It was amended several times in the past and will again be in the future. There is probably not enough flexibility in this area. The Russians have just amended theirs. They did it by a show of hands and they immediately sent it to the moon. I think it did not get there, for that matter. But, in any case, the Constitution can be amended, and, as I suggested, there has probably been too much rigidity in this area. But I do not think it is possible to continue playing this game of hide-and-seek. We are going to separate or we are not going to. That is the basic issue. Once it has been dealt with, it will be time for the constitutionalists, the specialists, to try and correct what is wrong in our constitutional structures. But not under the threat of a separation that nobody has been elected to bring about—I repeat, that nobody has been elected to bring about.

When I read some of our newspapers, I get the impression that that is what was decided on November 15 and that the problem has been solved. I am sorry, but that was not decided on November 15.

So it will take a lot of co-operation on everybody's part. I think the Senate can certainly provide a worthwhile co-operation. The idea put forward by my colleague, Senator Frith, is quite acceptable to me. I do not see why we should not try to re-think our role in this whole government process. I am thinking of the role of the Senate. Perhaps that could be dealt with and we could look for a way to correct and amend our instruments of work. None of those things are impossible to do, but they can only be done in a serene state of mind. I do not mean that there will be no tensions. There are always tensions wherever you have overlapping jurisdictions. Municipalities apply pressure on the provinces, the provinces apply pressure on the federal state. So one must not expect that there will be no tensions but those tensions must be productive. They must benefit the country as a whole, and the only way to do that is to meet in frank discussions.

I suggest we must stop dreaming in colours. I am sick and tired of these people who are doing everything they can to destroy this country and then, the next day, represent it to me in an unrecognizable way, for I know it is impossible to do what they are saying. It is impossible from an ideal point of view, still less so with a country which is already organized, with ties between its various parts and indeed with the United States, a country which has always behaved and still behaves according to basic principles. In my opinion, we must start from there. I feel that we should all together try to convince Mr. Lévesque to hold his referendum as soon as possible, so that we may finally know where we stand and shed our poker faces, because we have no indication as to what tomorrow may bring.

Therefore, honourable senators, I take great pleasure in supporting the motion introduced by Senator Frith.

Senator Flynn: I move that this debate be adjourned until next Tuesday. Until then, we shall have ample time to think this matter over.

On motion of Senator Flynn, debate adjourned.

[*English*]

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, October 20, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of a Memorandum of Understanding between the Department of National Revenue, Taxation and the Department of the Solicitor General of Canada, with respect to combatting Organized Crime through prosecution under the Income Tax Act, dated April 27, 1972.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today, it do stand adjourned until Tuesday, October 25, 1977, at 8 o'clock in the evening.

Honourable senators, before the question is put I should like to give a brief outline of the work for next week. We shall continue with the Throne Speech debate and the debate on Senator Argue's inquiry calling the attention of the Senate to the interim report of the Standing Senate Committee on Agriculture, which was authorized in the last session of Parliament to inquire into the desirability of long-term stabilization of the Canadian beef industry.

Motion agreed to.

ALASKA HIGHWAY PIPELINE

PLANNING AND CO-ORDINATING AUTHORITY—QUESTION

Senator Lucier: Honourable senators, I have a question for the Leader of the Government in the Senate.

What has the government done to create immediately a pipeline authority to co-ordinate planning and programs involving the Alaska Highway pipeline? Has there been, or will there be, Yukon involvement in developing the single regulatory authority?

Senator Perrault: Honourable senators, I must take that important question as notice. I hope that it will be possible to have a reply during the coming week.

BUSINESS OF THE SENATE

LEGISLATION—QUESTION

Senator Olson: Honourable senators, in relation to a question I asked yesterday, the Leader of the Government said he would be prepared to reply before the Senate adjourned this week. My question related to the number of bills it is proposed to initiate in the Senate.

I am wondering whether it is too early to ask for that reply now.

Senator Perrault: Honourable senators, unfortunately, the government house leader in the other place is ill. It is hoped that he will be restored to his usual vigour and good health very shortly. Because the essence of the honourable senator's question is primarily a subject for discussion between the house leaders in both places, there has been a delay in obtaining an answer to the question posed by the honourable senator. Hopefully at the beginning of next week we will have a better idea of where our legislative program lies.

Senator Flynn: Did you say "subject to discussion" or "subject to disposition" by—

Senator Perrault: The word, of course, is "discussion".

AGRICULTURE

"RECOGNIZING THE REALITIES: A BEEF IMPORT POLICY FOR CANADA"—INTERIM REPORT ON CANADIAN BEEF INDUSTRY—DEBATE ADJOURNED

Hon. Hazen Argue rose pursuant to notice of October 19, 1977:

That he will call the attention of the Senate to the interim report of the Standing Senate Committee on Agriculture, appointed in the last session of Parliament and authorized in that session to examine from time to time any aspect of the agricultural industry in Canada, on its inquiry into the desirability of long-term stabilization in the Canadian beef industry, entitled: "Recognizing the Realities: A Beef Import Policy for Canada", tabled in the Senate on Friday, 14th October, 1977.

He said: Honourable senators, I am very pleased to speak in the chamber at this time with regard to this report.

● (1410)

This report is the result of a tremendous amount of work done by members of the committee—that is to say, by the senators who are members of the committee; by our research staff, Mr. Albert Chambers and Mr. Rick Andrews, by Mr. Len Christie of the Research Branch of the Library of Parliament, and by the people who appeared before that committee. I should also like to acknowledge, in particular, the contributions made in releasing the report by Senator Molgat, who held a press conference in Winnipeg, and Senator Sparrow, who held a press conference in Saskatoon. Senator Hays had

hoped to be able to hold a press conference in Calgary but was unable to do so.

The report was also made possible by the generous support given the Agriculture Committee by the Senate itself, by the members of the Internal Economy Committee and, in particular, by Senator Perrault, the government leader in the Senate who encouraged and supported us in proceeding with this inquiry.

I should also like to add that this is a non-partisan report which has the support of all the members of the committee. In that connection, I acknowledge the work done by Senator Yuzyk both in the committee itself and on the steering committee during the time the report was being prepared. I know it is somewhat dangerous to name specifically certain people because it is always possible to overlook others who made an equal contribution. However, the acknowledgements are in the report itself, which mentions the senators who travelled west, namely, Senator Michaud, Senator Norrie, Senator Belisle, Senator Hays, Senator Sparrow, Senator Molgat and myself. I shall also mention Senator A. H. McDonald who assisted in drafting the report.

This is the third report to be presented by the Standing Senate Committee on Agriculture. The first report had to do with Kent County, and I suggest that the beneficial effects of that report are still being felt, and will continue to be felt and to bear fruit in the days ahead. The second report had to do with crop insurance, the main result of which was to give producers in the three prairie provinces access to an improved and more uniform type of crop insurance.

I hope that this report, as we discuss it in the chamber and with the Government of Canada, provincial governments and the producers' organizations, will result in the same kind of acceptance and the same kind of implementation.

This study was undertaken not in any frivolous way, but because there was a very serious problem which had developed in the Canadian beef industry over recent years. Up until perhaps 1973 the trend had been for beef prices to go up. Cattle production in Canada had been going up, and then, in 1973, a freeze was imposed by the Government of the United States on beef prices in that country and the American cattle producers reacted by not sending their cattle to market. As a result, there was a very large market in the United States for Canadian cattle, and our cattle went into that market. When the controls came off in the United States, the trend was reversed, and there developed an unstable market with, in one instance, the cattle going south and, in the other instance, the cattle coming north. Beginning at that time, and aggravated by the whole DES controversy with regard to hormone feeding of cattle for extra gains in weight, difficulties came about in the beef industry by way of prices. There have been intermittent periods when quotas have been imposed and then removed; when the Canadian government has removed all tariffs against United States cattle and then restored them; and when the Canadian government has doubled those tariffs and then reduced them.

The beef business became so disorganized that the federal government had to bring in legislation to provide a certain measure of stability, but that was not done in a particularly certain and clear fashion because the support prices that were provided could vary between 90 per cent and 100 per cent of the prices obtained in the previous five years. There was uncertainty as to the amount of the support price and the level of the support price. There was uncertainty as to the number of cattle that would qualify for the support price. Some said there should be a limit; some said there should be no limit whatsoever. So, while these measures have been made effective, there has at times been a limit on the number of cattle that a given owner could qualify under this program.

It has been a hodge-podge. It has been a mixed-up situation, and during the whole period of time cattle prices fell to an exceedingly low figure. Now, while there has been a modest or moderate improvement in cattle prices recently in this country, probably in substantial measure because of the current discount on the Canadian dollar, the industry remains in a depressed and uncertain condition.

Almost without exception, the spokesmen for the industry who appeared before the committee agreed that there should be on the statute books of this country an import law that would outline the imports to be allowed into this country in a normal situation, that would tell the producers what they could look forward to by way of retaining a reasonable share of the Canadian market, and that would make it impossible in future for a situation such as that which developed in 1976 to develop again in this country. Last year huge quantities of beef from New Zealand and Australia came in and severely depressed our own market. At times it was selling at 27½ cents per pound under the price of the same product coming from the same countries and placed on the United States market. That raised hell with our markets. The producers understood what had happened. They came before the committee and repeated the representations they had made to the government when they asked for a beef import law.

The terms of reference of the Agriculture Committee are broad. We have to go beyond this interim report which deals with imports and an import law, and deal with the whole question of stabilization, and look, perhaps, at the grading system, at the marketing system and at the information system. But this report, while it is only an interim report, is nevertheless a major report and it does cover the beef industry in depth.

One of the questions asked most frequently—I believe Senator Hays asked it of every single witness who came before our committee—was: Do you think we should have a beef industry in Canada? The second most frequent question was: Do you think we can compete?

Well, our beef industry is obviously important to the beef producers, but we think it is important to the nation as a whole. The income from beef, in terms of agricultural products, is second only to the income received by the grain producers.

The meat packing industry of this country is a major industry. It is the largest single food industry in Canada. It is the third largest manufacturing industry, exceeded only by the automobile and small appliance industries.

● (1420)

In 1971 the beef industry contributed 12 per cent of the gross national product. I suggest that the most important part of the beef industry are those tens of thousands of beef producers all across this country. We consider it to be such a major industry, and so important to this country, that it behooves the Canadian government, the provincial governments, the House of Commons, the Senate, and all those interested in the national welfare, to ensure that beef producers have policies which will enable them to stay in business.

No beef producing country in the world that I know of, or have read about, takes the attitude: We will open our borders, we will let everyone ship into our country without quotas or restrictions, because we believe in free trade. No country that I know of is doing that. If any did, it would wipe out its beef industry. Our beef industry would not last more than a couple of years if we opened our doors without restriction to countries which obviously have lower costs of production.

We consider it important to keep our Canadian beef industry, an industry supported by 24 million acres of grain and hay, and by 45 million acres of pastureland. Would we consider for one moment letting this part of our nation go barren because we said we were going to give away the beef industry, because of short-sighted policies, to suppliers in other countries?

Therefore, after looking at the whole question very thoroughly and having held hearings in many parts of the country—there were nine public hearings across Canada, and many hearings in Ottawa—we have brought forward certain proposals.

Honourable senators, we sometimes wonder how the public views the Senate, whether it gives us any credence, and whether it considers us of any importance in the public life of this country. I wish to say that beef producers without exception—and that includes approximately 1,800 who attended our meetings—were pleased that senators had given them an opportunity to air their views. At all of the meetings, and in all the representations, not one single word of criticism of the Senate as an institution was uttered. They were glad we were there; they appreciated the opportunity to present their views; and they felt that what the senators were doing was important to them.

The Senate may or may not be considered in the best light in certain areas, but I suggest that leaders of agriculture in this country look to the Senate to provide a forum for their views; they look to knowledgeable and sympathetic senators, who are present in this chamber in large numbers, to present their views and to take action wherever possible on their behalf.

I believe that our report looks at the questions reasonably and sensibly. We are promoting policies that should lend themselves to sympathetic consideration by the government.

The first thing we propose—something which, I suggest, is pretty simple—is that we should have a policy, that we should not proceed without a policy, and that the policy should be a long-term one.

The second suggestion is that there be established basic quotas on imports into Canada based on long-term averages of a nation's access to our market, in such a way as to reflect their historic position and to be fair both to their producers and our own. Those quotas should be known and placed in the law so that each country involved will know exactly where it stands.

We are not suggesting that there should be rigid or fixed quotas. When these quotas are established—based on an historical average calculated over the period from 1967 to 1974, which is a period covering years when we were net exporters of beef and years when we were net importers of beef, and which, in our opinion, is a reasonable and fair base period to take—we suggest that for the future they should be adjusted upwards when beef consumption in Canada on a per capita basis increases. If we eat more beef in Canada, we can allow more imports. Also, as our population goes up, we can allow more imports in relation to our increase in population. We should not try to produce everything ourselves. We should work with and co-operate with our neighbours and friends in a fair and reasonable fashion.

However, we have also put forward a third factor, which is along these lines: when the production of beef goes up in this country, we should reverse the policy that we have tended to have, and the policy that the Americans have expressed in their beef import law, namely, that when domestic production goes up, imports go up. We think this should be reversed. We think that when our own production goes up, there should be fewer imports. That only stands to reason. When we are producing more ourselves, or when we are producing a relatively larger proportion of our own market, we should accept less from the United States, Australia and New Zealand.

I do not want to give too many quotes today, but I was most interested to hear the recommendation of the Honourable Marvin Moore, the Alberta Minister of Agriculture, that:

> The Government of Canada should impose annual global quotas (with quarterly limits) on imports of live and processed beef.
>
> Quotas for live and processed beef exports from the United States should be established to guarantee equal market share, if possible.

In other words, the Minister of Agriculture of Alberta recommended that our quotas should not apply only to Australia and New Zealand, but should apply in a fair manner to all of those nations, including the United States, our good friends, who have access to our market.

We have suggested that there should be a very modest increase in the tariff. I do not think we put that forward as

such an important proposal that everything else hinges on it, but we think it is important, nevertheless. The high cost of producing beef in Canada, as compared to that in the United States, was pointed out to us so frequently that we had to be impressed. If you think of our climate only, it is certainly a fact that we have six months of winter in many parts of the country, during which the cattle have to be housed and fed, making it necessary to put up feed in the summer in order to feed the cattle in the winter. Certainly from that point of view alone we have much higher costs of production than they do in the United States, where the climate is milder, and where, in some parts of the country, there is grazing for 12 months of the year.

The statistics produced by our research people suggest that the cost of producing calves is 10.54 cents a pound higher in Canada than in the United States, and that the cost of feeding in certain parts of Canada—for example in Alberta, as compared to Nebraska, a central state—is some 6.99 cents a pound higher in Canada. It seems, therefore, that a five-cent tariff on a continuing basis would be a reasonable position for Canada to take. The tariff is now three cents a pound, so the suggestion that it be increased to five cents is scarcely a revolutionary one and, in our view, is realistic.

In recommendation 4 we suggest that provision be made for the levying of additional duties, and this is probably the crux of the whole report. The committee recommends that there be established a guide price for Canadian beef—a price that we think is reasonable and fair. If the domestic price for beef, and the return to the domestic producer, should fall below the guide price, then the amount by which it falls below the guide price should be added, by way of an additional levy, to the existing tariff. If the price of our beef is ten cents a pound below the guide price, for example, then an additional five cents a pound should be added to the tariff of five cents. It seemed to us that this was a way of fine-tuning our trade situation to reflect a reasonable return to the producers.

● (1430)

The next recommendation has to do with a maximum guide price. We said that we felt the beef producers of this country were fair-minded people. To demonstrate their fairness, if they get some protection from their returns falling below a reasonable figure, they should be prepared to tell the consumers of this country that, if the price of beef should start to rise to a point that seems particularly high or unreasonable, they will accept additional imports into Canada. Those additional imports would influence the price of beef and maintain a reasonable price in Canada—reasonable to the producer and reasonable to the consumer.

When the Canadian Association of Consumers appeared before the committee, we did not expect them to carry the ball for the beef producers. We did not expect them to make a submission that was identical to that of the beef producers. But I was impressed with the fact that they took a generally reasonable attitude. They want us to have a beef industry. As I understood their testimony they want the beef producers to be reasonably prosperous. They want the legitimate rights of the consumer protected. They want to make certain the consumer is not exploited by way of high beef prices, and the producers are not exploited by higher prices for other commodities. We think that is a reasonable position, so we inserted this recommendation, and hope it will give some assurance to the consumers.

Whenever you make proposals with regard to the export and import of beef, you are immediately confronted with somebody saying, "Well, it would be fine to do it, but it is against GATT." The General Agreement on Tariffs and Trade has two clauses to which people refer in this regard. One is clause 11. To paraphrase, it says that no country should be allowed to prevent or to control imports of beef unless there is a government program of supply management in effect. If there is no supply management program, then you are in contravention of GATT. The second provision in GATT to which I refer is that if there is temporary trouble or there appears to be a temporary emergency threatening an industry, then action can be taken on a temporary basis in order to prevent such serious injury.

In Canada we say that because of GATT we have to be careful. We do not seem to know that we can have global quotas, that we can have variable tariffs, that we can have a permanent policy in law that gives our producers some assurance.

What do the rest of the nations of the world that are in the beef business do about these provisions in GATT? One of the largest countries by way of production and by way of market is Japan. For many years, with the provisions of GATT being as they are now, Japan has had quotas on imports. The policy of the Japanese government is that 80 per cent of the beef consumed in Japan has to be produced in Japan, and their quotas reflect that policy. They have guide prices to assure reasonable returns to their producers. The Japanese have provision for the government to step into the market and buy up beef if the price starts to soften below the guide prices. If you read GATT in a technical way, then Japan honours it in the breach—and in the breach on a permanent and continuing basis.

What about the European Economic Community, that huge empire of, I believe, some nine nations who have banded themselves together? They have a beef policy which sets uniform guide prices for all of the Community. If the prices begin to fall below the guide prices, intervention is taken in the market; beef is purchased so that the price does not continue to fall. They establish what they call intervention stocks of beef, purchased by government agencies. If the price of beef falls below the guide price they bring in a tariff, an extra import duty, equal to 100 per cent of the difference. They go a little bit further. They say they will maintain additional duties until the price gets to 106 per cent of the guide price. In other words, even when the producers there are getting something better than the guide price, they still have a measure of protection.

They have also provided export subsidies so that their exporters could compete more effectively in the export market;

they have had subsidies up to 25 per cent of the value of the products. To those who wish to import beef into the European Economic Community, they say, "We will give you a quota to import beef provided you buy an equivalent amount of beef from the intervention stocks." In other words, if you bring beef in from outside you have, by law, to help reduce the supply of beef in the country. That is really quite a policy.

The duties I have talked about are in addition to their other normal duties. They have *ad valorem* duties of 16 per cent on live cattle. Our duty is one-and-a-half cents per pound on live cattle compared with their 16 per cent *ad valorem* duty. On fresh chilled frozen beef their duty is 26 per cent. They have global quotas of some 34,000 tons, which, if my arithmetic is accurate, works out to 75 million pounds for perhaps 250 million people. In other words, their quotas are, in a relative sense, very meagre, very small. Today Canada's quota is 144 million pounds—that is the amount allowed into our country—of boneless beef and beef as meat for this year.

I think we have really bent over backwards in saying we are going to follow GATT to the letter of GATT. Nobody else follows GATT. By following the letter of GATT instead of the practice—and I think the practice is the more important thing—we as a nation have been sacrificing the welfare, income and livelihood of the beef producers of this country. The report of our committee suggests that that situation should come to an end.

One of the questions we face as soon as we make this kind of recommendation is: What about the Americans? What about the American market? We need the American market for live slaughter cattle at times. We need the American market for feeder cattle at times, at some times to a greater extent than at others. We need it for western feeders. The proposal put forward by the committee in no way, in our judgment, would make it more difficult for Canada to export into the United States market.

Obviously, we do not initially affect our own exports. We are saying to the United States, "We are prepared to give you an historical access to the Canadian market based on what you have been sending into our market over the years. In return, we would like you to provide us with the same kind of general historical access to your market." But let us not have 125,000 head of Canadian cattle going to the United States in 1973, for example, and 10,000 head going there in 1974. It does not make any sense. Let Canada not contribute to the troubles of the American nation by being a kind of intermediary, taking tens of millions of pounds of cheap beef—at 27 cents a pound under the United States price—from Australia and New Zealand and being a halfway house for sending it down to the United States to help destroy their market while we are destroying our own market. It is far better in our judgment to have reasonable quotas with regard to the United States based on our historical position, just as we would accept reasonable quotas from them based on our historical position. We say, "Put them in the law, make them flexible with consultation and make them changeable with consultation, but let us know where we stand."

• (1440)

This is something we are not able to quickly settle necessarily to the satisfaction of every farm organization in Canada. Some may think we have gone too far; others, those who think we require rigid supply management, will think we have not gone far enough. However, I was amazed and impressed to read a submission by the National Cattlemen's Association of the United States, by the chairman of their foreign trade committee, Mr. Peter E. Marble, to the United States International Trade Commission, a body of the American government. I have two or three brief quotes to which I would like to refer. I am quoting Mr. Marble, who is making reference to a new meat import act as it was proposed by the National Cattlemen's Association:

> The act should be amended to include all beef and veal, regardless of form or origin.

In other words, live beef and live veal, no matter where it comes from.

Canadians used to think that we had a particular privilege with respect to the United States, that when they established quotas they did not affect Canada. That privileged position, or special category, has gone by the board. The United States now treats us the same as every other importer into that country, and imposes quotas against Canadian meat.

Mr. Marble continues:

> If the objectives of the import law are logical—and we think that they are—then it is only logical for the law's coverage to include all forms of beef and veal. The quota—

He is talking about a quota in the proposed new beef import law for the United States:

> The quota should be adjusted automatically on a counter-cyclical basis so that imports are permitted to increase when domestic supplies are limited—

The fewer domestic supplies, the more imports.

> —and prices are high and are required to decrease when domestic production is cyclically excessive and market prices are depressed.

That is in line with our recommendation.

> We would recommend that a representative historical average of shipments be established and that imports of live dutiable cattle not exceed an agreed per cent of that figure without consultations.

Then he goes on—and I believe we could say Amen to this—to say:

> Our beef industry should have fair access to beef markets in other countries, just as this nation provides cattlemen of other nations with access to our markets.

Taking that stand of the National Cattlemen's Association in the United States, and knowing the position of the European Economic Community and of Japan, I suggest to you that by adopting the kind of policy we are proposing in this report Canada would stand in a firmer and stronger position in negotiating with the United States for access to their market,

because we would be doing it on a reasonable, logical and a prior-agreed-to basis.

To get the support required in Parliament for this type of proposal we obviously must have the support of the government. Therefore, I am pleased that we are in the process of arranging informal meetings between the members of our committee and the Honourable Eugene Whelan, the Minister of Agriculture, and the Honourable Jack Horner, the Minister of Industry, Trade and Commerce, so that we can present to them for purposes of discussion the proposals that we have put forward in this report. I have been in public life in this country for a long time, and I do not expect that everything I try to do will receive general acceptance. Very often I have faced much opposition to the proposals I have made. Nonetheless, when one thinks he has something worth presenting, it should be done as well as possible, and he should stick to his guns and see what happens. This report, I am proud to say, has received support from many farm organizations in this country, and from some of the most important elements of the farm organizations. I was thrilled to have brought to my attention a press release issued by the Canadian Federation of Agriculture with regard to this report on, I believe, the very day—October 14 last—that it was tabled in the Senate. I quote from that press release:

> Canadian beef producers will be greatly heartened by the recommendations of the Senate Committee on Agriculture for the beef industry of Canada, Charles Munro, President of the Canadian Federation of Agriculture, said today.
>
> The basic position of the Committee, that steps must be taken to develop a beef import policy to fairly protect the interests of the industry in reasonable security and stability of returns, is one the Federation endorses, Mr. Munro said. A definite and orderly long-term policy to give importers fair access to our markets, but to regulate the volume of those imports in such a way that producers in Canada can plan with some confidence that their returns will not be unfairly depressed by imports in excessive volume or at excessively low prices, is strongly favoured by beef producers in Canada. The Committee calls for special legislation to set up such a long-term policy.
>
> The Canadian Federation of Agriculture will be intensively studying and discussing the details and implications of the very challenging proposals of this important Senate report, Mr. Munro stated, looking to the development of a considered response and policy which will be the basis of ongoing discussion with the Government.

To conclude, I thank all those senators on the committee who took part in the hearings and in the formulation and presentation of this report. We all worked hard on it; we think it is a good report. We think, in line with the title, *Recognizing the Realities: A Beef Import Policy for Canada*, it states the world situation as it is. We shall continue from this time forward promoting this policy in our country in the hope that action can be taken in the interests of the beef producers and in the interests of the nation as a whole.

Hon. Senators: Hear, hear.

Senator Hays: Would the honourable senator permit a question? What position did the committee take on purebred cattle and breeding stock?

Senator Argue: I thank Senator Hays for that question. We felt that it was in the interests of the beef and dairy industry throughout the world to have the largest level of improvement in production of milk, milk products and beef, and that as far as purebred and breeding animals are concerned, to improve the stock of any nation in the world, there should be no duties, no quotas. There should be free trade. Wherever necessary, negotiations should be carried on toward that objective so that herd improvement in all countries can be facilitated.

• (1450)

Senator van Roggen: I wonder if I might be permitted to put a question to the honourable senator.

In your opening remarks you said that the beef industry was the second largest industry in Canada, next only to the automobile industry.

Senator Argue: If I said it was the second largest, I was in error; I meant the third largest. As I understand it, the automobile industry is first, followed by the small appliances industry. The meat processing industry is third.

Senator van Roggen: Do you have any idea of the approximate gross figure of beef and beef cattle production in Canada?

Senator Argue: In 1976 the value of the Canadian beef herd was about $3 billion. I do not have recent figures on the value of beef production *per se*.

Senator van Roggen: Is it too early yet for you to give any assessment as to the effect on the beef industry of the decline of the Canadian dollar, which decline now represents approximately twice the proposed tariff of five cents per pound as recommended in the report?

Senator Argue: I could make a guess, but I do not think my guess would be any better than that of anyone else's. Obviously, a devalued dollar tends to decrease beef prices. Whether it is as automatic as it is with other commodities, such as wheat, which is basically an export commodity, I cannot say. Certainly, it tends that way.

One might now say that the proposed tariff is not needed. We thought of that. At times the Canadian dollar appreciates; at times it depreciates. There are times when it is worth more than the American dollar and times when it is worth less. We thought there may be reasons to vary the tariff. However, for the purpose of clarity and permanence, we were of the view that there was merit in having a figure that remained constant.

Hon. H. A. Olson: Honourable senators, I should like to begin my intervention, which will be relatively brief, by commending the members of the committee, particularly the chairman, on this interim report. I feel certain, as does Senator Argue, that the recommendations within this report are going

to receive wide acceptance by producer groups all across the country.

It is clear that this interim report deals primarily—in fact, almost exclusively—with import and export trade policies respecting beef. Certainly, that is where the focus of attention has been on the part of the beef producers themselves as a result of the low prices experienced during the past few years. For that reason it was appropriate for the committee to have taken the extra effort to prepare an interim report. I think it is equally important, given the current preliminary negotiations respecting the terms and conditions of GATT, for this report to go forward at this time. I do not think the chairman, or any other member of the committee, need apologize because at this juncture some of the recommendations may be interpreted as a violation or a variation of the terms and conditions of GATT. I do not think that GATT has the same status as the tablets of stone from the mount. The terms and conditions of GATT are not written in stone. They can be changed. Indeed, many of the provisions in the General Agreement on Tariffs and Trade ought to be changed, if for no other reason than the fact that some countries rather meticulously live up to them while other countries have found ways of circumventing them—and the beef industry is a good example of this—to the extent that they are really meaningless. Given the various interpretations, it is hard to believe that one is a signatory to the same agreement.

So I see no problem if the Committee's recommendations are at slight variance with some of GATT's terms and conditions. Many of them should be changed anyway, and this would be a particularly appropriate time because the General Agreement on Tariffs and Trade is now under scrutiny. Hopefully, this will lead to some modifications.

Honourable senators, I obviously have some reservations, given the nature of some of the recommendations, about the administrative problems. I am sure members of the committee do too; but, for the reasons I have stated, I think it is appropriate to come forward with these recommendations, notwithstanding that there could be some problems, in a general way or in a bilateral way, with some of the countries in making them administratively feasible while still attaining the desired results.

I should like now to turn to another subject matter, and that is the pricing mechanism within Canada. I consider this to be an equally important part of the task assigned to the Agriculture Committee, although it is not dealt with specifically in this report.

I was not a member of the committee during the last session. I was not summoned to the Senate until late in the session, but I did attend a number of the committee's meetings. I know that the committee endeavoured to call knowledgeable people directly involved in the brokerage and the wholesaling and retailing aspects of the Canadian beef market. Some of the witnesses did refer briefly to the pricing mechanism, but we really did not have a thorough examination of this aspect. As I said, some indications came through, and other organizations in Canada have investigated this aspect or have at least attempted to understand how the pricing mechanism works today.

It seems reasonable that if improvements to a system are going to be made, there should be an understanding of how the existing system works. You would be amazed at the number of people directly involved in the beef business who do not know how the price-setting mechanism works today. The August issue of *Cattlemen*, the beef industry magazine, gives a brief outline of how the pricing mechanism works today. When one looks at that article, especially in light of what some of the witnesses said in committee, one is amazed by the almost unbelievable biases that are in the system now. One of the most asinine or stupid things is that most of the beef sold in the Montreal market is shipped out of Alberta, and it is rolling towards Montreal—some of it may be in Winnipeg or in Sudbury or at other points—before the producers know what the selling price is going to be. In the beef business, as in other businesses, there is a rule that you either sell it or you smell it. If there is no purchaser of the beef by the time it gets to Montreal, the holder of the inventory—whether it be a broker, a chain store, or whatever—gets into a more distressed position hour by hour. It does not take any great understanding of the beef industry to know that that is the way the beef industry is running in Canada today. Let me read from this magazine so that you will see that my interpretation of what some of the witnesses told us is correct.

● (1500)

> Killing and shipping also continue on Wednesday.

They have already been shipping on Monday and Tuesday without any sales, or at least without a price on the sales.

> The Tuesday kill is generally fairly large and must be shipped on Wednesday morning to clear cooler space.

That is in western Canada.

> These orders, whether standing orders or orders offered in the week's trade are shipped without a committed price—

That is something we simply have to take seriously. I do not think there is a villain, whether it is the packing houses, the broker, or anybody else, who has set up this thing. I think the system has evolved on the same basis as all other forms of commerce, and that is that you want to buy at the lowest possible price. But in this case, honourable senators, there is a built-in tendency by everyone involved in the trade to beat the price down at every stage, because they do not own the inventory. And if one or other of their competitors should be able to buy his beef the next day, or a few hours later the same day, at a lower price, then of course they are in great difficulty. So the buyers wait as long as they possibly can before they agree to a price. They even wait until Thursday or Friday, according to this article, and in the meantime the beef has been rolling since Monday from western Canada, particularly from Lethbridge and Calgary. Whether we like it or not, it is the price that is set between Lethbridge, Calgary and Montreal that determines the price of beef for the week in all other

markets in Canada. That is because Montreal happens to be the largest single market.

So I suggest to you, honourable senators, that that is one reason why we need to have a good hard look at this. We certainly need to come up with some recommendations soon, and particularly in the final report.

It is also a fact—and on this point we have heard evidence—that the producer does not have any direct influence at all on the price of his product. In the long term the producers can hold back, if they are organized enough to do that, and "short" the market, but you cannot hold back very much beef once it has reached market weight because the expense of keeping cattle every day after that is prohibitive. And so the producer has no influence at all on the price of his product.

Therefore, I think it would be a very important improvement in the whole structure if we in this chamber and in the committee could find a way to ensure that some of the other people involved in the trade owned some of the inventory from the time it left the shipping plant. It seems to me it is very easy to understand that if someone has no interest in the inventory, and if he is afraid that one or other of his competitors will get a price that is a quarter of a cent or half of a cent cheaper in any given week, then he has a built-in prejudice, bias or desire—whatever you want to call it—to keep on hedging deeper and deeper, and all the while the price is being beaten down. But if he owned the inventory; if, for example, he had to buy it before it was loaded on the cars in Alberta, then from the time that invoice is made out and that beef is put on the cars he would have a vested interest in keeping the price at least that high. What is happening now is just the reverse.

Many people accuse me of being the strong advocate of hard, rigid marketing boards, and I tell you that I am not that at all. But I think the producer ought to have something to say about what his price is going to be, and if it requires some federal or provincial legislation to enable him to have an influence on what his product is going to sell for, then I think such legislation should be forthcoming. There does not need to be anything as rigid and all-encompassing as a full-fledged marketing board. All that is needed is some kind of authority that would require that the price be set when the beef is loaded and shipped so that the price is not beaten down all the way during the week. I say that, honourable senators, because this is not the first time we have run into this problem.

When I was responsible for the Department of Agriculture in this country, we had the same problem with vegetables coming in from the southern United States. They would do exactly the same thing. They would sell what they could, but if they had an extra amount of lettuce, cucumbers or tomatoes for which they did not have firm orders, they would go ahead and ship it anyway. It would start rolling toward Chicago, Detroit or Buffalo, and the closer it got to the Canadian border, if it had not already been sold, the price would start to slip. The people holding it would be willing to take a lower and lower price so that by the time it got to the Canadian border it was almost a dumping or sloughing-off operation, based on the theory of getting out from under at whatever price one could get.

The net result of all that was that our vegetable producers in many seasons of the year were subjected to the lowest dumped price. Do not misunderstand me; it does not quite fit the definition of "dumped", because this produce would be offered to United States buyers at a lower price too, but a great deal of it came into Canada at a price that was much lower than the average price at which it was being sold in the United States. Canada is the next place you get to after you have passed the big markets of Chicago, Detroit and Buffalo. The unsold vegetables can be taken on to Toronto and Montreal, and by that time the owners are ready to unload them at any price they can get.

We did institute a policy—and it was not all that involved—whereby we simply said that if these cars of vegetables were going to come across the Canadian border they were going to carry a shipping bill and an invoice so that the price when they left the producer's warehouse in Texas, Arizona or California would be known. We were not going to allow those dumped cars into Canada. As I say, I use the word "dumped", although some people will argue about it.

The same situation applies to beef, honourable senators. As I said, it would be nice if all the producers and the packing houses in Alberta and Saskatchewan got together and said, "Look, this past practice is going to end. In future if you want us to ship the beef, then you buy it. We will have an agreed price on a particular date, and we will put it on the invoice and then we will ship." That would be nice, but I do not think it is going to happen. So, some other method will have to be introduced so that the producer can have some influence on what the price is when the beef is loaded. I am sure that everybody—Steinberg's, Loblaws, Dominion, the brokers and the packing houses—would then have a vested interest in maintaining the value of that inventory from the time it is loaded until it is sold, which is exactly the opposite of the present situation.

● (1510)

Honourable senators, I understand there will be certain witnesses appearing before the committee who have intimate knowledge of how this system works, and I raise this point because I hope it will be the major thrust of the next interim or final report of the committee. In my view, it is as important as the import-export policy. We must put some sense back into this marketing system so that the bias is at least neutral, if not in favour of the producer. It is certainly against the producer at the moment.

Honourable senators, I realize this is not the Throne Speech debate, but there is one passage from the Speech which causes me concern because it has to do with all of this marketing system and its evolution in Canada. The passage which disturbs me goes on to talk about a national food conference and other things, and then follows this one sentence:

> The Government will ensure that the views of producers, processors and consumers are adequately represented on

marketing boards and agencies, so that they may operate more effectively.

Well, that sounds innocent enough, but when we briefly examine what a marketing authority, agency or board is, we realize that it is supposed to be an agency set up by the producers and elected by the producers for the purpose of administering the means by which those producers will sell their services to the rest of society. There is no other purpose that I know of. If we are to have representatives of consumers and other people on such boards to decide the prices and the other terms and conditions for farmers selling their services to the rest of society, why do we not insist that there be such consumer representation on professional boards that set the schedules of fees that those professions charge for their services to the rest of society?

I know there are many lawyers in this chamber. I do not believe they have any consumers on the boards that set their schedules of fees. I do not believe dentists have consumer representation in the setting of their fee structures either.

Senator Argue: Or the banks.

Senator Olson: And what about labour unions? Do they have adequate consumer representation on their boards when they make demands for price increases in respect of their services to society? It may be a good idea, but why single out the farmer and leave everyone else alone?

If we are going to travel down this road, I suggest we change some of the acts governing professional societies, and some of the labour laws so that there can be consumer representation on the negotiating teams as well. I say that because the function and ultimate objective of a marketing agency is exactly the same as that of a negotiating team for a profession or a labour union. In our society, with its economic structure as complex as it is today, I am not sure it would not be a good idea to have some other interests represented on these negotiating teams and bodies. Philosophically and in principle, it may be a good idea. But let us not single out the farmer for this kind of treatment; let us make it universal.

Senator Argue: Hear, hear.

Senator Olson: If the occasion arises, I may refer to this matter again during the Throne Speech debate, but I felt I should raise the point now because, undoubtedly, when the committee holds further hearings, the matter of the structure, the function, the purpose and the magnitude of marketing agencies will arise from time to time, and we will obviously have to take the matter into account. It is because the reference in the Speech from the Throne is to agriculture only that I thought I should raise the matter now.

Honourable senators, I conclude by expressing appreciation and commendation to the members of the committee who have made an intensive analysis and come up with reasoned and sound recommendations regarding the import-export situation. I hope we can now get on with the job of analysing the domestic marketing structure as well, and making thorough recommendations with respect to it.

Hon. J. J. Greene: Honourable senators, may I take the liberty of returning the compliment and commending the chairman of the committee not only for the efficacy of the result but for the fact there is a result at all.

I think most of all I was struck by the fact that, unlike many more timorous souls, he did not despair of the institution of the Senate and its committees as an instrument of reform. When more timorous souls have come to the conclusion, "Well, the press and the country at large do not care much what the Senate is doing, and we will never bring about any reforms by means of the Senate," the chairman never lost faith in the concept that through the instrumentality of a Senate committee we can achieve reforms of an important nature, such as he has suggested here.

It was only Senator Argue's faith and confidence in the Senate that resulted in this report, and for that he certainly deserves our commendation. I believe other committee chairmen, and all senators, might learn a great deal from his example, and that much can be done by the Senate if we use the instrument as we have it—reformed or unreformed—and if we use the rules as we have them. It may also be that our standing in the country is much higher in certain areas than many of us have appreciated.

With respect to the substance of the report and the speech of the chairman of the committee in presenting it to us, there was one point that did concern me. He referred to the fact that, prior to issuing a final report, he would consult further with provincial governments, with producer groups and with others. I hope he will consider consumer groups, trade groups within the food industry trade, and the concept of the Throne Speech that the old way of confrontation—which has generally been the way of confrontation between producer and consumer—is not the best way in the long run for either the producers or the consumers of this country. In getting together and working out the problems, I believe we can convince Canadian consumers generally, apart from the associations, that a healthy beef industry is in their long-term interest.

● (1520)

We must remember that things being as they are, the fourth estate largely comes from the large industrial cities, the consumer areas, and there is a continuing tendency for its members to make judgments to the effect that anything that is good for producers is necessarily bad for consumers, and they report it as being something iniquitous. Whether it is a marketing board or government plan, if it is going to help producers it will necessarily hurt consumers. The fourth estate may not be a producer in the agricultural business, but it is the number one producer in Canada in the agricultural fertilizer business, so I believe it should have the interests of producers at heart.

If we can bring all those people together to the greatest possible degree at the same meetings—representatives of producers, consumers, the chain stores, packers, and so on—I believe we can really convince the people of Canada that a healthy beef industry is, in the long run, in their own best interest; that if we have to import all our beef, because we have killed our own industry, be it 10, 20, 30 or 50 years

downstream, we will have done the Canadian consumer, the city dweller, no favour. The fact that he has a domestic industry that is healthy, viable and producing a reasonable rate of return for producers, labour and capital investment, is the best assurance a Canadian can have that he will have an adequate supply of beef at reasonable prices in the years ahead.

I believe we can sell that, and I hope we will not lose the opportunity. The report gives us the opportunity of bringing these people together, as the Throne Speech envisages. National food conference or not, I believe that we can do it within the ambit and the follow-up of this report.

It must be remembered, in considering the well-being of the farmer in terms of his achieving his fair share of the total economic pot—as the press and media have been little inclined to do—that, marketing boards apart, he is probably the only one who in our economic history has been at the complete mercy of the marketplace. I do not believe that General Motors or Ford produce cars just to compete pricewise in the marketplace. They decide as producers what their cars will sell for, and there is control of the marketplace through the ad agencies. I do not say that they abuse the system, or that the shareholders of those corporations which control the marketplace receive an unfair reward. But certainly the agricultural producer—and there are many producers and few buyers—has been at the complete mercy of the buyer, unlike the corporate producer who decides what the price shall be based on his cost of production. Marketing boards apart, the farmer has had no opportunity of doing this in our economy as it has evolved.

Some of Senator Olson's remarks are well worth considering. It is a fact that the western producer, in particular, is largely at the mercy of the eastern buyer vis-à-vis the price he will achieve in the market. That is a pertinent example of the fact that economically this country should probably never have existed; that perhaps it was "the impossible dream" economically. The very fine notion in the Throne Speech reinforces this issue. To the best possible degree we must help remove those roadblocks which redound to the economic detriment of those in both the eastern and western provinces because their markets are largely in central Canada.

One of the factors involved in national unity, quite apart from any linguistic or ethnic questions, is referable to that issue. We must ensure that we remove, as best we can, all roadblocks within this economically ass-backward structured country, to ensure that the western producer, eastern industrialist, agricultural producer, or whatever he may be, can receive a fair price for his goods in the central Canadian market. That, in my view, will be one of the surest sources of continuing national unity.

Therefore it is an important issue that we are discussing. It may be only a peripheral one in the great campaign of national unity, but it is nevertheless symptomatic in economic terms of some of the things that are troubling this country.

I hope that we can follow up the report and demonstrate to the western beef producer that the Parliament of Canada is

doing everything it can—through the leadership of the government in the Senate, in this instance—to remedy the economic defects in the structure of this country as it was conceived, and to help the producer achieve a just return for his contribution to the total national market, even though a large part of that market may be in central Canada.

I might make one brief suggestion with respect to the level of imports. As I understood Senator Argue, he suggested that there should be some sort of automatic trigger—which certainly is the best way of doing it, if it can be done—which would not be fixed to some firm price and number, but would be flexible to take into consideration the problems of inflation and the value of our dollar, which are factors over which the producer has absolutely no control.

If the inflation index were back at 1970 prices generally, then I believe the producer, getting the price he is receiving today, would have little complaint. The fact that there is general inflation certainly has something to do with the problem, but the western beef producer, like Senator Macdonald's Cape Breton miner, has not contributed very much to inflation, because he has not been in a position to do so. However, he now has to pay the price of inflation in everything he buys, from twine to freight rates.

I respectfully suggest, therefore, that the committee, in further deliberating and refining the interim report, consider that the trigger to be affixed to the consumer price index will take into consideration inflationary levels; that the index be not affixed to 1975, 1976 and 1977 costs, which may be completely irrelevant some 10 or 20 years in the future.

• (1530)

Again, honourable senators, I commend the chairman with great sincerity for the faith in the Senate that he demonstrates when he suggests that here we can institute very real reforms in areas where our Canadian people are disadvantaged by things as they are. I urge that this interim report be followed up. If we do follow it up well, and sell the idea that it is in the interests of everybody—consumer, producer, city dweller, and country dweller—to have a sound beef policy in this country, we will ensure the continuation of a community of beef producers in this country, and can then perhaps get a body of public opinion behind us that will be persuaded of the justice of our cause, and persuaded that we are speaking the truth with regard to the concept that is contained within this report. Despite any earlier words in this regard, I have complete confidence in the honesty of our press, and in formulating our final report, and hearing these further witnesses—which will, I hope, include consumer and trade groups as well as producers and provinces—I am sure we will get across to the public a clear story of what we are doing.

Even though the Senate does not have the general popular support that the elected half of Parliament has, by the very justice of our cause and the efficacy of our solution we can create such a groundswell during our further deliberations that the government may be very pleased to follow our lead and consummate it by legislation which will put into effect the

recommendations not only of this interim report but of our final report as well.

Senator Bosa: Honourable senators, it is with hesitation that I rise to ask a question, particularly when it relates to a subject on which three former ministers of agriculture have spoken.

Senator Argue: Two.

Senator Bosa: Senator Hays also asked a question.

Senator Argue: Oh, yes; that is correct.

Senator Bosa: And you are also an expert on this subject in your own right.

My question is directed to Senator Olson. In light of what we learned recently with regard to the dramatic increase in the cost-of-living index, attributed mainly to the increase in the cost of food—I do not know whether it is attributed directly to beef or to other items—and in light of the Speech from the Throne that we heard from Her Majesty the Queen on Tuesday, in the course of which we learned how the government proposes to fight inflation, how does Senator Olson reconcile the approach of giving more control of prices to distributors, who have a vested interest in inventory which enables them to demand more for the commodity? Would that not contribute to an increase in the cost of living and to inflation as a whole?

Senator Olson: Honourable senators, I think that if you were to suggest that the fantastically low prices that the beef producers have been getting for the last two and a half years or so did not contribute to the lowering of beef prices to the consumer you would be wrong. One went with the other. However, I do not believe that in the long-term interests of Canada we can expect any group, whether it is the beef producers or anybody else, to operate in a market where they have to sell below their costs of production, to the extent that they have to mortgage their capital assets simply in order to live. This is what has been happening.

My objective is that there be a higher price than the present one for the producers. No doubt that would be reflected in the cost-of-living index at the end, but I believe it is entirely justified, and it ought to be uniform. What I suggested with regard to the packers, and so on, having a vested interest in owning some of that inventory in order to keep the price from going down, would also, in the long run, be in the interests of the consumer, because it would be a more uniform and more reasonable price than the fantastically high prices we had in 1973, or the fantastically low prices that we had in about 1974. There is a balance between the two, and this is what we ought to strive to achieve. That is really what I was advocating. I do not believe any structure should be set up that would guarantee an unreasonably high price to the consumer.

On motion of Senator Petten, for Senator Molgat, debate adjourned.

The Senate adjourned until Tuesday, October 25, at 8 p.m.

THE SENATE

Tuesday, October 25, 1977

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

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. Cassiar Asbestos Corporation Ltd., and the hourly rated employees at its Clinton Mines, dated September 26, 1977.

2. Câble T.V. Limitée and its employees, represented by Le Syndicat des employés de service technique de Câble T.V. Limitée.

3. Construction Labour Relations Association of British Columbia and its Journeymen and Apprentices of the Plumbing and Pipefitting Industry, Local Union No. 170.

4. BCSTA West Kootenay Employers' Organization and its employees, represented by the Canadian Union of Public Employees, Locals 1298, 1285, 1341, 748 and 343, dated August 10, 1977.

5. Union Carbide Canada Limited and its hourly employees at Chicoutimi, Quebec, represented by the United Steelworkers Union, Local 7287, dated August 10, 1977.

6. The Corporation of the City of Nelson, British Columbia and its employees, represented by the Canadian Union of Public Employees, Local 339, dated August 10, 1977.

7. The City of Trail, British Columbia and its employees, represented by the Canadian Union of Public Employees, Local 343, dated August 10, 1977.

8. School District No. 13 (Kettle Valley) British Columbia and its employees, represented by the Canadian Union of Public Employees, Local 343, dated August 10, 1977.

9. The City of Rossland, British Columbia and its employees, represented by the Canadian Union of Public Employees, Local 1276, dated August 10, 1977.

10. Villa Youville Inc., and its executive group employees, dated August 16, 1977.

11. Canadian International Paper Co., Container Division and Single Service Division, and the Canadian Paperworkers Union, Locals 949, 343, 1872 and 849, and the Canadian Chemical Workers Union, Local 29, dated August 22, 1977.

12. Whitehorse Copper Mines Limited and its supervisors group, dated August 22, 1977.

13. Bell Canada and its clerical and associated employees, dated August 22, 1977.

14. Bell Canada and its executive group, dated August 22, 1977.

15. The Dauphin-Ochre School Area No. 1, Dauphin, Manitoba and its executive group employees, dated August 22, 1977.

16. Niagara South Board of Education, Welland, Ontario and the Secondary School Teachers, represented by the Ontario Secondary School Teachers' Federation, District 7 and L'Association des Enseignants Franco-Ontariens, District 8, dated September 9, 1977.

17. Carleton University and its employees, represented by the Graphic Arts International Union, Local 224, dated September 9, 1977.

18. Province of Nova Scotia Civil Service Commission and its employees, represented by Nova Scotia Government Employees Association, dated September 9, 1977.

19. Reed Limited and their 331 Light Equipment Operators, Toronto, Ontario, represented by the Printing Specialties and Paper Products Union, Local 466, dated September 9, 1977.

20. Laiterie Leclerc Inc., and its Sherbrooke, Québec employees, represented by Le Syndicat national des produits laitiers de Sherbrooke (CSD), dated September 12, 1977.

21. Health Labour Relations Association of British Columbia and the engineers, represented by the International Union of Operating Engineers, Local 882, dated September 12, 1977.

22. Eastern Provincial Airways (1963) Limited and its airline pilots group, dated September 12, 1977.

23. The Flin Flon School Division No. 46, Flin Flon, Manitoba and its maintenance supervisors group, dated September 12, 1977.

24. Treasury Board of Canada and the Firefighters (supervisory and non-supervisory) Group, dated September 23, 1977.

25. BCSTA East Kootenay Employers' Organization and its employees, represented by the Canadian Union of Public Employees, Locals 343, 729, 1556, 979, 1333, dated September 26, 1977.

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act, as follows:

1. Essex International of Canada Ltd., dated August 17, 1977.

2. Dominion Dairies Ltd., dated September 19, 1977.

Copies of Interim Report of the Tariff Board's recommendations pertaining to processed fruits and vegetables, Reference No. 152, pursuant to section 6 of the Tariff Board Act, Chapter T-1, R.S.C., 1970.

Copies of Report entitled "Economic and Fiscal Statement" issued by the Department of Finance on October 20, 1977, which includes the following papers:

1. Notice of Ways and Means Motion to amend the Income Tax Act.

2. Notice of Ways and Means Motion to amend the Income Tax Application Rules, 1971.

3. Government of Canada Accounts: Forecasts of the government's 1977-78 fiscal position.

4. Supplementary information on the controls program.

5. Decontrol and Post-Control Arrangements: Statement by the Government of Canada to Business and Labour Leaders. Ottawa, July 29, 1977.

6. Details of tax changes.

Copies of Order in Council P.C. 1977-2229, dated August 4, 1977, amending Part I of the Schedule to the Hazardous Products Act, pursuant to section 8(3) of the said Act, Chapter H-3, R.S.C., 1970.

Copies of Order in Council P.C. 1972-2716, dated November 23, 1972, amending Schedule I to the Canada Grain Act, effective August 1, 1973, pursuant to section 15(6) of the said Act, Chapter 7, Statutes of Canada, 1970-71-72.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between Whitehorse Copper Mines Ltd., Whitehorse, Yukon Territory and the group of its supervisory employees. Order dated October 19, 1977.

Report of the International Development Research Centre, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 22 of the International Development Research Centre Act, Chapter 21 (1st Supplement), R.S.C., 1970.

Copies of contracts, pursuant to section 20(3) of the Royal Canadian Mounted Police Act, Chapter R-9, R.S.C., 1970, entered into between the Government of Canada and

1. The Municipalities of Grand Centre, Morinville, Lac La Biche and Stettler, in the Province of Alberta.

2. The Municipalities of the City of Langley, Williams Lake, Chilliwack, Township of Langley, Maple Ridge, Merritt, City of North Vancouver, District of North Vancouver, Richmond, Salmon Arm, Surrey, Terrace and White Rock, in the Province of British Columbia.

Copies of a working paper entitled "Toward a National Policy on Amateur Sport", issued by the Minister of State (Fitness and Amateur Sport).

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, regarding the reference on the British Columbia Labour Relations Association, Vancouver, British Columbia, dated October 21, 1977.

SCIENCE POLICY

VOLUME 4 OF REPORT OF COMMITTEE TABLED

Senator Lamontagne: Honourable senators, I have the honour to table the report of the Special Committee of the Senate on Science Policy appointed in the last session of Parliament and authorized in that session to consider and report on Canadian government and other expenditures on scientific activities and matters related thereto. The report is entitled: "A Science Policy for Canada, Volume 4, Progress and Unfinished Business."

ALASKA HIGHWAY PIPELINE

PLANNING AND CO-ORDINATING AUTHORITY—QUESTION ANSWERED

Senator Perrault: Honourable senators, on October 20 the Honourable Senator Lucier asked a question with respect to the planning and co-ordinating authority of the Alaska Highway pipeline. He asked if there had been or if there would be Yukon involvement in developing the single regulatory authority.

I have received information from the Honourable Allan MacEachen, the chief ministerial negotiator with the United States authorities with respect to the pipeline, and by way of reply may I quote from a statement made by him in the other place on August 4. The minister stated:

● (2010)

> I can assure the house that it would be our intention that such legislation would provide for the establishment of a single agency to co-ordinate and supervise the exercise of authority in all matters pertaining to a northern pipeline that are under the responsibility of federal

authorities. This agency would be expected to co-operate closely with the provincial governments, territorial governments as well as with the National Energy Board, which possesses a great deal of experience and expertise in regulating the physical aspects of pipeline construction. In our view, a single agency of this kind would be essential to minimize duplication and confusion and to ensure that the intentions of Parliament were fulfilled expeditiously and efficiently.

With respect to Yukon involvement, the minister has issued a fuller statement entitled: "A Statement on the Northern Pipeline." That statement was issued on September 9 last, and it appears to answer most of the question posed by the honourable senator on October 20 last.

There is one difficulty, however. It is a rather long statement consisting of five typewritten pages. If honourable senators agree, I would propose that because of its length it be printed as part of today's record.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

Senator Flynn: Was it printed in *Hansard* of the other place?

Senator Perrault: I was provided with the statement only a short time ago and I do not know.

Senator Flynn: You mentioned a date in September, I believe.

Senator Perrault: The document states, "September 9, 1977, Notes for a Statement on the Northern Pipeline by the Honourable Allan J. MacEachen, House of Commons, Ottawa." The date suggests that this is a public statement issued from the minister's office. It may be useful, then, to have it printed as part of our record.

Senator Flynn: If it was not printed in *Hansard* of the other place, I have no objection; but duplication would be stupid.

(*The statement is as follows:*)

When the Prime Minister announced the Canadian Government's decision just over a month ago to enter into discussions with the United States on possible joint construction of a northern gas pipeline, he said that we would be embarking on tough negotiations. He said also that if they did not succeed it would be because we could not make our mutual interests compatible.

As the Minister responsible for leading these negotiations for the Canadian side, I can testify that they were, indeed, very tough—and very arduous. But as you know from the statement that President Carter and Prime Minister Trudeau made following their meeting in Washington yesterday, the outcome of the negotiations has been the successful conclusion of an agreement that both governments believe will very much serve the mutual interests of Canada and the United States.

Perhaps equally important is the fact that the decision to embark on this gigantic joint enterprise by the two countries will serve to further strengthen the bonds that historically have linked us closely together.

Construction of the overland pipeline would enable the United States to transport more gas from Alaska to markets in the western and mid-western states where it is urgently required more cheaply, more reliably, and more quickly and with less environmental damage than the alternative all-American system which had been proposed.

For our part in this country, I believe that the agreement is very much in accord with the Canadian objectives expressed by spokesmen for all parties during the course of the debate on the pipeline question in the House of Commons early last month.

The building of this pipeline system, which would be the largest anywhere in the world, would provide Canada with the only opportunity currently open to it to tap its own natural gas reserves in the Mackenzie Delta on an economically feasible basis as and when they are required to overcome the shortage that the National Energy Board forecasts would otherwise develop in the 1980s. That we should have this option open to us is very much in keeping with our national energy strategy and particularly with our goal of ensuring that Canada's reliance on imported foreign oil does not exceed one-third of our domestic needs by 1985 and thereafter.

I think it will be evident from the press release which was made available to you earlier that the agreement we have reached with the United States will enable Canada to achieve access to its gas reserves in the Delta considerably more cheaply than would have been possible under the system proposed originally by the National Energy Board, which of course was handicapped in its own deliberations by its inability to negotiate any alternative arrangements with the United States.

I believe it will also be evident that the financial provisions that we have made will ensure that sufficient revenue will be forthcoming from the pipeline company to amply meet social, economic, environmental and other costs that will be unavoidably created by the project in the Yukon.

As the government has already indicated, it will be its intention to establish a monitoring agency to ensure that the adverse social and environmental impacts of the system of the Yukon are reduced to the greatest possible extent and the potential short and long-term benefits to Northerners maximized as much as possible.

And as was stated in the government's statement of August 8, 1977, it is also our intention of pursuing "wide-ranging consultations with interested provinces, territorial governments, native organizations, community groups and other concerned interests in order to devise detailed arrangements that would best meet Canadian objectives."

I might add that interested provincial governments have been kept fully informed of developments during the course of negotiations with the United States and have provided the federal government with assurances of their willingness to adhere to the principles of non-discrimination in the pipeline treaty between Canada and the United States.

The government is very conscious that a $1.5 billion project, with an estimated peak labour force of over 2,000, will have major implications for the Yukon. The recent construction of the Alyeska oil pipeline demonstrated the socio-economic impacts—good and bad—that such a project can have. The population of the Yukon is approximately one-twentieth that of Alaska. One-quarter of the Yukon's population are native people. It is clear that firm and innovative action will be required on the part of the federal and territorial governments if the substantial opportunities for Northerners inherent in the pipeline are to be realized, and the potentially adverse effects mitigated to the fullest extent possible.

In approaching their task, the two governments will take full advantage of the substantial body of advice and data represented by the reports of the National Energy Board, Judge Berger, the Lysyk Inquiry, the Environmental Assessment Panel, and the submissions made to these bodies by Foothills.

Particular attention will be given to measures to limit in-migration to the Yukon during the construction phase. A requirement that southern hiring halls be used for all but Northern residents could be particularly effective for this purpose.

The government is particularly sensitive to the concerns expressed about the pipeline by native people in the Yukon. Regular consultations have been held with them by the Minister of Indian and Northern Affairs, and last month the Prime Minister personally met Yukon Indian leaders to discuss the situation with them.

Substantial progress has been made on Indian claims in the Yukon during the current year, and there continues to be a good prospect that an agreement in principle could be achieved in the next few months. Reasonable time will be provided before laying of pipe begins in the Yukon to allow agreement on native claims to be reached and a beginning to be made on implementation of its provisions. The government will also be examining the recommendation of the Lysyk Inquiry that an advance against settlement be made in order to enable Yukon Indians to obtain maximum economic benefits from the pipeline.

The proposal by Foothills to offer representation on the Board of Directors to Yukon Indians is most welcome. Foothills has also made it clear in discussion with government representatives that it is prepared to cooperate fully in offering opportunities to native people.

The government intends to consult the Yukon Territorial Government and Indian leaders concerning steps that might be taken to provide enhanced protection to the culture and identity of Indian people in the Yukon, and to promote Indian participation in the political life of the Yukon at all levels. In addition, the government is prepared to implement special measures to protect lands of particular interest to Indians pending the completion of the land-selection process under the claims settlement.

PROVINCE OF SASKATCHEWAN

VACANCIES IN COURT OF QUEEN'S BENCH—QUESTION

Senator Buckwold: Honourable senators, I would like to direct a question to the Leader of the Government. The Court of Queen's Bench, Saskatchewan, has two vacancies. As a result there is a serious backlog of cases that cannot be heard. Indeed, from what I am told, some most important cases cannot be heard because of this shortage.

Would the Leader of the Government be able to determine from the Minister of Justice whether, because of the urgency of the situation, such appointments are to be made soon?

Senator Perrault: I shall take that question as notice.

SPEECH FROM THE THRONE

MOTION FOR ADDRESS IN REPLY—DEBATE CONTINUED

The Senate resumed from Wednesday, October 19, consideration of her Majesty the Queen's Speech at the opening of the Third Session of the Thirtieth Parliament, and the motion of Senator Frith, seconded by Senator Marchand, for an Address in reply thereto.

[*Translation*]

Hon. Jacques Flynn: Honourable senators, the most novel and pleasant feature of the Throne Speech, as compared to those we have been hearing under the leadership of Mr. Trudeau, is that it was read by Her Majesty.

The Special Joint Committee of the Senate and the House of Commons on the Canadian Constitution pointed to a division of the Canadian public opinion on the monarchy issue five years ago. But there is no doubt in my mind that the Canadian public is unanimous in its respect and admiration for and loyalty to Her Majesty.

That is why I was most happy to second Senator Langlois' motion expressing such feelings to Her Majesty as well as our pleasure at welcoming her in Canada with Prince Philip on the occasion of her Silver Jubilee.

Towards the end of last summer, there were persistent rumors of a fall election.

This would have deprived us of this Third Session of the Thirtieth Parliament and the pleasure, Madam Speaker, of seeing you perform your duties with the competence, tact and charm for which you are recognized and for which you are admired and respected by every one of us.

I wholeheartedly congratulate the mover and seconder of the Address in reply to the Speech from the Throne.

[*English*]

Senator Frith, the philosopher-prince from Perth, treated us to an interesting exercise in post-industrial navel-gazing. It was obvious from what he had to say that it is difficult for a government supporter to find much to crow about these days. To his credit, the good senator showed appropriate restraint when he spoke of this government's ability to clean up the economic and social mess it has created.

[*Translation*]

Senator Marchand, in seconding Senator Frith's motion, gratified us with one of his typical off-the-cuff speeches, dealing this time with the issue of national unity in the context of the Parti Québécois' rise to power and preparations for its long-promised referendum. I will have an opportunity later to express some views on the subject. I would like however to suggest now to Senator Marchand that I am generally in agreement with his approach, if not with his conclusion.

[*English*]

Before dealing with the substance of the Speech from the Throne or, if you wish, the many problems confronting our country, I should like to say a word about the Senate. I do not intend to repeat what I have said before on the question of Senate reform. I have no objection to Senator Frith's proposal that we establish a committee to study such reform, but I point out that the Special Joint Committee of the Senate and the House of Commons on the Constitution of Canada had a good deal to say on that matter—and nothing much was ever done, just as nothing much has been done about filling any of the present vacancies with people who might occupy opposition seats in this chamber. The official opposition's manpower problem, recognized by everyone as presenting a well-nigh impossible situation, remains the same.

Government supporters who are sincerely interested in significant parliamentary reform might start by trying to convince the Prime Minister to announce and implement a new policy on Senate appointments—one that would ensure a better numerical balance between the government side and the opposition.

Some Hon. Senators: Hear, hear.

Senator Flynn: The Speech from the Throne clearly admits that at no time in our history has the stability of our society been so seriously threatened by a stagnant economy and decaying national unity. That is the Prime Minister's own assessment of the situation.

● (2020)

The first Throne Speech prepared by the Trudeau government in 1968 said practically the same thing; yet, compared to the present situation, that picture was much less frightening. I venture to say that under the present Prime Minister there has been no improvement in any of those areas of responsibility which are properly those of the federal government.

Any astute observer of the Prime Minister's philosophical meanderings over the years would have to conclude that the Prime Minister's frequent changes in orientation may have been one of the major causes of our present difficulties. You will recall, I am sure, the "Just Society," a mixture of government interference and abstention. This was followed by the "New Society," interpreted by all as a move to the left, scrapping our traditional economic system. Now, the Speech from the Throne, without using the term, suggests a return to the "Old Society." In fact, the government recognizes now that the creation of jobs depends on the private sector and that tax incentives have to be provided to increase investments. I would hope that these will not prove to be empty words. I would hope also that the private sector has enough faith left to believe that the government is sincere in using them despite the fact that, previously, the Prime Minister appeared rather cool, sometimes even hostile, towards the private sector.

I will come back later to the ills of our economy. But I want first to say a few words about national unity.

[*Translation*]

If I want to say but a few words on the issue of national unity, it is not because I have nothing much to say. Indeed, I could dwell for hours on the matter. During the debate on the motion introduced last session by the government Leader on this issue, I had the notion of stating my views, but I soon gave up the idea, because I felt that the debate was becoming too rambling. Senator Perrault's motion seemed to me too vague and general.

If Canadian unity is such an acute problem today, it is due to a single reason, a single major fact, that is the coming into power in Quebec of a party advocating the independence of that province.

During the debate held last session, reference was made to the alienation of the west, to regional economic problems, especially in the Atlantic area, and other matters of the sort. I do not underestimate their importance, but I suggest that they cannot compare with the issue of Quebec separatism.

Surely, if some way is found to solve or check the problem, Canadian unity will no longer be endangered. Along with Senator Marchand, I would say that we must neither underestimate nor overestimate the significance of the Parti Québécois' victory.

We must not underestimate it, because Mr. Lévesque and his government are surely dedicated to the cause of Quebec independence. Since their coming into power, he and his ministers speak as if the process started through Bill 101 and other bills and statements were already irrevocable. It must be recognized that a dialogue between federalists and the Lévesque government is only possible and useful in the search for a modus vivendi until a referendum is held. Every move of the Lévesque government is made with its ultimate goal in mind.

On the other hand, we should not overestimate either the coming into power of René Lévesque. His party got only 40 per cent of all votes cast, only 10 per cent more in fact than in 1973, although it holds a strong majority in the National Assembly. With 30 per cent of the votes in 1973, seven members of his party were elected; with 40 per cent, 70 out of 110 members were elected. May I remind the honourable

senators, as the honourable Senator Marchand did, that the PQ camouflaged its prime objective, which was and remains Quebec independence, and asked for a mandate for good government.

The Parti Québécois owes its victory to a large extent to the ineptitude, or to say the least, to the lack of popularity of the Bourassa Liberal government. It also owes it to the fact that, with the crumbling of the Union Nationale in 1973, for all practical purposes it seemed to be the only alternative to a government the majority of voters wanted to get rid of at any cost.

Mr. Robert Bourassa, in the first of a series of talks over the radio, said Sunday, with regard to November 15, that he was beaten not by Mr. Lévesque but by the economy. He also alluded to another factor which, for my part, I consider of prime importance: the intransigence of Mr. Trudeau with regard to the constitutional stand of Quebec, and his haughty contempt for Mr. Bourassa, whom he ridiculed more than once. So, by fighting against Mr. Bourassa, Mr. Trudeau in fact helped the Parti Québécois victory. He has his share of direct responsibility for the result of the November 15 election.

All polls held since indicate that no more than 30 per cent of Quebecers would vote "yes" in a referendum putting the question clearly, but there again, naturally, the Parti Québécois is already getting all set to camouflage the question.

My initial reaction to Mr. Trudeau's proposal that a bill be passed on the holding of referendums was one of curiosity. I am anxious to see exactly what mechanism is envisaged. In particular, I wonder how the same question can be put to all. I agree with those who say that all Canadians have an interest in the matter, but I remain convinced that the main decision is Quebec's. In any event, Mr. Trudeau's suggestion opens fascinating perspectives and hypotheses which the press, politicians, political scientists and many other groups have already started to put before the public eye.

Senator Marchand concluded his remarks by expressing the hope that Mr. Lévesque would hold his referendum as soon as possible and put the question clearly. It would seem that he had not been informed of what the Prime Minister was saying practically at the same time in the House of Commons. This might lead us to believe that Senator Marchand is no longer in the know.

In any case, he was expressing a pious hope when he wished that Mr. Lévesque will not pick his own time and question for the referendum, just like the federal government will probably want to pick its own time and question for its own referendum.

Now that the evil is done, that we have in Quebec a government which is dedicated to independence, it is important to prepare well for these referendums.

Above all, let us avoid confusion especially since the debate between federalists, on the one hand, and independentists, on the other, could easily bring people to think that there is an alarming diversity of views among federalists while independentists would display a common front.

The various groups that are committed to Canadian unity express opinions ranging from preservation of the status quo to an extreme decentralization.

Could the Robarts-Pépin group eventually derive a consensus, or at least a common denominator, from the federalists? I doubt it. Yet, it is vital to derive that consensus or common denominator prior to the referendum or the referenda. Otherwise, independents would have a great time criticizing federalist approaches as expressed by individuals, groups, or even by the provincial or federal governments.

The consensus or common denominator cannot be the prerogative of one party or one political leader. I am afraid of the prospect that Mr. Trudeau might become the main spokesman for the federalist option and that this issue could be settled in a duel between him and Mr. Lévesque. I am not about to forget that Mr. Trudeau, before becoming Prime Minister, supported the constitutional status quo and, in the eyes of many people, he is still today a reluctant reformist.

To arrive at that consensus or common denominator and express it in a non-partisan context, would it not be advisable that the government call a genuine constitutional conference? Representatives of all political parties, federal and provincial, as well as spokesmen for intermediary bodies, could be invited to participate in such a conference. Such a conference would be asked to formulate, based on the participants' attitudes, what type of new constitution would seem acceptable to the greater majority, or at least what type of changes as suggested by the current situation should be brought to our constitutional law. This is not absolutely novel, because I for one expressed this view on a few occasions.

On June 6, 1967, speaking before the Senate, I had this to say:

> The present government—

Mr. Pearson was then Prime Minister and Mr. Trudeau Minister of Justice

> —is dismissing the idea of a constitutional conference. I do not believe, particularly since the Speech from the Throne mentions the report now being drawn up by experts—

Most probably they are still at it.

> —that this refusal is truly final and a matter of principle. It seems to me that it is tactical and that its object is to postpone the conference until a more favourable and less troubled period rather than to give up the idea.
>
> I feel personally that it is dangerous to delay much longer the convening of that conference which has been contemplated since 1962. In fact, it was suggested by Mr. Diefenbaker and, at that time, the idea was favourably received. Since then, the idleness of the present government has enabled a lot of people to indulge in monologues to state or strengthen their views and to take some almost irrevocable positions. I say that it is wrong. And when I speak of monologues, I think as well of the debates held in certain legislative assemblies and by certain groups which are, to my mind, far too homogeneous to express balanced

opinions. I am not saying the problem must be tackled tomorrow, but I say it should be very soon.

That was in June 1967.

The idea behind the conference is that the responsibility for and capability of formulating revision proposals should not be left only to the federal and provincial governments. I believe their views on these questions reflect their immediate, short-term problems and nothing else. On the other hand, opposition parties in the legislatures too often abstain from taking a position, but they could not do so at this kind of conference.

It is quite obvious that giving that task to governments alone would be preposterous as far as Quebec is concerned, and we also realize that the role of opposition parties in Quebec City would be of the highest importance in such a conference. Whatever mechanism is used, I am confident that the federalist option can be defined in realistic and practical terms. I do not believe that it is necessary to turn everything upside down.

The objective must be to adjust our institutions to the present conditions so that Quebecers, as well as all other Canadians, feel more at home everywhere in Canada and that this country, which inherited British and French as well as ethnic cultures, still be different from the United Kingdom and France, just as we want it to be different from the United States.

[*English*]

Now, honourable senators, I should like to address myself more specifically to the problem of our self-destructing economy. I should like to quote a few of those global statistics which the mover and seconder of the Address in reply were so eager and willing to ignore.

I want senators who support this administration to see that these statistics do not exist in a vacuum. I want them to understand that they reflect conditions which have a real impact on real people. I want them to appreciate that, cold and unfeeling as they may appear, statistics are still the best way we have of quantifying the alienation and frustration, the misery and hardship caused by this government.

Do senators realize, for example, that several countries of the OECD are doing better than Canada in inflation control; that we rank close to last among OECD nations in general trade and payments; that our trade deficit in manufactured goods last year was $10 billion; that Canada has the highest unemployment rate of all OECD countries, 8.4 per cent compared to 6.5 per cent last year; that in 1976 Canadian productivity in manufacturing increased at a rate slower than that of any other major industrial western nation?

And do senators realize also that the average Canadian family's income taxes are the biggest expense it has in one year; that the average Canadian family spends 20 per cent of its income on personal income taxes, because Canadian governments spend nearly 50 cents out of every dollar; that this year's budgetary deficit of $9.2 billion is larger than the total federal spending in the fiscal year 1963-64, the first year the Liberal government took over; that Canada is running the largest foreign debt in the Western World; that our average wages in manufacturing are some of the highest in the world, almost twice as high as those in the U.S.; that in spite of a disastrous plunge in the value of the dollar, our exports are still not what they should be; that last year we held the world's record for hours lost in work due to labour disputes and strikes; that, since 1972, our labour cost per unit of output has increased more than 50 per cent compared to only 20 per cent in the U.S.; and that our bankruptcy rate is one of the highest since the depression? These are the statistics this government hates to be reminded of. These are the statistics which reflect a very clear crisis of confidence.

● (2040)

How penitent and self-accusatory this government was feeling in the Throne Speech. And rightfully so! Listen as they beat their breasts. I quote from the Throne Speech:

> High rates of unemployment and inflation are clear signals of the inadequacy of economic strategies appropriate to simpler times. They are also signals of the urgent need for important structural adjustments in the economies of Canada and other industrialized countries. More than that, they are the symptoms of an illness which can be cured only by a readjustment of our values, and by a rediscovery of the merits of self-discipline and fair sharing.

In these three sentences there are at least four admissions of guilt. All these astute observations would not be so hard to take if they were not being authored by the same economic chameleons and political opportunists who created this quagmire in which we now find ourselves wallowing. We have had no serious attempts in recent months at significantly reducing taxes, genuinely cutting back on government spending or bureaucracy-building. There has been no appreciable attempt to deal realistically with mounting public debt and interest charges, and no real effort to come to grips with unemployment. And all the government had for us in the Throne Speech was tongue-clucking rhetoric that suggests that it is our own fault if all this has come about. We are going to have to "readjust our values," and "rediscover the merits of self-discipline," they said.

How detestably cynical when you consider that these are the power-thirsty merchants of something-for-nothing who came to office promising to redistribute wealth by soaking the rich. And, now that they have practically destroyed us economically and socially, they recommend that we go back to the good old-fashioned virtues of self-discipline and self-reliance. It was they who ridiculed the past. It was they who preached the virtues of the welfare state. It was they who seduced honest, proud, self-supporting citizens into becoming wards of the state. And, now that the bankruptcy of their vision and insight has been uncovered, they turn around and scold those whom they have led astray, offering to lead them in yet another direction.

Some Hon. Senators: Hear, hear.

Senator Flynn: Now, wouldn't the people of Canada be foolish to follow? When a country such as ours, with incredible wealth and potential, is faced with one million unemployed, who can have faith in the government? When a country such as ours, with 8.4 per cent inflation, faces a growth this year of only 2 per cent, who can have faith in the government? When a country such as ours allows federal-government spending to quadruple in 10 years, and the cost of living to rise close to 100 per cent in the same period, who can have faith in the government?

• (2050)

And what does this government offer us as a solution to the many problems that beset us? A five-point plan, an exercise in improvisation, if ever I saw one.

1. They are going to phase out controls starting in April. Why didn't they do that a long time ago when the OECD and other economic authorities told them their controls weren't working, that they weren't holding prices down and were actually contributing to inflation. Inflation is running 40 per cent higher than it was anticipated it would run with the benefit of price and wage controls. Controls may have served a purpose at the outset, but they long ago outlived their usefulness. They are now, and have been for some time, counterproductive. They have resulted in the creation of an economic climate of doubt, mistrust, and fear.

2. A tax cut of $100 for low and middle-income earners. That is less than $2 a week. The average family probably spends more than that on stamps and cheques to pay its bills. The cuts will be concentrated in January and February which means they're likely to be used to finance some extra Christmas purchases of imported goods. Not much help there.

3. Further job-creation programs. Thirty thousand temporary jobs. An expensive drop in the bucket. More government busy work and interference. More government-created nonproductive jobs. Let the people think they are working, and they won't feel so bad about being on the dole.

4. An employment credit for job creation. This is likely to give an unanticipated windfall to firms planning expansions, but marginal corporations are not likely to be found expanding in the face of the uncertainty of rising inventories and costs. Besides, experiences with such employment tax credits in other countries have, for the most part, produced poor results.

5. The maintenance of strict restraint on government spending. "Maintenance" no less! As if this were something that had been going on for some time.

Uncontrolled government spending. There's the principal cause of all our economic problems. This government is forever making acts of contrition, apologizing for its profligacy, and solemnly intoning its firm intention of amending its errant ways.

Remember the federal government restraint program Mr. Chrétien launched when he was in Treasury Board? A neat bit of double-talk that was. The government had no intention of cutting its expenses. As a matter of fact, they have raised them by 30 per cent since then. And operating costs have risen by 40 per cent. For this very fiscal year, 1977-1978, expenditures will rise by 10 per cent.

And now, what of this most recent addition to our national litany of despair? What about our rapidly devaluating dollar? Our 89.8-cent dollar, the lowest it has been since 1939, is the market's way of telling us that, as an economic manager, this government is a disaster.

And we should be warned that there is no consolation to be taken in the thought that this devaluation is having a beneficial effect on our export industry. That won't last. Wage and import costs will soon drive export prices back up.

A dropping dollar is simply bad news. It is inflationary because it raises the costs of imported goods. And that's a serious matter in our country where we import at least 35 per cent of what we consume. And price increases of this nature aren't influenced by mandatory controls.

Further, the weak dollar militates against efforts to keep down or lower interest rates. As a matter of fact, we may have to raise them soon, if we want to restore the interest in Canada of foreign lenders.

• (2100)

In order to bolster our falling dollar, we may borrow further, thus covering up the symptoms but, in fact, worsening the illness.

Our economic condition is bleak; our problems are acute, and this government has proven itself incapable of dealing with them effectively. Belt-tightening is what is called for now. We must place emphasis on production. To remain competitive we must be willing to hold the line on production costs, the main component of which is wages. We must not ask more of government in the way of services. Already we can't afford all that is being provided.

What we need are real tax cuts, and the short term increase in the federal budgetary deficit brought on by such tax cuts should be financed through the savings of Canadians. This would have no inflationary effect. It is conceivable that citizens would be willing to lend their money to the government if the government shows itself willing to reduce taxes and seriously curtail its foolish spending. One effective way of proceeding to lower taxes would be to reduce federal sales taxes. The idea would be to restore effective consumer demand in order to take up the slack in the economy.

I could continue at length, honourable senators, with sound advice on what this government might do to alleviate our difficulties. But I see no point in it. We have been doing that for years, and look at what has happened! Almost invariably, when this government has borrowed new and refreshing ideas from us, it has managed, in its own incomparably inept way, to misapply them completely.

[*Translation*]

Honourable senators, I could add further shadows to the gloomy picture I have just drawn of our economy and of the issue of national unity. I shall not do so to avoid moving away from the essentials. In any case, I could not reproduce the ray

of light the new Minister of Finance, Mr. Chrétien, sees at the end of the tunnel.

I do not see either where I could brush in the Prime Minister's optimism. In a few months Mr. Trudeau will have been Prime Minister for ten years, and in a few months also the Liberal party will have been in power in Ottawa for fifteen years. Neither Mr. Trudeau nor the Liberal Party can shift onto others the responsibility for the present economic and political chaos. The government has the worst record in history and should not have the trust of the people much longer.

I mentioned we had to get ready for the referendums. A prerequisite I think is a change in government.

The national unity crisis undoubtedly heightens the economic crisis but, even more certain, the economic crisis heightens the national unity crisis. If it is crucial to define the federalist option before the referendum it will be even more important to get the economy going again, particularly to find jobs for young people so they with all other Canadians, including and particularly Quebecers, may on that occasion renew their faith in the future of an uninterrupted Canada from the Atlantic to the Pacific.

To prepare for it, it is absolutely necessary to replace a tired, used-up team groping about in the dark, going in all directions at the same time, spreading confusion in the minds, by a new, fresh, imaginative and courageous team.

That, once again, is in my opinion the prerequisite. If Pierre Elliott Trudeau and the Liberal Party are the only ones capable of saving Canada, I say: Lord, have mercy!

[*English*]

Hon. Raymond J. Perrault: Honourable senators, first, on behalf of government members, I want to join with the Leader of the Loyal Opposition in this chamber in expressing gratitude to Her Gracious Majesty the Queen for marking her Jubilee Year with a visit to Canada. In every way, the visit of Her Majesty and His Royal Highness, the Duke of Edinburgh, was a very memorable one.

The warm reception afforded the Queen and Prince Philip is a reflection of the admiration and affection felt by Canadians for their 25 years of selfless, dedicated and exemplary service. Indeed, even the reception accorded Prince Charles in the United States demonstrates that the affection for the royal family is not confined to member nations of the Commonwealth.

Before proceeding further, I join with my distinguished colleague in opposition in stating that Madam Speaker deserves the thanks of all honourable senators for her outstanding service, both within this chamber and in her public duties. She is a great credit to this house.

Hon. Senators: Hear, hear.

Senator Perrault: Finally, I should like to congratulate the mover and seconder of the motion for an Address in Reply for their thoughtful and constructive speeches. The mover, Senator Frith, who has been here only a few brief months, advanced a number of interesting, challenging and valuable proposals worthy of study by all of us, while Senator Marchand, in his usual forthright and outspoken manner, gave us a powerful and incisive analysis of the challenges facing Canadian unity—challenges confronting all of us, wherever we live in this country.

Indeed, both honourable senators are to be commended for their contributions to the work of this chamber since joining us here. As well, I think we all acknowledge the excellent work being done by all other new senators who joined our ranks during the last session of this Parliament.

Speaking of members of the Senate brings me to my friend, the Honourable Leader of the Opposition. He is not entirely new to this chamber, and the speech he delivered this evening—as usual, an excellent speech; however, a speech with which some of us find points of disagreement—was hardly a maiden speech. The chronicles of Parliament indicate that he made his maiden speech, his first significant speech in Parliament, on May 26, 1958, while a member of the other place. I should like now to quote his words on an occasion when he chose to defend the actions and policies of a government burdened down with some of the same kind of problems which afflict the nation now. However, this was a time when Senator Flynn was on the other side of the house. He said:

> —the good effects of all the measures taken by this government to restore economic activity cannot show at once. But already, everything seems to suggest that we can confidently look forward to some improvement soon, thanks to the bold initiatives of the government.

Then there is this sentiment, a paragraph I now commend to him because it surely represents the spirit we require in Canada in this October of 1977:

> I, for one, prefer to be on the side of optimism, which is an essential factor of prosperity, than on the side of pessimism, which stifles private enterprise.

• (2110)

I commend those words to him, yet I heard no words from him tonight that would inspire any Canadian to invest a one-dollar bill in the future of this country, not one word which would provide encouragement for our great Canadians living in the Atlantic provinces, the north, Quebec, Ontario, the prairies or British Columbia. The honourable and distinguished Senator Greene said that Senator Flynn may be getting old—most assuredly he has become old in spirit at least. Surely people who are so pessimistic about the future of this country cannot seriously aspire to be entrusted with the responsibility of providing the next government of Canada. Surely that is an impossibility.

Honourable senators, again the words of Senator Flynn in 1958, in the first, buoyant flush of his entry into public life, when he said, "I prefer to be on the side of optimism; this government prefers to be on the side of optimism as well." Tonight I appeal to the honourable senator to attempt to recapture the enthusiasm of his youth.

Senator Grosart: With one million unemployed you expect us to be optimistic? Don't be ridiculous.

Senator Perrault: Normally the opposition leader is an optimistic, resilient and cheerful individual, but every October he dons the mask of melancholy. It is almost like Greek drama where the actor dons a comic mask which smiles, or a tragic mask which looks sad. Every October the Leader of the Opposition puts on the Grecian mask of tragedy. It is little but pessimism and gloom when he delivers himself of his annual doomsday address. Did we not know that essentially he is a cheerful soul we would leave this edifice, and go to the nearest hill and wait for the sky to fall down. Unfailingly his message to the Senate, and to all who will listen, is a mournful one, a picture of a nation despondent and in despair. I think this is a distortion of the facts as they exist, and of the spirit which is motivating Canadians these days.

Thanks to the new cable coverage of the Commons some of us had the opportunity to witness at least part of the speech made by the Leader of the Opposition in the other place, and there was a remarkable similarity of tone to the honourable senator's speech this evening. There is not always this harmony which exists among the statements made by various leaders and spokesmen for the opposition party in Parliament, but on this occasion there was a concurrence of views about the nature of Canada's alleged problems. The speech was full of throw-away lines and disposable ideas. We heard some of those tonight. But sound policy development at this time in Canada's history surely must go beyond one-liners and agile phrase-making. This is a time of challenge for all parties to help contribute to solutions and not to engage in political gamesmanship. If there is any crisis in this country—and there is no alleged crisis that is beyond the ability of Canadians to meet—it is a crisis of confidence inspired by the kind of gloom-laden speech we heard this evening from the Leader of the Opposition. All of us in the political system should be working to create an improved climate of confidence in this country at the present time.

Honourable senators, it is time we stopped selling Canada short; it is time we began to emphasize the many positive aspects of our nation; it is time that we captured the spirit of the optimistic and hopeful Jacques Flynn in 1958. I commend to you an editorial in the first issue of the Toronto *Sunday Star*—some of you may have read it—a paper which, if its size is anything to go by, should do a great deal for the newsprint industry during the next few months. That editorial stated just a week or so ago:

> About 150 of the world's 155 nations would just love to have our problems, if our assets were included in the deal.
>
> Those assets are all intact: A spacious land, abundant natural resources, a well-educated, well-trained people, a priceless tradition of liberty under law.

And so on. It went on to say:

> We are among the luckiest of humans. Although the headlines say this or that statistic is "the worst since the Depression," there's no comparison with the Canada of 40 years ago. Although some social inequities persist, we live in prosperity and comfort unimaginable to most Canadians then.

Yes, a better life in a great country. That is why millions of people have come to Canada in the past 25 years, during Her Majesty's reign, because they saw in Canada a land of great promise and opportunity . It is still that land of great promise and opportunity for all of us.

Senator Grosart: But a million people cannot find jobs.

Senator Perrault: Indeed, it is difficult to understand how certain members of the media could regard as headline news the ritual response of the opposition to the Throne Speech. Unfailingly, Throne Speeches are attacked, criticized and condemned as they have been since 1867 by opposition spokesmen. And unfailingly the media hail this "phenomenon" as major headline news. One suspects that the opposition attacks are constructed well in advance of the Throne Speech, and it is too often a case of "Don't confuse us with the facts; we have made up our minds."

I believe that the Leader of the Opposition, who strives to be objective and fair-minded—and we all know that—will agree that part of the lack of confidence in the Canadian dollar is because of the climate of uncertainty over Canadian unity. This evening he made a very conscientious and thoughtful contribution to the dialogue on this subject. This issue is a substantial cause of the unwillingness on the part of foreign and other investors to invest money in this country. That is not an excuse, honourable senators; that is the fact. Since November 15 there has been a disturbing rise in the number of the unemployed in the province of Quebec, particularly in Montreal, and it is above the national average. Investment is slowing up and we have to recognize that this is apparently one price we have to pay for a climate of uncertainty. We have to see what we can do about the situation.

But I say, honourable senators, the strength of Canada and its people, paradoxically perhaps, has been underlined by the events which have occurred since November 15 when the election of a new government in Quebec aroused many Canadians out of their apathy. Let us look back, as Senator Jean Marchand said the other day. The only well-organized political party won the votes of the electorate, and it was led by a man with a great popular appeal, a person with the ability to communicate. What an opportunity for a party which before the election date had tacitly wanted separation, but after the election pronounced it as the principal plank of its being. The new government appeared to be on the crest of a wave following that November 15 election in the province of Quebec. If in the past 11 months there has been any tidal surge toward secession within Quebec, the opinion polls have failed to register it, but that is not an argument for complacency. I think it is to the credit of those who live in Quebec as well as Canadians in other provinces, and those who serve in Parliament and the legislatures across this country, and many private individuals, that the situation has come about whereby Canadians, by and large have not descended to a spiteful dialogue on racial lines. Canada has essentially "kept its cool." The nation has responded to what it perceives to be the challenge, and not the crisis, of national unity.

Certain members of the opposition parties keep hammering at the government to challenge Bill 101 in court. I have yet to hear whether the Leader of the Opposition in the Senate, whom all of us regard as a credit to both the legal profession and public life, and who is a resident of Quebec, concurs in this view. Certainly, the leader of his party has suggested that course of action.

● (2120)

Senator Flynn: Why not?

Senator Perrault: What we have seen in this challenge to national unity is Canada at its best. There is a light of optimism in the entire situation. Since November 15 there has been a marked change in attitudes in many provinces across the country. Millions of Canadians are, in effect, rediscovering their own country, and studying the reasons for its current state of development and the reasons for its greatness. There is a growing belief that Confederation can and will be strengthened, and certainly no thinking Canadian should rule out a change in the distribution of powers and responsibilities between provincial and federal governments, a new look at the Constitution or any other device to make Canada more united and to assist the provinces to realize their regional aspirations.

Those who framed the Constitution in 1867 performed a monumental task, a task which many felt would be impossible. They were mortal people, however, and developments which have taken place in the past 110 years may well require a new look at the way we govern ourselves in this country. And no one should be disturbed by suggestions that there should be a re-thinking of Confederation.

Western Canada and the Atlantic provinces—indeed, all regions—in the past few months have engaged in a vigorous dialogue on the future of the country. Other regions of Canada have problems which parallel, in different ways, those of Quebec. All of Canada may come out of this dialogue with a better understanding of regional problems and, from coast to coast, an even stronger commitment to Canada the nation may emerge.

Predictably, the Leader of the Opposition has had much to say about the economy and the fall of the dollar. This criticism is to be expected. The Canadian economy is not performing as well as any of us would like. International investors want the best return for their money for the least risk, and for one reason or another they feel that there are certain risks involved in investing extensively in our country at the present time. They have a right to draw their own conclusions, but it is unreasonable to overlook the fact that the dollar and our economy will inevitably suffer until the referendum once and for all convinces the rest of the world that Canada is here to stay, united and strong.

For months now certain vocal spokesmen in opposition have trumpeted the theme that controls should be ended. Again this evening Senator Flynn made frequent reference to the fact that controls were wrong and should be dismantled. I noted with interest that he quoted rather frequently, or at least fairly extensively, from the OECD and some of their economic surveys. Let me just read a paragraph from the OECD economic survey for July 1977 about controls and the future in our country:

> —maintenance of a relatively strict policy stance in these conditions seems necessary [in Canada]. In addition to this general stance, continuation in some modified and less binding form of the price and incomes program, also beyond the October 1977 date at which its status may be reviewed, would deserve consideration. The available evidence suggests that the operations of the Anti-Inflation Board [of Canada] have contributed to the deceleration, particularly of wages and possibly of prices, both directly and indirectly, *inter alia*, through effects on expectations.

So the OECD states that the controls program has been working. Yet we hear cries from the official opposition, both here and in the other place, that we should dismantle these controls immediately. But I suggest that to do so might well be risking another round of disastrous inflation which would make it even more difficult for Canadian produce and merchandise to compete abroad—and that is the essential nature of our problems: we must become more competitive.

The Honourable Senator Flynn in one of his statements, which I wrote down, made reference to the fact that we must become more competitive; that we need more belt-tightening. How can we become more competitive in the world unless we make a concerted attack on the number one problem—inflation and a high-cost economy, an economy which is 20 per cent less productive than that of the United States but has 7 per cent higher indemnities for Canadians?

Senator Grosart: Very easy—by cutting government expenditures.

Senator Perrault: Well, senator, may I quote again from the OECD survey, a document which I know you respect? The OECD economic survey said this about government spending:

> Expenditure trends at the [Canadian] federal level appear to have been well within the limits implied by the longer-term policy announced in October 1975 that the total spending of all levels of government should not increase faster than the trend in gross national product. On a calendar year basis, the growth of outlays has come down from some 23 to 9½ per cent.

This is commendation from the Organization for Economic Co-operation and Development for the concerted Canadian attempt to attack inflation, and that does not coincide with—

Senator Grosart: It is nothing of the kind. You are quoting it completely out of context.

Senator Perrault: There is no OECD agreement here with the attack by the opposition that an effort has not been made to control government spending.

Again we find this in the report:

> In contrast to the buoyant developments in private consumption, the growth rate of government consumption in real terms was cut back very sharply to only 1 per cent last year, with a seasonally adjusted annual rate decline of 5 per cent in the final half of the year.

Is this the kind of policy which the opposition contends has not been dedicated to a reduction in government expenditure? For in fact it is a policy hailed by the OECD as one which has achieved a good deal of progress.

Senator Grosart: The trouble is you don't know what you are talking about. "Consumption" is the word there, not "expenditure".

Senator Perrault: Honourable senators, the result may not have been as satisfactory as any of us would have hoped, but there is no doubt whatsoever that we have been making progress, both in fighting inflation and in exercising a considerable degree of government restraint.

Honourable senators are aware of the fact that because of shared-cost programs with the provinces, and because of payments which are made to individuals across this country in the way of senior citizens' benefits, family allowances and so on, there is only a limited area where these massive cutbacks which the opposition demands can be made. It is a very difficult process. It is the same kind of difficult process which at times faced the opposition party when it had the responsibility for government in this nation.

Senator Flynn: That is a long time ago.

Senator Croll: Who can remember?

Senator Perrault: Try to remember! Try to remember!

The language of the critics suggests that wage and price controls have been a disaster and the Anti-Inflation Board has been a failure. We hear it every night on television. The financial spokesmen in the other place on the national network say, "Dismantle controls immediately. The program has failed."

Senator Flynn: But have you decided to or not to do it?

Senator Perrault: And yet the introduction of controls, far from bringing disaster, has been responsible for reducing the greed-and-grasp attitude which gripped Canada two years ago. The AIB has been a success. No one has ever claimed that that program has been a perfect instrument.

• (2130)

I recall the words of the Prime Minister, who said:

> It may be rough justice, but it is far better than the rough injustice visited upon the poor and those on limited incomes in this country if we allow inflation to go unrestrained.

And well I remember the cabinet meeting which was held on Thanksgiving Day two years ago following special calls summoning ministers to that important gathering. At that meeting we were presented with the economic evidence on the table that inflation was running at 11 per cent to 12 per cent, wage settlements were coming in for 40 per cent over one year with no increase in productivity and no increase in the GNP. The government made the tough unpopular political decision at that time to go into a restraints program.

Senator Flynn: After the election.

Senator Perrault: I find that despite the fact that many spokesmen for labour and management criticize AIB, when we talk to the man or woman on the job they say, "We have appreciated what has been done under the AIB." And that is a fact.

Senator Flynn: Have you decided to dismantle it or not?

Senator Perrault: Ask the man on the job, and not some of his leaders, if he thinks controls have worked. Ask the pensioner and those on fixed incomes whose security was being chopped away by huge wage increases and "pass it on to business" and "pass it on to the consumer" if they think the AIB has worked. The answer will be a resounding yes.

Look at the facts. Even the Leader of the Opposition, who at times I fear engages in the art of selective recall, can remember double digit inflation. Inflation has been brought down in the past two years and no partisan wearing blinkers can deny that fact.

In the first year of controls we did better than expected. We were below our target. What was the cry then? The opposition said, "Well, you can't claim credit for that. Food prices were down and you had no control over that. You should not be taking credit for it."

This year we are over target—not much, but over target. We do not hear the opposition invoking their food price slogans of last year. It is a different argument now. There is no acknowledgement at all that food prices, over which we have very limited control, are responsible for our worse than anticipated rise in inflation. No, somehow in the past 12 months the government has become responsible for the woes of food producers in British Columbia, Alberta, all of the prairie provinces, the Atlantic provinces, Quebec and Ontario, as well as responsible for the rise in coffee prices from Brazil.

Now it is a different ball game. In our battle to bring down inflation over the two-year period we are rather well on target. As the annual report of the Anti-Inflation Board stated, in its second year's report:

> The stage is set for the achievement of further deceleration in the rate of inflation.

The report notes that during the last two years price movements for food, energy and imports have obscured the success that has been obtained in reducing the rate of inflation. In 1976 consumer food prices fell and import prices rose very little, cutting the rate of rise in the consumer price index. In 1977 the CPI rose more rapidly with substantial increases in food and import prices. During both years large increases in energy prices added almost three-quarters of one percentage point to the growth rate of inflation. If food and energy prices are eliminated from the CPI, the index left is more clearly related to underlying cost developments in the Canadian economy.

Using this measure, the report said that during the first half of 1977 consumer prices excluding food and energy were increasing at an annual rate of 6.5 per cent, well down from the rates of 8.8 per cent and 8.9 per cent that prevailed during the previous 18 months.

That is progress. That is a good record. Surely the opposition, in its most partisan mood, cannot attack and criticize this government for being responsible for the rise in the cost of energy from less than $3 a barrel in 1972 to where it stands now. The report says:

> This . . . indicates clearly that there has been a marked deceleration taking place in the underlying rate of price increases.

Looking ahead, the board said that real output growth in the Canadian economy in 1978 is likely to be higher than this year. But this growth is not likely to create demand pressures that would accelerate the rate of inflation. Commodity prices should remain relatively stable, reflecting the general softness of the economic recovery in other industrial countries.

In view of these 1978 prospects, says the report, for the most favourable impact of international development on Canadian prices, and for an overall lack of demand pressures, the stage is set for the achievement of further deceleration in the rate of inflation.

This evening the Leader of the Opposition compared—I thought rather unfairly to Canada—our economic situation with the economic situation of other members of the OECD. But only today in the *Globe and Mail* there was this headline:

> Continued weak growth and higher jobless is predicted for West Germany during 1978.

That is one of the strongest economies in the world. That is the situation in West Germany today. The article says:

> West Germany's five leading economic research institutes have forecast continued weak growth and higher unemployment for next year.
>
> Real economic growth in 1978 will be 3 per cent, the same as this year, the institutes predicted in their autumn report.
>
> The West German Government has said it is aiming for real growth (after taking inflation into account) of around 4.5 per cent next year, pointing out that this is the level required if a start is to be made on bringing down the jobless rate significantly.

So we are not alone in our problems; in fact, we happen to have relatively lesser problems than most countries in the world.

I was in Argentina a few months ago, where the rate of inflation last year was 650 per cent, and there was no pessimism on the part of the government there. One of the minister said, "Well, we think we are getting inflation under control. We have reduced inflation 100 per cent this year. It is down to 325 per cent, and it is still dropping."

Senator Flynn: Are you preparing us for something worse?

Senator Perrault: The Leader of the Opposition is again engaging in looking at the gloomy side of the picture, anticipating the worst, when Canada should be hoping for the best.

Senator Flynn: That is what I say: we should hope for the best.

[Senator Perrault.]

Senator Perrault: That pessimism is a critical weakness in the opposition party. I regret to have to say that. There is no question that the AIB has had a dampening effect on excessive expectations by big labour and business. Wage settlements in the first half of 1975, before the AIB was introduced, averaged 22 per cent. Those settlements were reduced to 14 per cent in 1976, and to 8.5 per cent in 1977.

Even more important, 70 per cent of all negotiated settlements in the second year of controls were below the AIB guidelines. That is why the government is prepared to end controls, and on April 14 to begin the phase-out transition period. It is because we believe there has been a change, that both management and labour accept the fact that no economy can thrive when huge wage increases are awarded, and merely passed on to the consumer, without any increase in productivity. That truth is getting through to all sectors of the economy.

The way things were in 1975 was a recipe for ruin, and the AIB should be commended, not condemned, for giving Canadians a breathing space of two years during which there has been a significant change in attitude, which, as the Prime Minister pointed out in his speech in the other place a week ago, has resulted in a very considerably improved strike record this year. Remember the stories a few months ago that Canada's strike record was second only to that of Italy, Great Britain and other countries? There has been a 63 per cent reduction in strikes in 1977 from the number in 1976.

Senator Grosart: It is still the worst in the western countries.

Senator Perrault: I turn now to unemployment. The Deputy Leader of the Opposition has been talking about unemployment a good deal tonight. He has been writhing in his seat, eager to comment on it. He will have his opportunity to speak in the debate, and we all look forward to hearing him.

● (2140)

Nobody will deny that the present unemployment rate of over 8 per cent is unacceptable. This government is going to continue its efforts to create new jobs in both the public and private sectors, for the job aspirations of the fastest growing labour force in the industrialized world should be met if at all possible. We have spent $350 million in creating jobs for Canadians already this year. The Minister of Finance announced on Thursday that an additional $150 million would be used for further job creation prospects. In all we will be spending $1 billion over the next two years to get more Canadians working; but we share a belief—and I think we share it with the opposition—that in the ultimate most of the new jobs must come from the private sector.

Senator Flynn: It is about time.

Senator Perrault: Merely spending taxpayers' money, merely to reduce unemployment, will not measurably reduce unemployment.

Senator Grosart: Hear, hear.

Senator Perrault: I can only say that the honourable senator has not been reading the speeches of government spokesmen for a very long period of time, or he would not hail this as a new discovery.

Senator Grosart: I am not doing that. I am just hailing you as a new convert.

Senator Perrault: Spending $500 million on direct job creation, according to some economists, would reduce unemployment by less than 1 per cent, so obviously the private sector must be triggered, and we must make the private sector as efficient and competitive as possible. There is no disagreement on that. It is simply a question of choosing the best method.

When we talk about unemployment in Canada, let us also acknowledge that we have more Canadians working at present than ever before. Since the last budget 250,000 more jobs have been created in this country. That is a tribute to both the private sector and governments from coast to coast. In September, when the unemployment figure rose to 8.3 per cent, the number of Canadians working reached a record level, and this record of providing new employment opportunities is no flash-in-the-pan achievement. During the 1970s we have answered the challenge in Canada of the fastest growing labour force in the industrialized world by increasing the number of jobs by an average of 3.2 per cent each year of the decade, and no other country can match that in the industrialized world.

Do honourable senators know the country with the next best job creation record? The answer is, the United States. And what is the figure? It is 1.8 per cent. Canada has exceeded by far the job creation record of the next nation on the list, so Canada has created new jobs at almost twice the rate of the next best nation. This is not to say we should relax, and say, "We're No. 1." There is a tough problem facing all of us. That is admitted. This record has not been sufficient to handle all of the new Canadians coming into the labour force. But it is an encouraging record. Certainly, we could do better by pumping additional hundreds of millions of dollars into job creation, but this would set off another inflationary surge which would be self-defeating.

It is to be hoped that the incentives provided in the last budget and by the Minister of Finance's proposals last Thursday will stimulate the private sector to create more jobs for the many young Canadians who want to work.

The personal income tax cut of up to $100 for low and middle income taxpayers dismissed so lightly, and in such a cavalier fashion by spokesmen for the opposition this evening, will place, in the aggregate, millions and millions of dollars in the spending stream. People will go out and spend the money made available to them in this way, and this will be very helpful as a stimulus to the economy. These personal income tax reductions, with all of them coming in in January and February, should certainly encourage a good deal of spending.

A $100 million job credit plan will be introduced, and this is going to encourage the hiring of new employees by small businesses from coast to coast in this country. We are optimistic about the ultimate effect of this program. The priorities have been recognized, but there is a budgetary limit. The government has recognized this.

The Leader of the Opposition has made much of government spending, but in this area the government has acted firmly. This year the percentage increase in total spending by the federal government was budgeted at 7 per cent. As the Minister of Finance stated, we are holding firm to our expenditure ceilings. In fact, in the first five months of 1977-78, despite inflation, federal budgetary expenditures were only 5.2 per cent higher than the year before.

We have slashed growth in the public service. Treasury Board President Robert Andras this year authorized a man-year increase representing six-tenths of 1 per cent.

We have controlled the nation's money with good effect. The opposition will scoff at this and say it is not good enough; but my authority for this is a gentleman the opposition quotes each year with greater frequency than anyone since Sir John A. Macdonald. I refer, of course, to the Auditor General. Perhaps my friends on the other side have overlooked the press conference given by the Auditor General in Halifax about two months ago. He said at that time that the government is showing a promising new attitude in its handling of the public purse. He said that his 1977 report, expected in late November, would be one of the most positive in years. In other words, the government has "got its own act under control."

I now want to turn to the economy in general and take a look at what the future outlook may be. No nation can expect a continual, unending rise in prosperity. As in the case of companies and individuals, there will be flat periods, and there are flat periods. That is the history of economics since the dawn of man. Canada has enjoyed remarkable growth over the last two decades. We are one of the world's most favoured nations. However, we are in a flat period at present, just as the rest of the world is, except that in our case it is considerably less flat than is the case with almost any other country. We are in a period when our manufacturing sector has an 80 per cent proficiency factor as compared with the United States, while in the same sector the wages are higher. I made reference to that earlier. That is an untenable situation, and our dollar and our economy are reflecting this damaging fact of life.

We are also paying the price of prosperity. Even though we have a trade surplus of over $2 billion this year, thanks to increased exports, Canada has a worrisome balance-of-payments problem. Part of this is due to the fact that we have a disturbing tourist deficit. This is what I mean by the price of prosperity. Ten or 15 years ago it was not the usual thing for the people of the prairies to take a winter holiday down south, nor did British Columbians go in droves to Hawaii. Now, for many people, an escape from the Canadian winter is a routine thing. We live in a country where people can afford to seek the sun.

But there is a bright side to the tourist picture. For years the British and Europeans could not afford to take a holiday in North America. Now, travel in Europe is no bargain. It is becoming more expensive each year, and our travel industry is making a concerted effort to introduce Canada to Europe. We in this country have seen the old world. Now is the ideal time to introduce a vast new market to the old world.

The Minister of Finance anticipates that the economy will grow in real terms by 5 per cent next year, which compares very favourably with the figure I gave you for the Federal Republic of Germany, anticipating 4.5 per cent. Beyond this medium-term period there is a great deal of reason for hope. There will be, for example, the building of the pipeline, a venture which will be of supreme importance to the west and north in particular, and to Canada in general. As a result of the good-willed negotiations between Canada and the United States, and between the federal government and the provinces, about $4 billion will be spent on Canadian goods and services, and nearly 100,000 man-years of employment will flow from the pipeline.

Honourable senators, now is not the time to sell Canada short. This is the time for a realistic appraisal of the challenges which face us and the kind of action that we have shown in the past we are capable of, as a nation. The government will continue to clamp down on its expenditures, because it believes that a combination of private initiative, hard work and more efficiency will be a more sustaining and rewarding route to our recovery.

• (2150)

Canada has never been short of initiative and hard work. Canadians can and will answer the challenge of national unity; they can and will get the economy moving ahead, for, as Her Majesty the Queen said at the end of the Speech from the Throne:

> Given the new economic realities to which Canada must adjust, and the urgency of promoting linguistic and cultural harmony, it is readily apparent that Canada is now entering a new era.
>
> It can be an era of increasing confrontation, tension and division, or an era of enhanced freedom, co-operation and unity of purpose. Fundamentally, the choice must be made by every citizen every day.
>
> It is apparent to thoughtful Canadians everywhere that this is a time of great decisions for Canada, a time for re-discovering the strength and potential of a marvellously free and caring society.

Her Majesty's message last week was a message of hope and inspiration for all of us, and surely it is entirely appropriate that we should thank Her Majesty for her great and encouraging words. I urge support of the motion which we have before us.

Senator Flynn: Why do we worry?

On motion of Senator Flynn, for Senator Fournier (Madawaska-Restigouche), debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, October 26, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

STANDING COMMITTEES

FIRST REPORT OF COMMITTEE OF SELECTION PRESENTED

Senator Petten presented the first report of the Committee of Selection:

Tuesday, October 25, 1977

The Committee of Selection, appointed to nominate senators to serve on the several select committees during the present session, makes its first report, as follows:—

Your committee has the honour to submit herewith the list of senators nominated by it to serve on each of the following select committees, namely:

JOINT COMMITTEE ON LIBRARY OF PARLIAMENT

The Honourable Senators Bélisle, Bell, Cameron, Choquette, Côté, Davey, Forsey, Fournier (*de Lanaudière*), Fournier (*Madawaska-Restigouche*), Hicks, Phillips, Quart, Riel, Rowe, Sullivan and Walker. (16)

JOINT COMMITTEE ON THE PRINTING OF PARLIAMENT

The Honourable Senators Bell, Bonnell, Choquette, Duggan, Eudes, Fournier (*Madawaska-Restigouche*), Fournier (*Restigouche-Gloucester*), Greene, Haig, McGrand, Michaud, Neiman, Riley, Rizzuto, Smith (*Colchester*), Walker and Williams. (17)

JOINT COMMITTEE ON THE RESTAURANT OF PARLIAMENT

The Honourable the Speaker, the Honourable Senators Bélisle, Godfrey, Inman, Norrie, Quart and Rizzuto. (6)

JOINT COMMITTEE ON REGULATIONS AND OTHER STATUTORY INSTRUMENTS

The Honourable Senators Asselin, Ewasew, Forsey, Godfrey, Lafond, Riley and Yuzyk. (7)

COMMITTEE ON STANDING RULES AND ORDERS

The Honourable Senators Beaubien, Bourget, Choquette, Connolly (*Ottawa West*) Cook, Desruisseaux, Everett, Flynn*, Forsey, Fournier (*de Lanaudière*), Grosart, Lang, Langlois, Macdonald, McElman, McIlraith, Molgat, Molson, Perrault*, Smith (*Queens-Shelburne*), and Stanbury. (19)

* Ex officio members.

COMMITTEE ON INTERNAL ECONOMY, BUDGETS AND ADMINISTRATION

The Honourable Senators Argue, Beaubien, Bélisle, Benidickson, Bourget, Buckwold, Cook, Davey, Flynn*, Grosart, Laird, Langlois, Lapointe (*Speaker*), McDonald, McElman, McIlraith, Molson, Perrault*, Petten, Quart and Smith (*Queens-Shelburne*). (19)

* Ex officio members.

SENATE COMMITTEE ON FOREIGN AFFAIRS

The Honourable Senators Asselin, Barrow, Bélisle, Cameron, Connolly (*Ottawa West*), Croll, Flynn*, Grosart, Hastings, Lafond, Laird, Lang, Macnaughton, McElman, McNamara, Petten, Perrault*, Riel, Rowe, Sparrow, van Roggen and Yuzyk. (20)

* Ex officio members.

SENATE COMMITTEE ON NATIONAL FINANCE

The Honourable Senators Barrow, Benidickson, Côté, Croll, Desruisseaux, Everett, Flynn*, Giguère, Godfrey, Graham, Grosart, Hicks, Langlois, Manning, Molgat, Neiman, Perrault*, Robichaud, Smith (*Colchester*), Sparrow, Steuart and Yuzyk. (20)

* Ex officio members.

SENATE COMMITTEE ON TRANSPORT AND COMMUNICATIONS

The Honourable Senators Austin, Bonnell, Bourget, Cottreau, Denis, Eudes, Flynn*, Forsey, Graham, Haig, Langlois, Lucier, Macdonald, Marchand, McElman, Molgat, Perrault*, Petten, Riley, Smith (*Colchester*), Smith (*Queens-Shelburne*) and Sparrow. (20)

* Ex officio members.

SENATE COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS

The Honourable Senators Buckwold, Choquette, Croll, Eudes, Flynn*, Frith, Godfrey, Goldenberg, Hastings, Hayden, Laird, Lang, Langlois, Macdonald, McIlraith, Neiman, Perrault*, Riel, Robichaud, Smith (*Colchester*), Stanbury and Walker. (20)

* Ex officio members.

SENATE COMMITTEE ON BANKING, TRADE AND COMMERCE

The Honourable Senators Austin, Barrow, Beaubien, Buckwold, Connolly (*Ottawa West*), Cook, Desruisseaux, Flynn*, Haig, Hayden, Hays, Lafond, Laird, Lang, Mac-

naughton, McIlraith, Manning, Molson, Perrault*, Smith (*Colchester*), Sullivan and Walker. (20)

* Ex officio members.

SENATE COMMITTEE ON HEALTH, WELFARE AND SCIENCE

The Honourable Senators Adams, Bonnell, Bosa, Bourget, Cottreau, Croll, Denis, Flynn*, Fournier (*de Lanaudière*), Hastings, Inman, Langlois, Lucier, Macdonald, McElman, McGrand, Norrie, Perrault*, Phillips, Quart, Smith (*Queens-Shelburne*), and Sullivan. (20)

* Ex officio members.

SENATE COMMITTEE ON AGRICULTURE

The Honourable Senators Argue, Flynn*, Fournier (*Madawaska-Restigouche*), Fournier (*Restigouche-Gloucester*), Greene, Haig, Hays, Inman, Lafond, Macdonald, McDonald, McGrand, McNamara, Michaud, Molgat, Norrie, Olson, Perrault*, Riel, Sparrow, Williams and Yuzyk. (20)

* Ex officio members.

Your Committee recommends that the Senate consider incorporating into the Rules of the Senate a provision for facilitating changes in the membership of select committees during the course of a Session.

Respectfully submitted.

William J. Petten,
Chairman.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Petten moved that the report be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

ALASKA HIGHWAY PIPELINE

PLANNING AND CO-ORDINATING AUTHORITY—FURTHER ANSWER

Senator Perrault: Honourable senators, yesterday I provided a partial reply to a question asked by the Honourable Senator Lucier on the subject of the regulatory authority to be responsible for the pipeline along the Alaska Highway. I have further information this afternoon which supplements the information given previously.

Work is now in progress on the planning for this single agency. Direct preliminary discussions have been held with the Yukon Territorial Government, and this process of consultation will continue as development of the agency proceeds.

SPEECH FROM THE THRONE

MOTION FOR ADDRESS IN REPLY—DEBATE CONTINUED

The Senate resumed from yesterday consideration of Her Majesty the Queen's Speech at the opening of the Third Session of the Thirtieth Parliament, and the motion of Senator Frith, seconded by Senator Marchand, for an Address in reply thereto.

Hon. Edgar Fournier: Honourable senators, in rising to say a few words on the Speech from the Throne may I first ask for your indulgence and patience. I should like to follow the pattern of Senator Marchand by fully endorsing the complimentary remarks expressed by the mover, Senator Frith, and by Senator Flynn and all other senators on behalf of all of us.

I remember that on October 3, 1962, in the days when I had the complete use of all my faculties and the freedom of my tongue, a few hours after I was sworn in as a member of the Senate I had the honour of seconding the motion for an Address in reply to the Speech from the Throne, which was moved by my colleague and seatmate Senator Haig.

In those days it was a pleasure to perform these duties, because the Speech from the Throne contained something to talk about, something to look forward to, something constructive. Nevertheless, I congratulate both Senators Frith and Marchand for their great ability in mastering a difficult and embarrassing situation. They both expressed their views eloquently, and deserve praise.

• (1410)

I confess that I agree 90 per cent, perhaps 95 per cent, with what Senator Marchand had to say. However, I am of the opinion that the whole separatist movement started when the Quebec government of the day flattered too much the so-called "quiet revolution".

I have always believed that a quiet revolution does not exist, that there is no such thing as a quiet revolution. Revolutions may start quietly, but they do not remain so for very long. Revolutions mean trouble, bloodshed and war, and I ask myself whether the murder of the Honourable Pierre Laporte and the kidnapping of Mr. Cross were part of that "quiet revolution". For over 15 years we have heard about the quiet revolution as being something pleasant, friendly, peaceful and productive. Perhaps some day we may have to pay the price, and that day may not be too far away.

Last year, only one year ago, the federal administration spent more than was spent in the first 77 years of Confederation—that is, from 1867 to 1944—and furthermore the federal government's expenditure today is twice as much as it was five years ago.

If my memory serves me correctly, I recall reading a newspaper article in 1943, at the height of the Second World War, to the effect that it was costing the federal administration approximately $35 million a day. At the time I thought it was an enormous figure. However, based on the 1975-76 budget of $46 billion, we are today spending $126 million a day, $5.2 million every hour, $81,800 every minute, and an incredible $1,363 every second. I call that the road toward self-destruction, and those figures are likely to be increased in this year's budget.

There are several reasons for believing that we are proceeding in the wrong direction. Our democracy is based on free-

dom—freedom of speech, freedom of religion, freedom of the press, and free enterprise. Freedom of speech is gradually being challenged.

[*Translation*]

Freedom of speech, which is sometimes too free, is often placed in the hands of an unscrupulous press which lets itself go to slander or calumny for personal, political or lucrative reasons, and these slanders or lies are then broadcast throughout the world, which has a destructive effect on our democracy.

The freedom of private enterprise, which is the basis of our society, is being destroyed and must face many problems: the difficulty of producing at competitive prices on world markets, often because of the demands of a somewhat pampered nation with no consideration for the consequences which often follow; union demands; slow-downs in production; mechanization; push-buttons; the abuse of social services and unemployment insurance; education; medical and public services; electrical energy; fuel; and the taxes which in many areas have reached levels about which we should all be concerned.

We seem to forget that all the empires of the past, starting with the Roman Empire, were destroyed by revolutions caused by over-taxation.

In my opinion, the monetary system can no longer meet the needs and the demands of the people unless we make an appropriate reform. Otherwise, we shall have the same type of situation as in 1929-30.

[*English*]

Honourable senators, I worry about the future of Canada, the future of America and the future of the capitalist monetary system, which will be in serious jeopardy unless we clean it up by bringing about the necessary reforms based on justice, honesty, sincerity and willingness to work for reasonable returns. This is very urgent, and it will not be an easy task to undertake. I foresee a short life for any government attempting to make these changes in a peaceful way. Some of the four basic principles of our system will have to be temporarily shelved for some time. If we do not do this the communists will do it for us, with our help.

With regard to the unity of Canada, some reforms are urgent. The Constitution as it is has outlived its time. The structure is now close to 110 years old, and, although the framework is still good, much of the furniture needs modification in order to meet the requirements and demands of the Canadian people. For the last 20 years or so many requests for reform have fallen on deaf ears. Piecemeal patching up no longer meets the requirements of this country. However, we should not look for overnight reform. Reform should be carried out with wisdom and good judgment, giving the welfare of the nation first priority, superseding all political ambitions, with the objective of building a Canada where we all can live together regardless of nationality, race or religion.

I am inclined to believe that exaggerated news media distortion of the facts is detrimental to Canadian unity and is doing a great deal of harm.

The Constitution as it was first created provided for a two-party system. Today we have four parties, and honourable senators all know the consequences of this situation. In many cases, unless there is unanimous consent, one member can hold up the progress of the house for days, thus costing the federal government thousands of dollars a day by forcing it into endless and useless debate. The majority of the house is no longer the authority.

In addition to all of this, there are too many crown corporations without control. In 1970 I was able to obtain a list of all crown corporations, which are to be found at page 847 of *Hansard* of that year. At that time there were 47 such corporations, but many more have been added. These are divided into three sections, B, C and D. Honourable senators, with your consent I should like the list of these crown corporations, and the departments to which they are responsible, printed as an appendix to today's *Hansard*.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

(*For list of crown corporations, see appendix, p. 52*)

Senator Fournier (Madawaska-Restigouche): This list is an eye-opener. Most of these crown corporations merely submit an annual report to the responsible minister, to be accepted as is, and the government picks up the tab, whether the results represent a deficit or a surplus. In my opinion this needs readjustment. I hope that some of our new senators will be interested in this, and will shortly provide the Senate with a revised list of crown corporations.

Unemployment seems to be a prime concern today. We might as well face the fact that high unemployment is here to stay and that it will get worse as time goes on. Who wants to work today when the unemployed, and those who receive welfare, are treated as they have never been treated before? Quite often the rest of us are told by the recipients, "You are a darned fool to work." This is the state the country finds itself in. Anybody thinking of providing jobs becomes an adversary of the unemployed. To be unemployed today is an honour. It requires a certain skill to remain on the unemployment rolls, and too many people have that skill.

● (1420)

Many factors contribute to unemployment, such as exorbitant salaries for inadequate qualifications, little regard for the employer's ability to pay, and lack of interest in the welfare of the employer and his ability to maintain a profitable market. In order to survive, the employer is forced to introduce sophisticated push-button machines, controlled by a few hands but producing the work of hundreds of men and women. At one time more than half the people in the work force were skilled labourers, but these people have practically disappeared except for workers employed in the building industry as carpenters or in affiliated trades. As a result, tens of thousands of common labourers are on the idle list. These factors, to mention only a few, produce unemployment.

In my opinion, the idea of spending from $30,000 to $50,000 to create one job is a costly and inefficient method of fighting unemployment.

We often read or hear about Senate reform. On several occasions I have been contacted by people, mostly students, who have not the least knowledge of what the Senate is all about. I have always taken pleasure in inviting these students, along with their professors, to visit the Senate and spend a few days exploring all avenues of the Senate's various functions. They soon find that it is the House of Commons that should be reformed, not the Senate.

The main role of the Senate is to study legislation, to pass it, amend it or reject it. It has often been said of the Senate that it is a house of sober, second thought. But how can the Senate give any thought at all to bills if they are not sent here from the House of Commons or introduced in this chamber in the first instance? Let us look at the record of the last session, the session of 1976-77, and see how many bills received royal assent: October, one; November, none; December, two; February, three; March, four; April, none; May, three; June 16 to 30, eighteen; July 1 to 15, twenty-two, including twelve electoral boundaries bills. One look at the months of June and July will indicate where the trouble is.

[*Translation*]

Honourable senators, in closing I would like to come back to the subject of national unity.

It seems to me that there is too much publicity on this subject, which irritates the population, and that we are creating an incurable resentment among the various races and nationalities which make up Canada.

We should reflect instead on what Quebec will lose if it separates. In my opinion, it will not do so. The Parti Québécois is already having serious internal troubles. Its prolonged existence is already doubtful. It is already past its best.

The referendum in Quebec will contribute to its defeat. What will a national referendum achieve? The nine other provinces do not want separation. Everyone agrees about this. In that case, why do it if not to add a pail of mud to already polluted bogs.

[*English*]

Hon. Frederick William Rowe: Honourable senators, I wish to speak very briefly in this debate.

Before getting into the substance of my argument, I should like to extend my congratulations to you, Madam Speaker, not only on the continuation of your role as the Speaker of this house, but also on the very gracious and efficient manner in which you have discharged your duties in recent weeks, when you had to take the onerous burden—and I use the word advisedly—connected with the royal visit and the matters pertaining to it.

I extend to Your Honour our very best wishes for a continuation of what I believe has been to you a gratifying term of office, and certainly a most satisfactory term of office as far as the Senate is concerned.

[Senator Fournier (Madawaska-Restigouche).]

I would like also to express my congratulations to the mover and seconder of this motion and to the senators who have spoken so far, including my honourable and esteemed colleague who has just sat down. I regret that, through no fault of mine, I was unable to be present last night to hear what the Leader of the Opposition and the Leader of the Government had to say. I have read the *Hansard* account of their contributions, and I congratulate them. Perhaps I should explain that my absence last night was due to the fact that the plane, which ordinarily gets into Ottawa around 6 o'clock or shortly thereafter, through some mechanical trouble did not arrive until 10.30 in the evening, and consequently I missed the sitting.

I congratulate those who have spoken. While we do not always agree with one another, we do, in one way or another, feel proud that the Senate, through these speakers, has been able to make a contribution to Canadian thinking on these very important matters that are concerning us today.

Today I propose to deal with only one aspect of one problem concerning Canada. There are, of course, a great many items one could select from the Speech from the Throne, and if I were to deal only with one aspect of Canadian need at this time, it might be better for all concerned. I want to speak about power and energy needs. In particular, I want to speak about those needs as they concern the province of Newfoundland and the province of Quebec and, of course, by extension, all of Canada.

I think a little historical background is in order here. Some honourable senators will recall very vividly the beginning of our great industrial scheme back in the early 1950s. That originated when the Premier of Newfoundland went to England and succeeded in interesting the then Prime Minister of England, the revered Winston Churchill, in the possibility of developing some of the resources of Newfoundland, including that great undeveloped part of the province we know as Labrador.

It is an indication of the importance of that concept that Churchill, beset with many problems, as he was, was willing to not only spend many hours discussing this with the Newfoundland representatives, but was able to interest other distinguished Britons in this possibility and also, I might say, citizens of other countries as well. In particular, he enlisted the aid of his close friend and former colleague in two world wars, the Canadian-born Lord Beaverbrook. Between them they were able to interest the House of Rothschild and, through the Rothschilds, other leading industrialists and financiers of England, and later of other countries as well, including the United States. As a result, a great consortium of industrial and financial interests was brought together, twenty-one in all, including some of the world's largest and most prestigious financial and industrial organizations.

● (1430)

In England alone—and I only recalled these names from memory as I was making these notes this morning, although there are many others I could name—in addition to Churchill and Beaverbrook there were people like Lord Leathers, a very famous Englishman in the fifties, Sir Val Duncan and Sir Eric

Bowater, and many others heading up the great financial houses of England, and some of the great mining and other development companies of England and the world.

As a result, in 1952 basic negotiations started, which culminated in 1953—I am mentioning these dates deliberately, because I want honourable senators to follow the chronology of this—in an agreement being signed for what came to be known as the Brinco agreement—the British Newfoundland Corporation Limited agreement. Perhaps at this point I should interject that the basic purpose of the formation of this great corporation was the development of the undeveloped resources of the island of Newfoundland and the territory of Labrador, and in particular the development of mining, forestry and water power.

I can speak with some knowledge of this, because I was one of the three Newfoundland signatories to the agreement in 1953, when I was then Minister of Mines and Resources in the Government of Newfoundland. The corporation immediately and energetically started to get together a group of men who were outstanding in their various fields, with the object of getting development going at the earliest possible date.

One of the great concerns of that group and that corporation was the development of the water power of Labrador, because from the plateau of Labrador there flowed into the Atlantic Ocean the single largest undeveloped potential source of power on the face of the earth. There was approximately ten million horse-power—we do not use horse-power nowadays; today I think the megawatt is used as the unit of measurement—on one river alone, the Churchill River. Many people have expressed surprise that so much power could be concentrated there. Power greater than that at Niagara was there, although the geographical area of the watershed of the river is much smaller than the watershed comprising the Great Lakes and the Niagara River. However, what many forget is that the water is deposited in the form of rain and snow on a plateau which is from 1,000 to 2,000 feet above sea level, and all of it must fall those 1,000 to 2,000 feet before reaching the Atlantic Ocean.

Well, that company started to work to try to get development going and, in particular, this water-power development. I believe it is advisable at this point to recall the names of some of the great Canadians who were associated with it—some of the greatest names politically, financially and industrially in the history of Canada. We must start, of course, with that of Premier Smallwood, whose name will be forever associated with that development because the original concept was his. It was his idea to go to Churchill and develop in this way the resources of the province. There was also the first chairman of Brinco, a man we in Newfoundland knew, because he spent his early professional life there, as Bertie Gardner, the president, and later chairman of the board, of the Bank of Montreal and one of the leading financial names in modern Canadian history. Also associated with the project were men of the order of Robert Winters, who for many years was president of Brinco and whose name is a household word to many present in this chamber—Bob Winters, as we knew him. Then we had Henry Borden—I do not need to labour this—who was associated with Brinco, and later with the Churchill power development, for many years. There was Donald Gordon, one-time head, I believe, of the Bank of Canada and certainly head of the CNR for many years and one of the great names in Canadian industrial history. We had men such as R. D. Mulholland, another president of the Bank of Montreal, and later William Mulholland—no relation—who I believe at this moment is the chief executive officer of the Bank of Montreal. There were men such as Don McParland, a young and brilliant financier and developer, who tragically lost his life a year or two before the culmination of the great Churchill development.

In spite of all the efforts made by these men, and by many others whose names I could list, it was not until July 1967, 15 years after the formation of Brinco, that the sod-turning ceremony took place. Then for the next five years the construction and development went on at the fastest possible pace. This, I would remind honourable senators, was the greatest single undertaking of its kind in the history of mankind, the greatest single project ever undertaken in Canada up to that point in time, necessitating an outlay of $1 billion. It was the first $1 billion project, I am told, in Canadian history, and I am speaking now of ten to twelve years ago when $1 billion meant a great deal more than it does today.

The first power came on stream in December 1971, and, in fact, the official opening was in June 1972. The point I would ask you to keep in mind is that with all the energy, ability and expertise, and with all the almost unlimited credit at its disposal, this development, from the formation of Brinco until the time we got power out of Churchill Falls, took a total of 20 years. One is tempted to ask why did it take so long? Certainly the power was needed; the market was there in the United States and in central Canada, and certainly Newfoundland needed both the revenue that would be derived from this undertaking and, above all, the jobs.

● (1440)

This great enterprise, the construction of which lasted over five years, employed, at its peak, 6,000 workers at the then highest wages for construction work being paid in Canada. And yet, I have to say—and this is my personal opinion—that if Newfoundland knew then what it knows today it would not have approved the agreement, and the waters of the Churchill River would still be flowing unutilized into the Atlantic Ocean.

An agreement was made between the Churchill Falls Corporation, an affiliate of Brinco, and the Province of Quebec after many, many years of hard and difficult negotiations. In the 20-odd year period during which I was associated with the Government of Newfoundland, those were the hardest and most difficult negotiations I ever saw it undertake.

I do not want to be guilty of recriminations on this point, but Newfoundland found it very, very difficult to get what it considered to be a reasonable agreement from Quebec over that period of time. I am not referring to any particular government, because there were, I believe, five administrations in the province of Quebec over that period. I am not attaching blame to any one political party or any one administration.

For several years the project was stymied by the position taken, not so much publicly, by the Government of Quebec, which was that before it would go along with any development it wanted to have the Labrador boundary renegotiated. Newfoundland made it clear then, as I am sure it will do in the foreseeable future, that it will never negotiate a decision made in a court which had the indirect participation of the then Government of Quebec, a decision made by the Privy Council in 1927, which established that that part of the Labrador Peninsula was part of the territory of Newfoundland and that it would be Newfoundland's for all time.

That position is not negotiable, and any Government of Quebec will be simply wasting its time, as it wasted its time over a period of years, to Newfoundland's detriment, and to the detriment of the rest of Canada.

The other decision on the part of the Government of Quebec which held up the development was the attitude that this power, when developed, would go as far as the Quebec border and no farther as the property of Newfoundland. At that point it would become the property of Quebec.

An appropriate analogy would be the Province of Saskatchewan taking the position that Alberta oil or gas moving to, say, the province of Ontario would be the property of Alberta until it reaches the border of Saskatchewan, at which point it would become the property of Saskatchewan. In other words, Saskatchewan would purchase those resources at rates to be agreed upon, and the Province of Manitoba, in turn, would do the same thing, and so on, through the remaining seven or eight provinces, if necessary.

Without attacking any single administration, it is my feeling now that the governments in power in Canada in the 1950s and early sixties fell down on the job. This transmission of power from the Labrador Peninsula, to be utilized in Ontario, or New England, or New York, should have been under the aegis of the Government of Canada and not of the Government of Newfoundland or the Government of Quebec, or that of any other province. The net result of all of this was that, in order to get the money which Newfoundland needed—so much per horsepower development, a share of the profits of Brinco—in order to get that money and, above all, to get the 6,000 jobs that were involved and which were so desperately needed in Newfoundland, the Province of Newfoundland had to enter into an agreement with Quebec which it should not have had to enter into.

At the time it seemed to be a fairly good agreement. The price of energy throughout the world had remained virtually stable for 50 years. No one could visualize—Donald Gordon did not realize it; Bob Winters did not realize it—no one could foresee that 10 years thereafter there would be a worldwide shortage of energy and that the cost of power would be 10 to 20 times as high as it then was. That is what has happened. The beneficiary of all that, of course, is not the Province of Newfoundland. We are saddled with a 44-year agreement. The beneficiary is the Province of Quebec, to whom Newfoundland, through Brinco and the Churchill Falls Corporation, is selling power at a cost of from 3.3 to 3.6 mills per kilowatt hour, and I understand that some of that power is being resold by the Province of Quebec for as much as 20 mills per kilowatt hour, or at least many, many times more than what Quebec is paying.

It is very easy to be a little ruthless about this matter. It would be easy for the ordinary bystander to be a little cynical, saying, "You made your bed, lie in it." But I say now that no one in Canada, no one associated with Brinco—and this included some of the best financial brains of the world as well as some of the greatest industrialists—no one foresaw what was going to happen. As a result, Newfoundland came out on the short end and the Province of Quebec has the advantage. We do not begrudge these windfall profits to the Province of Quebec. We do feel, however, that we should have some share in them. More important than that is the fact that Canada has only developed the power on the Upper Churchill. That is the single greatest development in the world. It develops 5,200 megawatts. In terms of horsepower, that would probably be something in the order of six million horsepower. I do not know offhand what the conversion formula would be. Perhaps it will make it more realistic if I tell you that the existing development at Churchill Falls which takes power to the border between Newfoundland and Quebec, and at which point it is purchased by the Province of Quebec, is sufficient to supply all the power, all the energy needs of every kind, for three cities of the size of Montreal. But, in addition, that one single source of power now on the Lower Churchill has a potential which could be developed, figuratively speaking, tomorrow. In fact, honourable senators, the development did get under way, and then was stymied at a cost to Newfoundland, I believe, speaking offhand, of something approaching $200 million. On the Lower Churchill there are another 1,800, and perhaps 2,000, kilowatts; in other words, roughly two-fifths of the development of the Upper Churchill.

● (1450)

And that is not all, honourable senators, because we have many other great rivers. So far I have spoken only of the Churchill, but we have other great rivers flowing from this plateau into the Atlantic Ocean, and entirely within the boundaries of the Province of Newfoundland, like the Eagle River and the Paradise River. The Eagle River alone—and here I am speaking from memory—has a watershed of 13,000 square miles, and again the water is all up there, 1,000 to 1,500 feet above sea level, and it has to come down to sea level. In addition to the Eagle River and the Paradise River you have a dozen of these great rivers flowing down to the ocean, and they have—and these are the latest figures which I got this morning from the Ministry of Energy in Newfoundland—a capability of 4,400 megawatts.

But that is not all, honourable senators. In addition, there are a number of large rivers, like the Romaine River, which have their headwaters in the Province of Newfoundland, but which flow into and through Quebec territory into the Gulf of St. Lawrence. There are five or six such rivers which come from that plateau, and there we have 3,300 megawatts.

So we are now talking about a total of 8,000 megawatts, and here let us remember that the Churchill development, the biggest of its kind in the world, generates only 5,000 megawatts. We still have 8,000 megawatts which could be developed, from an engineering standpoint and from a financial standpoint, quite feasibly over the next four or five years. But such development as there was has ceased; nothing has been completed at all, and the water which gives rise to that potential of 8,000 megawatts is flowing, as it has done ever since the ice age, into the Gulf of St. Lawrence and the Atlantic Ocean and is, for all practical purposes, of no use to anybody. Again let me remind you, honourable senators, as an illustration, that here I am talking of sufficient power—not yet developed but which could very readily be developed—to supply the energy needs of every type of nine cities the size of Toronto or Montreal. And I say, honourable senators, that for all that power, all that potential, to be flowing away at this particular time with nothing being done about it is a national disgrace.

Here, honourable senators, I want to go on record and say that in my view if the Governments of Canada in the 1950s—and here I am speaking of the administrations in Ottawa—had done what I believe they were entitled to do under the British North America Act—I was looking just now for the particular clause and while I did not locate it I know it is there, the clause which permits the Government of Canada to declare a project to be in the national interest—if the government had done what it could legally have done in the 1950s, and which it morally should have done—and which I suggest might be a little bit more difficult today, for reasons that I do not need to go into—if that had been done in the 1950s then that power and that potential on the Labrador peninsula would be, if not completely developed today, at least in the process of being developed, and would be available to us within the next three or four years. Instead of that we find ourselves in a very different situation. Is there anybody here who thinks that we are not going to have a crisis of the first order in the next five or six years, and certainly in the next eight or ten years, so far as the supply of energy is concerned? We would have to have our heads dug into the sand pretty deeply if we did not realize that possibility—and it is not just a possibility, but a certainty. We are going to have crisis after crisis, and meanwhile all that power will be flowing away with nothing being done about it.

In what I am about to say now, let me make it quite clear that I am expressing my own personal opinion. I am not expressing the views of any other person in public life in Newfoundland, but I believe that there is almost complete unanimity amongst all the political parties in Newfoundland, and complete unanimity so far as the people of Newfoundland are concerned, on this particular point that I am going to enunciate now. I do not believe that any Government of Newfoundland will agree to any joint plans for the development of the undeveloped resources, water and hydro resources, of Labrador without a renegotiation of the existing Churchill Falls agreement. Finally, I want to say that I do not believe that any Government of Canada can afford to pussyfoot or fence-straddle on this issue. I realize that these are delicate times, and I realize that we have certain fundamental problems confronting us, and, as we say in Newfoundland, we have to be careful not to rock the boat any more than is absolutely necessary, but I do say that Ottawa has the right under the British North America Act to take action. It has the legal right and, I repeat, it has the moral right, indeed the moral responsibility, to see to it that action is taken in the national interest so that the vagaries of political fortunes in Newfoundland or Quebec or any other province will not be allowed to hamstring or prevent the development of this tremendous resource which Newfoundland needs, which Quebec needs, and which certainly the rest of Canada needs—that is, the development of the energy resources of Labrador.

Senator Godfrey: Will the honourable senator permit a question? If this power had been developed in the 1950s in the manner that he suggested could have been done, wouldn't that power have been sold to the United States at the time through long-term contracts at a low price?

Senator Rowe: Honourable senators, this will sound rather like a cliché, but I am glad that my honourable colleague has raised that question because it reminds me of something I intended mentioning earlier, which is that the Government of Newfoundland had two choices. Theoretically, we did not have to sell the power to the Province of Quebec. We could have brought the power—and we had this possibility examined by one of the world's leading engineering firms—from Churchill Falls down to the southern part of Labrador, across the 10-mile Strait of Belle Isle by means of a tunnel—which could, incidentally, have subsequently been turned into a traffic tunnel as well, which would have relieved Newfoundland once and for all of its insularity—and then approximately 320 miles down the entire west coast of Newfoundland, and then across the 70-mile or 80-mile, depending on what route you use, Cabot Strait.

Senator Flynn: A tunnel again?

• (1500)

Senator Rowe: No, not a tunnel. I would remind my honourable friend that the Strait of Belle Isle presents an entirely different engineering problem from the Cabot Strait. The Strait of Belle Isle has, as I am sure the Deputy Leader of the Government knows because he is a well-known sailor, some of the heaviest tides of the world. It also has, of course, icebergs which travel up and down at, for icebergs, fantastic rates. Therefore, anything done on the Strait of Belle Isle would have to be either above those icebergs, which would not be too easy, or below them under the sea bed, and that would not be too difficult a proposition.

On the other hand, in the Cabot Strait there are no icebergs to be concerned with. The power could be brought across the floor of the Cabot Strait into Cape Breton, and then across Nova Scotia to New Brunswick and on into Maine. From an engineering point of view that is quite feasible, and I had that opinion confirmed again only this morning by some of the leading engineers in Canada.

Senator Flynn: How much did they charge to give you that opinion?

Senator Rowe: The only problem there is the cost. Obviously, that is pretty serious because it would drive the cost of the power up to an uneconomical rate. But I would remind my honourable friend that it might not be an uneconomical rate ten years from now, or even in less time than that.

The answer to the question, however, is that at the time we were talking about, say even in 1960, Ontario had a great need for power. As you know, some of that power was supplied in other ways to Ontario. For that matter, it was supplied in other ways to Quebec and to other parts of Canada through thermal generation, and in some cases through nuclear generation, especially in the United States.

But with respect to having to make long-term deals with the United States, I doubt that that would have been any serious problem because a good deal of that energy could have been consumed in Canada, and cheap energy of that kind would certainly have encouraged expansion of the manufacturing industries in Canada.

We discussed the possibility at that time of making agreements with the United States, and I know that the objection my honourable friend has raised could have been eliminated or avoided completely.

Senator Greene: Would the honourable senator permit a question? Do I gather from his speech that even though Newfoundland is a young son of Confederation, there is a disposition in Newfoundland to keep the family together? Is there a spirit in Newfoundland that is determined to keep Canada together?

Senator Walker: Yes or no?

Senator Rowe: As my honourable friend knows, I played a small role in helping make Newfoundland a part of the Canadian nation, so I think I can say with some assurance that at that time there was a strong minority feeling that, instead of joining Canada, Newfoundland should consider some form of affiliation with the United States. There were some pretty solid reasons for that. More of our people were living in the United States than in mainland Canada; there were sentimental ties and other close ties because of the American bases in Newfoundland at that time. My guess now is that the great majority of the people of Newfoundland would not want to see Newfoundland dissociate from Canada and they would certainly not want to see Canada break up. They would not want to see Quebec break away, in other words.

Having said that, I think I should say in fairness to Newfoundland that that does not mean Newfoundland is at all satisfied with its role as part of the Canadian nation. The people of Newfoundland sometimes have the feeling that many Canadians believe that all that Newfoundland is doing is drawing welfare benefits, unemployment insurance or something of that kind.

I am sure I need not remind honourable senators that when Newfoundland became part of Canada it brought to the Canadian nation some great sources of wealth—the great iron mines and other mineral resources of Labrador, the great water power, the great paper manufacturing industries, and so on—which have tremendously improved Canada's position vis-à-vis other countries of the world.

The answer very simply is that no part of Canada is more anxious to see Canada stay together, but we do have 600,000 people; we do have the biggest unemployment problem in Canada; and in terms of the general standards of living we do still have some of the lowest in Canada. That is not the fault of the Newfoundland people. Indeed, it may not be the fault of anybody. Whatever the cause, it is certainly a problem in Newfoundland, just as it is in other parts of Canada which have somewhat similar needs—New Brunswick, parts of Quebec and parts of Nova Scotia, particularly Cape Breton Island, and so on—and, as a nation, we have to be more concerned about these deficiencies than we have been in the past.

Senator Bourget: Honourable senators, I just want to say that I shall have to read in *Hansard* what the Honourable Senator Rowe has been saying, because I was a director of Brinco for a time. I am no longer a director, and I gather from what Senator Rowe has been saying that there may be certain things that should be looked into.

On motion of Senator Flynn, for Senator Smith (Colchester), debate adjourned.

AGRICULTURE

"RECOGNIZING THE REALITIES: A BEEF IMPORT POLICY FOR CANADA"—INTERIM REPORT ON CANADIAN BEEF INDUSTRY—DEBATE CONTINUED

The Senate resumed from Thursday, October 20, the debate on the inquiry of Senator Argue calling the attention of the Senate to the interim report of the Standing Senate Committee on Agriculture, appointed in the last session of Parliament and authorized in that session to examine from time to time any aspect of the agricultural industry in Canada, on its inquiry into the desirability of long-term stabilization in the Canadian beef industry, entitled: "Recognizing the Realities: A Beef Import Policy for Canada," tabled in the Senate on Friday, October 14, 1977.

Hon. Gildas L. Molgat: Honourable senators, before I make any comments on the report itself, I wish to associate myself with the remarks by the chairman of the committee, the Honourable Senator Argue, when he thanked all those who shared in the work involved in producing this report. There was, in fact, a great deal of work.

I also wish to associate myself with what was said by my colleagues, the Honourable Senator Olson and the Honourable Senator Greene, in respect of the chairman, because if it had not been for his continued effort and determination the report would not have been possible. And those honourable senators who have worked with Senator Argue know, when I say he was determined, that that is an adjective which is fully applicable.

Senator Flynn: Stubborn!

Senator Molgat: Without his determined work in the last year we could not have accomplished what we, in fact, did accomplish, namely, a really good report. Perhaps, being a member of the committee, I have a prejudiced view, but I do think it is a good report. I believe that there has been a good reaction to the report, certainly by Canadian producers. So I express, with my colleagues, our thanks to Senator Argue.

● (1510)

I believe also, as Senator Greene pointed out, that in the process of the work of the committee not only were we doing a great service to the beef industry in Canada, but we were doing also a good job for the Senate. We were showing the kind of work that the Senate can do and has done. I am not suggesting that it is the first time, but it is the type of inquiry that the Senate can undertake most effectively. It is my view that the travels of the subcommittee to other parts of Canada were an important element in achieving a better report.

Turning now to the report itself, I want to emphasize the seriousness of the situation in the beef industry. It is extremely important that this message gets across to all Canadians. There is a tendency, I suppose, for all of us to look at our own problems, the ones with which we are more familiar, and not always to understand those of other regions.

The beef industry in Canada has been in a very serious position for at least the past three years. Some might say, "Well, it's a cyclical business. It's up and down. Some years you make money, some years you lose money." The fact is that over the past three years, and probably the last four years, not only beef producers in Canada lost money—that is to say, not made a normal income—but they have actually experienced a substantial decrease in their assets. They have been eating into their assets.

I suppose that one way of describing it would be to quote the words of one of the young ranchers who appeared before the committee. His words appear in our report, and it might be well to have them on record, because I believe he expressed, as one actually involved in the industry, his frustrations and problems. I am quoting Mr. Evann Thordarson from Saskatchewan, who said:

> No industry can exist for long if it has to borrow one or two hundred dollars against its capital assets for every unit of production it markets. We (the beef producers) have in fact, during the past three years, been subsidizing the Canadian consumer by borrowing money against the equity that our fathers, our grandfathers and in some cases our great-grandfathers, built up in the form of land and brood cows, to cover deficits in our income.

So it is not simply a case of not making money, of having an income that is frozen. It is a definite, straight case of really eating into assets built up in past years, the result being that many have simply given up and have left the industry. Unfortunately, many were young farmers who had been encouraged to enter this specific industry.

More recently we had the report on farming, a very recent study, issued from Winnipeg on October 19. Although the Canadian Cattlemen's Association made the statement, the report was prepared by the independent consulting firm of Broadwith-Hughes Co., of Guelph, Ontario. It says that poor prices have cost beef producers $100 million a year in lost equity over the past three years—that is, $100 million by producers in the beef industry in actual losses; money that they had previously made and invested in the cattle industry, and which has now been frittered away. Producers have had, in fact, to subsidize consumer prices.

So we have a situation which, in the interests of producers and of consumers, cannot be allowed to continue, because quite obviously an industry in that condition will—depending, I suppose, on the financial strength of those who are involved—within a certain period of time, be it five or ten years, eventually disappear.

In the meantime we are faced with a different world situation and a complete change in trading patterns in the beef industry. The committee's report deals strictly with the questions of imports, import policy, and exports. I am not pretending—and the committee does not say this, by any means—that those are the only problems existing in the beef industry. There are others. But at this moment we are focusing on this particular item because of the importance of timing.

Canada is faced at this time with negotiations of the GATT in Geneva, and we believe it is important that the committee's findings be published now so that Parliament, the Canadian government, and Canadian negotiators are aware of what we have found and can conduct their negotiations on the basis of what we believe to be sound information. That is the reason why we are focusing on the import question.

In looking at the import situation we found that the beef industry in Canada had changed drastically over the past 10 years; that we have moved from being a net exporter of beef, if we take in all aspects of it—fresh, frozen, slaughter animals, and so on. We have since moved drastically into being not only a net importer, but a very substantial importer. In this past year, the last year for which we have specific figures, we imported some 13.3 per cent of our total consumption. Compared with what we produced, 13.3 per cent of our total consumption was represented by imports. In a period of 10 years we have moved to this position from a position of being a net exporter. Obviously the industry is eroding very substantially. During that time Canadian producers proceeded to adjust in response to the very low prices. As has been mentioned, a number of them were getting out of the industry, and the number of cattle on Canadian farms started to drop.

If honourable senators refer to Table IX on page 33 of our report, which is headed "Beef Cows on Farms at December 1st," they will find that in 1976 the number dropped by 4.4 per cent, and, in 1977, by a further 4.8 per cent. Obviously, if one's cow herd is going down, one's production for slaughter purposes will automatically go down.

While that has been happening here, the same development has not necessarily occurred in other countries. When we are dealing with beef in Canada, apart from our own production in

terms of Canadian consumption, we are really concerned with three other countries, namely, the United States, Australia and New Zealand. Our imports from other sources are so small as to be negligible, so those are the three countries that matter. I am not suggesting that production in other countries does not have an effect on what happens to our prices and on the world situation—quite obviously it does—but from a direct import standpoint, as far as we are concerned, the United States, Australia and New Zealand are the three countries we have to consider particularly.

● (1520)

If you look at the total number of cattle on farms, as shown in the table on pages 16 and 17—and this, while it reflects more than just the beef situation, is nevertheless a function of beef production—you will note that starting in 1974, as I indicated earlier, the number of Canadian cattle started to drop from 14 million to 13.7 million in 1975, and to 13.6 million in 1976. In the United States the same pattern developed, but not quite as soon. It started one year later. There again, however, the drop has started to be evident. Nevertheless, when you look at the other two main Canadian suppliers, New Zealand and Australia, you see that that is not happening. In both of those countries cattle numbers have continued to increase, at least until 1976, the last year for which we have figures. Where we started to drop, after a peak in 1974, both of those countries have continued to increase their numbers of cattle.

Senator Bélisle: Would the honourable senator permit a question?

Senator Molgat: Certainly.

Senator Bélisle: The honourable senator is quoting all these figures, but is it not a fact that we were told on our western travels that the drop in the number of cattle was due to our sales of wheat, barley and so on. The price was so good that it was a paying proposition for the farmers to sell these grains rather than feed them to the cattle. Indirectly, therefore, if the number of cattle has decreased, it is due to the fact that wheat, barley and so on was bringing a high price. Could it not work in the opposite way if wheat becomes a commodity like nickel?

Senator Molgat: There is no question, Senator Bélisle, but that the feed situation is a very important factor in the beef industry. As I indicated earlier, my comments deal specifically with the import and export question, but, to answer your question, certainly the substantial increase in the numbers of feeders on Canadian farms was, in part, the result of difficulty in selling grain some years ago. Then, when grain started to move much more readily, and there was no need to convert it to meat, there was a tendency to reduce the numbers of cattle. That is true, but I still believe that the main reason for the decrease in numbers of cattle on Canadian farms was the very low price of beef. A farmer simply could not make money at it. However, feed was unquestionably a factor.

In any case, during the course of our meetings both here in Ottawa and across the country, we were met by consistent requests by producers, by provincial government representatives and by, I would say, anyone who came before us, for some kind of beef import law. Very frequently the suggestion was that it should be patterned on the American law, but that there should be some way of regulating imports on a long-term basis. During that period of time—that is, over the past year—the government established temporary quotas which, by and large, have been monitored and adhered to, and there are no problems in that regard, but the virtually unanimous statement that was made to us was that there ought to be a regular structure, one on which people involved in the beef industry could depend on a long-term basis so as to be able to do some planning. Short-term quota arrangements simply did not permit them to carry out this kind of long-term planning and have the kind of confidence in the industry that is required in order to maintain a viable Canadian beef industry. These requests are to be found in the report, and they came from all sources, including virtually all the producer groups. Some went as far as the supply management proposal, although they were by no means a majority, and even those who suggested supply management still recognized that there had to be an import control structure of some kind.

From our own findings and these requests we have produced the specific proposals in this report, and I believe they are sound when the whole picture is considered. In order to achieve this, I think we will have to have a substantial change in the approach of the government towards the agricultural industry. It seems to me that in the past the industry has been considered to be one that should not be a factor in our negotiations with other countries when it comes to trade questions, and, in fact, if it is a factor at all, it is not one we should bargain with. If there are to be any protective measures, they ought to be for the industrial sector, it was thought, since the agricultural sector is one that can stand by itself. The attitude, I think, of many Canadians, is that, after all, we have very large expanses of land, that this land is highly productive, and agriculture can take care of itself without any kind of government assistance, although at times it may need some special programs. However, the long-term policy has not been in any way directed towards the kind of proposals we are making now.

As a westerner I have traditionally shared the view that free trade, or freer trade, is in the long-range interests of our nation, but I confess that when I look at the problems faced by this particular industry I have to agree that measures must be taken. At the moment, the Canadian government, as you have no doubt seen from the newspapers, is proceeding to seek new clothing import quotas. The minister responsible is quoted as saying that he will try to negotiate import quotas with the seven countries that provide 80 per cent of Canada's clothing imports. If he is successful, he will start negotiations on similar agreements with 14 other clothing exporters. I am quoting this from the *Globe and Mail* of Friday, October 21.

I think we have to have a look now at the agricultural industry, and certainly at the beef industry, in the same light as we are prepared to look at the textile industry. Unless we do so, I fear that we will eventually end up with no beef industry,

and I do not think that a nation can afford to have one of its major sources of food dependent completely on imports. It is essential, as a matter of national security, that there be a basic food production industry in this country. The need here, as I see it, is for a long-term policy that will permit the ranchers to engage in planning.

I think we have to look at other agricultural industries. For example, let us look at the sheep industry. Many years ago, we had a sheep industry in this country, and we do not have one now. People will say, "Well, the cattle industry will not disappear." There are still a few people raising sheep in Canada, but we do not come anywhere close to producing our needs. The same thing can happen in the beef industry.

Obviously there will be concern from the consumer side, and I can understand it. No one wants to pay more than he has to for any product. On the other hand, unless we have some stability in the beef industry the consumer side will suffer as well in the long run. If a sector of Canadian production as important as the beef industry were, in fact, to be eliminated, consumers in this country would be affected by the consequent loss of jobs and markets. Our balance of trade would be in serious difficulties, and the consumers would stand to lose in the long run. In the short run as well the consumers have to recognize that they really have been getting a great bargain in beef.

Let us look at the figures of Canadian food purchasing, and the amount Canadians spend on food in comparison with what citizens of other countries spend. I have here figures produced by the OECD of the expenditure on food as a proportion of national disposable income in 1970 and 1976 in a number of selected countries. These countries are not selected to show Canada in any particularly favourable position. They are the main industrialized countries of the world—Australia, Belgium, Canada, Denmark, France, West Germany, Italy, Japan, The Netherlands, Sweden, the United Kingdom and the United States. Of all those countries, Canada and Canadians spent the smallest proportion of disposable income on food. In fact, the percentage dropped from 1970 to 1976. In 1970 we were spending 14.9 per cent of our disposable income on food; in 1976 that amount dropped to 13.8 per cent. As a percentage of disposable income, we were spending less in 1976 on food than we were in 1970.

If you make a comparison with the other nations which I have listed, you find that Canadians spend the least amount as a percentage of disposable income on food. The next one to us is the United States at 15 per cent, and then next in order are Sweden, The Netherlands, Australia and France all at 16.7 per cent. Canadians, therefore, are spending less on food today as a percentage of disposable income than they were six years ago. They are spending less than the citizens of any of the other industrialized nations.

Therefore, I think we have to be realistic as consumers. We cannot have an industry like the beef industry in which the producers are not simply making less money but are actually losing money made in the past—they are cutting into their equity—while the consumers of this country, because of low prices, are spending less on food than consumers in other countries. Nevertheless, our committee recognizes that we should not go the other way and stop all beef imports. We should not say that we ought to put the producers in a position where, if the circumstances changed drastically, they could gouge the consumers. So we built into the proposals a mechanism whereby if the prices were to rise unduly, then the import restrictions would be immediately altered, and further imports would be allowed as a balance. We do have the consumer's interests in mind, as well, in our proposals.

• (1530)

As I indicated, I support these proposals, but there is the question of implementation. I want to make it very clear that as far as I am concerned, and I am sure that it applies to the other members of the committee, there is no intention whatever that these ought to be unilateral decisions by Canada. We recognize our obligations in the world and our position in world trade. It is certainly my view that nothing should be done without sitting down with our major trading partners in this particular field—the United States, New Zealand and Australia—putting our cards on the table and explaining our problems exactly as they exist, in order to see what we can work out with them.

We did this some years ago with the United States in regard to our major industry, the auto industry, where there was a particular problem. That problem was solved by sitting down with the Americans and establishing the Auto Pact. In my opinion, it turned out well in the long run for Canada, and we were able to negotiate with them a satisfactory arrangement. I believe that we can accomplish the same thing in this field, and that we ought to be sitting down with them at the earliest possible time to see what arrangements we can make to fit their interests in with ours.

With regard to the beef industry, we have tended in the past to look at the Canadian and American market as a continental market. At times we have looked upon the American market as a sort of safety valve, particularly for Canadian live cattle moving across the border in the west. When you look at the figures it seems that it may be a safeguard at times, but on many other occasions it means importing particular problems into our situation, and at other times exporting our problems to the United States in an unfair way. We would be much better off to sit down with them to decide on a reasonable and understandable long-term plan.

I believe that we have the basis of a sound approach to restore the beef industry to a profitable level, where it can be a continuing and viable industry. I do not believe our proposals are unduly restrictive. They do not close off the Canadian market by any means. They are based on historical figures, over a period going back to 1967—a period in which there were some years of export from Canada and some years of import. If we went over a longer period, the amounts of imports would be lower and would actually reflect more accurately what had gone on in the past. We recognize, however, that other nations have built up a market here, and they have a basis for expecting a continuing market. We are

not suggesting closing off. The proposal in this report would still allow them access to our market, would provide them with long-term stability, and would restore the beef industry as a long-term profitable industry in Canada.

Senator Greene: In light of the fact that the honourable senator mentioned the GATT—and in my humble experience I have found there are those, particularly in the Department of Industry, Trade and Commerce, who believe that the GATT is some great mountain from which a Mahomet comes down periodically and gives us definitive and absolute answers—would he like to comment on whether or not this policy, which I think is a rational one and a compromise, as he stated, protects our beef industry to the extent that the European Economic Community protects its beef industry, working through, with and under the aegis of the GATT?

Senator Molgat: No, it does not come anywhere near giving the same kind of protection. As I stated in my comments, I am basically a free trader. I believe that in the long term, all things considered, it is by freer trade that we will best succeed. In this particular case, and in many cases, we have been the free traders, but unfortunately the other players in the game did not follow the same rules. Certainly in the European Economic Community it has been exactly the reverse. They have been highly restrictive. In 1974, when there was a substantial increase in world production of beef, the European Community put on some very restrictive measures, first of all, by establishing very severe quotas, then by actually prohibiting imports, then by proceeding to subsidize exports from what they call—and I forget the exact term, but when there is a problem of over-supply they buy from the market and put it in storage. They started to subsidize this storage beef to the tune of 25 per cent if it was shipped outside of the country, and there were a whole series of measures to really protect their producers. We are not in any way faced with equal access. I think it is fair to say that in Canada the market has been most accessible to foreign producers, and part of the result has been the problems of the beef industry.

Senator Deschatelets: Honourable senators, I was most interested in the presentation on the problems of the beef industry, but I was a bit surprised by the comment about the Auto Pact being beneficial to Canada. I am not sure, but I think that published figures show that the losses amounted to hundreds of millions of dollars.

Senator Bélisle: Nine billion.

Senator Grosart: It is a disaster.

Senator Desruisseaux: We have to be fair in deciding what is good and what is bad for Canada. I do not think the arrangements made in this case were beneficial to Canada. Possibly they were intended to be, but they were not. I think it should be noted that they were not.

In the matter of free trade, Senator Molgat knows my views well. For a while I was happy to think he was swinging the other way, and now saw advantage in having some protection somewhere. I think whatever protection is needed should be given, and I was happy to hear what he said about it.

[Senator Molgat.]

I find now that I am not putting a question, so I will have to sit down.

● (1540)

Senator Molgat: Perhaps I might treat that as a question on the Auto Pact. It is true that recently there have been some shifts in the benefits, but certainly in the earlier periods there were subtantial benefits to Canada. In fact, I suppose one of the objections of Western Canadians at the time it was negotiated was that the Auto Pact really did nothing for western Canada; it did not reduce the price of autos or trucks, and it did not produce any jobs in western Canada. However, we accepted it because we thought it was of substantial benefit at that stage to the province of Ontario in particular, and secondly to the province of Quebec. I think it meant the establishment in both those provinces of substantial auto manufacturing, or parts and accessory manufacturing, facilities. In the early stages it was of very substantial benefit. I presume that it is now due for renegotiation.

Senator Buckwold: Would the honourable senator permit some questions?

I gather from the very commendable remarks of my colleague from the west that our major competitors are New Zealand and Australia, although not necessarily in that order, because of the low-priced beef that occasionally floods the market. Are the producers of beef in Australia and New Zealand operating profitably or do their beef industries have the same kind of trouble that we have, so that they are really dumping? Secondly, if they are operating reasonably profitably, how can they produce and sell their product at the low price at which they are offering it? I am well aware of the economy of grazing cattle in those countries, yet on the other hand I am also aware of the very high costs of transportation. I wonder if those points could be clarified.

Senator Molgat: I do not think I can give a definitive answer on whether or not producers in New Zealand and Australia are making money. I know from the figures that their cattle numbers are increasing, and, that being so, I assume that it must still be a business that at least carries itself; otherwise the producers would be reducing their numbers of cattle. I say that by deduction and not from facts or figures, which I do not have.

However, in New Zealand and Australia they have a tremendous advantage over us climatically. It will be seen from the report, in our analysis of production costs in Canada and neighbouring northern states, that when you go from the province of Alberta only two or three hundred miles to the south there is a very substantial difference in that in the areas to the south they can graze almost year-round, whereas in Canada we simply cannot; we have to feed.

My understanding is that in Australia—no doubt Senator Hays could give you more detail on this—they graze year-round, which means they do not have to set land aside for hay or feed production, and they do not need all the equipment required to produce winter feed. They do not have all these inputs, including the provision of shelter, so their whole cost

picture is completely different from ours and they are thus able to sell at a much lower price than we can.

Senator Buckwold: I am still wondering about the transportation cost. I am well aware of the economies of grazing cattle in those countries, but when the cost of processing and shipping, which I would presume are relatively costly procedures, is added I wonder whether in fact that beef is being dumped at prices below the cost of production. I have not had a reply to that yet.

Senator Molgat: I am sorry, but again I cannot give a specific answer. However, I do not believe that their beef is being sold on the Canadian market for less than what it is sold for in Australia, which is the legal definition of dumping. There was a period of time when it was sold on the Canadian market for less than it was sold on the United States market. The reason was that at that point the Australian system was based on a diversification plan. Entitlements to ship to the United States were based on their sales elsewhere. Australian shippers, anxious to build up their sales in other markets so as to increase their share of the American market, actually sold to us for less than to the Americans. That obviously added a further complication in the Canadian market at that time. I do not believe they are dumping in the legal sense that they are selling for less than on the Australian market, but I will endeavour to find out for sure about that.

Senator Fournier (Madawaska-Restigouche): May I ask the honourable senator a question? If I heard him correctly, the honourable senator said that we spend less on food in Canada than any other country in the world. Is that right?

Senator Molgat: I was quoting from a table in the *Manitoba Co-operator* of October 13, 1977. The table is taken from a survey by the Organization for Economic Co-operation and Development, and it lists expenditures on food as a percentage of national disposable income.

Senator Fournier (Madawaska-Restigouche): That is what I understood. If that is so, what do we eat? How is it that we spend less money on food?

Senator Grosart: It is based on a percentage of income.

Senator Molgat: That is a percentage of our income. For one thing, our income in absolute dollars, I suppose, is higher than the income in certain other countries. The other element is that in many cases our food costs are actually lower than those of other countries. One of the elements in this expenditure on food is beef.

Senator Fournier (Madawaska-Restigouche): I am still not convinced, because I cannot see how we spend less money on food than any other country.

Senator Perrault: It is a percentage of income.

Senator Grosart: In a very poor country they spend 80 per cent of their income on food.

Senator Bélisle: The Honourable Senator Molgat did so ably in trying to convince us and I hope he can convince me, although he has not done so up to the moment. Perhaps I am one of those who can be converted.

He said that we pay less for our food, and he quoted figures from European countries. He must understand that in doing so he is comparing apples with watermelons, because when he quotes figures from Holland, Belgium, Germany and Spain he must appreciate that geographically those countries can be swallowed by Canada. Wherever the committee went—at least at the meetings I attended—I was far from convinced that beef farmers wanted this. Correct me if I am wrong, but my observation, rightly or wrongly, was that anywhere up to 40 per cent of the farmers said, "Leave us alone. We do not want controls. If you do impose controls the price of beef, which is $2 a pound now, will be $4 a pound."

● (1550)

My question is this: Would it not be wise to put this question at election time, in view of the fact that 99½ per cent of the electorate will be affected? I am told that only one-half of one per cent are really vegetarian, and the remaining 99½ per cent eat meat. Therefore, it would be an appropriate question to ask at that time, and would prove to be less costly to Canada.

Senator Molgat: In so far as the actual figures are concerned, I can only refer honourable senators again to the table. These are percentages of disposable income, and not absolute dollars. It seems to me that they are valid figures in that regard, because they are related to what an individual actually has available to him for his total purposes. It is a figure which surprises me, I must confess, because we Canadians have to import during certain periods of the year a great deal of our vegetables and fruit, and during all periods of the year a certain number of food items which we simply cannot produce. In any event, those are the figures.

While it would be a good question to put from platforms at election time, I really cannot agree it is a question for a referendum. With respect to the request of those who appeared before us, I agree with Senator Bélisle that the position taken by them was that they do not want government control in the sense of a marketing board. That was my understanding of their feelings. A few wanted marketing boards, but the majority were opposed. That is the type of control they do not desire.

There was a referendum held in Manitoba during the course of our study, which came out opposed to a marketing board for beef, even after substantial pressure from the provincial government and a very clear position from their side. We are not in any way proposing marketing boards. However, the request for import control was fairly unanimous from those who appeared before us. Instead of reading you the names I refer you to Chapter III of the report, which outlines those who made the comments and their specific requests.

On motion of Senator Langlois, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

APPENDIX

(*See page 41*)

LIST OF CANADIAN CROWN CORPORATIONS—1970

SCHEDULE B

DEPARTMENTAL CORPORATIONS

Corporation	Appropriate Minister
Agricultural Stabilization Board	Agriculture
Atomic Energy Control Board	Energy, Mines and Resources
Director of Soldier Settlement	Veterans Affairs
The Director, The Veterans' Land Act	Veterans Affairs
Dominion Coal Board	Energy, Mines and Resources
Economic Council of Canada	Prime Minister
Fisheries Prices Support Board	Fisheries and Forestry
Medical Research Council	National Health and Welfare
Municipal Development and Loan Board	Minister of Finance
National Museums of Canada	Secretary of State
National Research Council	Chairman of the Committee of the Privy Council on Scientific and Industrial Research
Science Council of Canada	Prime Minister
Unemployment Insurance Commission	Labour

SCHEDULE C

AGENCY CORPORATIONS

Corporation	Appropriate Minister
Atomic Energy of Canada Limited	Energy, Mines and Resources
Canadian Arsenals Limited	Supply and Services
Canadian Commercial Corporation	Supply and Services
Canadian Dairy Commission	Agriculture
Canadian Film Development Corporation	Secretary of State
Canadian Livestock Feed Board	Agriculture
Canadian National (West Indies) Steamships Limited	Transport
Canadian Patents and Development Limited	Chairman of the Committee of the Privy Council on Scientific and Industrial Research
Centennial Commission	Secretary of State
Crown Assets Disposal Corporation	Supply and Services
Defence Construction (1951) Limited	National Defence
National Battlefields Commission	Indian Affairs and Northern Development
National Capital Commission	Honourable Jean Marchand
National Harbours Board	Transport
Northern Canada Power Commission	Indian Affairs and Northern Development
Park Steamship Company Limited	Transport
Royal Canadian Mint	

SCHEDULE D

PROPRIETARY CORPORATIONS

Corporation	Appropriate Minister
Air Canada	Transport
Canada Deposit Insurance Corporation	
Canadian Broadcasting Corporation	Secretary of State
Canadian Overseas Telecommunication Corp.	Communications
Cape Breton Development Corporation	
Central Mortgage and Housing Corporation	
Eldorado Aviation Limited	Energy, Mines and Resources
Eldorado Nuclear Limited	Energy, Mines and Resources
Export Development Corporation	Industry, Trade and Commerce
Farm Credit Corporation	Agriculture
Freshwater Fish Marketing Corporation	
National Railways as defined in the Canadian National Railways Act	Transport
Northern Transportation Company Limited	Indian Affairs and Northern Development
Polymer Corporation Limited	Supply and Services
Seaway International Bridge Corporation Ltd.	Transport
St. Lawrence Seaway Authority	Transport

THE SENATE

Thursday, October 27, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday next, November 1, 1977, at 8 o'clock in the evening.

Honourable senators, before the motion is put I should like to give you a brief outline of our work schedule for next week.

We shall continue with the debate on the Throne Speech and, if the report of the Selection Committee is adopted today, the various standing committees of the Senate will hold organization meetings to elect their respective chairmen, thus enabling the committees to proceed immediately with any matters that may be referred to them.

It is likely that in addition to that we shall have two government bills for introduction in the Senate in the first instance.

Senator Flynn: There is no more indication than that?

Senator Langlois: No.

Senator Flynn: It will be interesting to know what bills might come before us.

Senator Langlois: Unfortunately, I cannot provide that information at this time. I was informed of the possibility just before I entered the house.

Senator Perrault: There is a great cornucopia of pending legislation.

Senator Flynn: I know that. But it is unlikely I gather, that we shall be able to start dealing with it next week. I suppose the intention is to complete the debate on the Address in reply to the Speech from the Throne.

Senator Langlois: Yes.

Motion agreed to.

ROYAL COMMISSION ON CONCENTRATION OF CORPORATE POWER

PRESENT STATUS—QUESTION ANSWERED

Senator Perrault: Honourable senators, on October 14 a question was asked by the honourable Senator Benidickson regarding a Royal Commission on Corporate Affairs. He requested, in effect, a status report.

The situation at present is that the work of the commissioners is finished, but the report is in the preparation stage. It is not expected that the two remaining commissioners, Nadeau and Dickerson, will have the report finished before the end of the year.

CANADIAN BROADCASTING CORPORATION

DOCUMENTARY PROGRAM
QUESTION OF PRIVILEGE

Senator Norrie: Honourable senators, I rise on a question of privilege to make a statement which I feel has a bearing on the economic prosperity and unity of our country.

The documentary on atomic energy, which was the subject of the CBC program *The Fifth Estate* a few days ago, captured my attention.

The title in itself was arresting. I wondered whether the program would come across with utterances that were actual facts, in their proper context, or whether the program would be vague slurs, innuendos, quotations taken out of context, giving the public an erroneous impression of the truth.

• (1410)

I am not knowledgeable about atomic energy, and all the dangers and uses pertaining thereto; therefore I will make no statement other than to say that the whole program seemed very negative and damaging, as is typical of *Fifth Estate*.

I realize that anything pertaining to atomic energy is hazardous and difficult to handle, but their program bothered me. I wanted an expert opinion and an assessment of the whole documentary. I therefore called the Atomic Energy Control Board, public relations, and talked with a gentleman there. I gave no opinion of my own at this point and he immediately stated that the whole program, as given on *Fifth Estate*, gave the wrong impression to the public about different factors involved. The items themselves were factual, but the context in which they were presented made them completely misleading and therefore erroneous. We talked a long time and I received a lot of worthwhile information about atomic energy which was not exposed by *Fifth Estate*.

As I said before, it is a favourite method of *Fifth Estate* to condemn some worthwhile beneficial industry by destructive innuendoes and, almost but not quite, failing to make any positive statement about various aspects of a creditable industry. If this is freedom of the press, I object to our government's sponsoring a corporation that undermines our economic prosperity when that corporation spends nearly $600 million yearly. The CBC, in turn, refuses to answer any questions

presented by members of the Senate or of the House of Commons or the public.

BRITISH NORTH AMERICA ACT

Senator Rowe: Honourable senators, yesterday when I was participating in the debate on the motion for an Address in reply to the Speech from the Throne, I referred to the section of the British North America Act which authorizes the Government of Canada to declare a project in any province, or a number of provinces, to be in the national interest. I did not remember the section number at the time, but with the help of the Clerk I have now identified it. If anyone is interested, it is section 92(10)(c) which authorizes the Government of Canada to declare any project to be "for the general advantage of Canada", even though it may be situated in a particular province or a number of provinces.

SPEECH FROM THE THRONE

MOTION FOR ADDRESS IN REPLY—DEBATE CONTINUED

The Senate resumed from yesterday consideration of Her Majesty the Queen's Speech at the opening of the Third Session of the Thirtieth Parliament, and the motion of Senator Frith, seconded by Senator Marchand, for an Address in reply thereto.

Hon. George I. Smith: Honourable senators, we are now engaged in debating the Address which Her Majesty the Queen was graciously pleased to make in this chamber on October 18. I wish to join in the expressions of loyalty which we have heard from previous speakers, of the appreciation of her gracious presence and of the hope that she may frequently return.

Hon. Senators: Hear, hear.

Senator Smith (Colchester): I wish to join also, Madam Speaker, in those very warm tributes to you, and to the way in which you preside over this chamber, which have been so eloquently expressed already in this debate. Your charming and delightful presence and the courteous yet firm way in which you discharge your duties are indeed a credit to the office which you fill so well.

Honourable senators, I wish to draw attention to a recent very sad event, the death of Mary Stanfield. Mary Stanfield was a devoted wife, a great lady, a gracious, loyal and vivacious friend and a warm Canadian. I am sure that honourable senators will wish to join me in expressing our deepest sympathy to the Honourable Robert L. Stanfield in this grievous loss.

Honourable senators, I offer my congratulations to the mover and seconder of the motion for the Address in reply to Her Majesty's Speech.

It seems to me, if I may say so, that they both acquitted themselves extremely well, though, of course, neither of them is a newcomer to public speaking. The mover certainly devoted a great deal of time to the preparation of his speech and, as one would expect, he delivered it well. He will forgive me, however, if I express the thought that I could not help but note, as I listened, and again as I read his words in *Hansard*, that he did not find very much in the Speech to take up his time.

As to his comments about the Senate and the proposal for Senate reform, it seems to me that there is one highly desirable reform which lies immediately within the power of the Prime Minister, and that is to make appointments to the Senate which will allow it better to represent the different kinds of political beliefs in this country.

I have had the privilege of listening to the seconder on a substantial number of occasions and in different forums. As usual, he was eloquent and expressive. I suppose he would think it presumptuous of me to say whether I agree or disagree with his analysis of the situation with relation to national unity. However, I will take that risk because I am sure that he would agree with me that this is a question which does not alone concern the people who live in the great province of Quebec. It concerns all Canadians. I therefore presume to say that on a great portion of his argument I agree with him, or, at least, do not dissent from what he said.

I do not find it so easy, however, to feel that he is correct in so readily dismissing general economic conditions as having nothing to do with the matter of separatism. Of course, I recognize that he lives in Quebec, and that he sees and hears first hand the things which persuade the people of Quebec to think one way or another. Although I readily agree that the honourable senator has a more intimate knowledge of that situation than I have, I am not prepared to join him in sweeping aside unemployment and general economic conditions as being irrelevant.

I make this point not simply to differ from the honourable senator, but because I think one of the fundamental requirements in dealing with any problem is to make sure that all material and relevant considerations are kept in mind.

I believe that jobs and general economic conditions are certainly both relevant and material to this problem.

Honourable senators, on Tuesday night, as I am sure most of you did, I listened with great interest to the excellent speech of the Leader of the Opposition in the Senate, Senator Flynn, and wish to offer him my very warm congratulations.

Some Hon. Senators: Hear, hear.

Senator Smith (Colchester): The eloquent, incisive and devastating way in which he demonstrated the gross mismanagement of this government and its utter failure to give leadership to the country must have shaken the faith of many of its supporters in this chamber.

Some Hon. Senators: Hear, hear.

Senator Smith (Colchester): Among other things, he spoke of the Constitution, the necessity for changing it and the problems involved in doing so. He said that we have reached the stage where we should seriously consider some sort of general meeting which could truly be said to represent all our people. He referred to such a meeting as a constitutional

conference, and I want to commend this idea for very careful consideration.

● (1420)

Honourable senators, as you all know, we have been making various unsuccessful efforts to change the Constitution for a period of at least ten years. Some honourable senators here will remember those efforts well, for they took part in them. On at least two occasions it seemed that agreement by the federal government and all provincial governments had been reached. One was the occasion on which the draft was called the Fulton-Favreau formula. The other is commonly referred to as the Victoria Charter.

Both those attempts failed at the last moment. I believe the reason they failed was because after the draft seemed settled one or more provincial governments began to get the feeling that it might not be politically desirable to give formal acceptance to the proposed changes. On reflection, it seems to me that proposed changes which are discussed only by the federal and by the provincial governments are subject to the inherent weakness that they do not necessarily represent the views of Canadians as a whole.

I hardly need say that in these days of multiple parties it is not very often that any government succeeds in being elected by a majority of the popular vote. Certainly the present government of Canada was not elected by a majority of the people who voted. Indeed, no government since 1958 has been elected by a majority of the people who voted, much less by a majority of the people entitled to vote.

I have some figures here on the last three federal elections, which I will not inflict upon you, but I will only say that in 1974 there were 13.6 million people entitled to vote. There were 9.6 million who voted. The government received 4.1 million of those 9.6 million votes, which is approximately or just a little less than one-third of the total of the people entitled to vote, and something like 45 per cent of those who voted.

I have not made a careful research of the popular vote in all the provincial elections during that period, but I would venture an estimate, based purely on recollection and some modest research, that in more than half the total of such elections the party which was regarded as winning got less than half the votes cast, and much less than half the total of eligible voters.

On Tuesday night the Leader of the Opposition made reference to the fact that the present government of Quebec was put in office by about 40 per cent of the people who voted. I believe that there have been more cases than one when the winning party during that period has had less than 40 per cent of the votes cast.

This creates a number of problems in this constitutional matter. One problem is that a government elected on a minority of votes has to keep looking over its shoulder—even more than otherwise would be the case—to avoid arousing the disapproval of a substantial part of the electorate. Thus it is understandably very reluctant to make concessions in order to reach agreement on any given point, especially a concession which it has some reason to believe the people in its own constituency might consider to be controversial. Moreover, as a matter of fact, no matter how hard they try, it is not likely they can successfully claim to be representing the views of the majority of their people.

In a democracy there always is—and it is certainly a good thing—a lively watch kept by the opposition on what the government does. Not being part of the decision-making process themselves, it is natural that the opposition is likely to see in such decisions elements which they consider objectionable.

So long as this situation remains—and the situation I have described will likely remain in Canada for a long time; certainly I hope the present methods of election of governments last for a long time, although there are one or two I would like to see changed—I believe very strongly, as I suppose most people in public life in Canada today believe, that when a person is elected to the responsibilities of office he ought to accept those responsibilities. But, in the matter of constitutional change, this reliance on the person elected to office making decisions does not seem to have carried us very far, and I have mentioned my reasons for holding that view. It seems to me, therefore, that in this matter some new method of reaching consensus ought to be tried, and certainly the possibility of finding some new method ought to be very carefully examined and considered.

One possibility, which at least would preserve some element of responsibility of the elected persons, would be simply to involve the leaders or other representatives of all parties in the legislatures and in the Parliament of Canada in taking part as full-fledged participants in the discussion. This would be in line with what was done by at least some of the founding provinces in the conferences leading up to Confederation.

A second possibility would be to take the group composed as I have just mentioned, and add to it as full participants a number of people from all parts of the country, representing a variety of linguistic and cultural origins, recognized as knowledgeable in the field of constitutional matters and as responsible leading citizens. Perhaps some of them should represent various recognized non-political organizations of national or provincial status.

There are other possibilities, of course, but I believe the second one I have just mentioned is not only in line with what the Leader of the Opposition suggested on Tuesday night, but is the best course open to us.

The means of convening and carrying out such a constitutional conference would have to be established, but to give it the best possible chance of success the concurrence of the provinces should be sought, although I would be inclined to think about going on with it even if some provinces did not concur. The conference, of course, would have to be supplied with staff, space and equipment, but that is a matter of mechanics. Care would have to be taken to ensure that the staff was not predominantly from the federal service, and that the conference was not dominated by federal views. I think the chairman should not be chosen by the federal government. The

total number of full participants would have to be kept to a size such that decisions could be taken without unreasonable delay.

It might be argued that such a conference would be ineffective because its conclusions would not be binding. I do not accept such a contention. I think its findings would be likely to have such prestige and persuasiveness that they would find wide and solid support that it would be difficult to resist.

Before dealing with some other aspects of the Speech from the Throne, I should like to draw the attention of honourable senators to a very brief paragraph in it. This interesting paragraph appears in the text on page 9 of the *Minutes of the Proceedings of the Senate* for Tuesday, October 18, and reads as follows:

> After consultation with the provinces, the Government will amend the criminal code to guarantee the right of accused persons to be tried in the official language of their choice.

I draw particular attention to the phrase, "the Government will amend the criminal code".

● (1430)

I must say, honourable senators, that this has raised a real question as to whether this phrase is simply a slip of the tongue which disclosed the true state of the government's mind and its attitude toward Parliament, for they must know that it is not the government that amends the Criminal Code, but Parliament. No one can say, surely, that the text of this speech was not read over and over again, yet there appears this phrase "the Government will amend the criminal code". I again ask the question: How could it get in there unless it was symptomatic of the attitude of the authors of the speech and their view of Parliament?

Now I come to an interesting subject, the speech of the Leader of the Government. It certainly was an interesting speech, delivered in an excellent way, and he did his best to defend an indefensible position. I congratulate him very warmly upon his eloquence, his vigour and his vociferous ingenuity in trying to avoid any reference to the damning facts which so overwhelmingly show the incompetence of this government, and the statements confirming those facts appearing in the Speech from the Throne. However, I regret to have to tell him, honourable senators, that his agile ingenuity fell far short of creating the massive smoke screen which is necessary to hide the record of the government's multitude of failures.

Senator Perrault: Keep it non-partisan.

Senator Smith (Colchester): Yes, as did the honourable gentleman, so will I. Gently, very gently and in all kindness, I must say to him that it would have been more in keeping with his frank and open spirit, and more suited to the circumstances, if he had come before us in sorrow and in penitence.

Senator Perrault: Sackcloth and ashes.

Senator Smith (Colchester): I was going to save the sackcloth and ashes for a later period in the year when things, apparently, are going to be worse, according to the Minister of Finance.

I noticed that quite early in his speech, as reported at page 32 of Tuesday's *Hansard*, he made some reference to comments made 20 years ago by the present Leader of the Opposition in the Senate and, of course, I am compelled to ask myself the question: Is that as near the present circumstances as the honourable gentleman can get? Among other things, he quoted a comment made by Senator Flynn 20 years ago, to the effect that Senator Flynn preferred then to be on the side of optimism, and with great vigour he exhorted Senator Flynn to be optimistic today. I point out to him that when Senator Flynn made that speech he had something to be optimistic about; a very different state of affairs exists today. Perhaps the honourable leader might find some help in the contemplation of a few lines from the great Book of Books, in the Third Chapter of Ecclesiastes:

> To every thing there is a season, and a time to every purpose under the heaven:
>
> A time to be born, and a time to die . . . A time to weep, and a time to laugh; a time to mourn, and a time to dance.

It is, indeed, a time to weep and a time to mourn. Optimism, optimism. The chief thing Canadians can be optimistic about today is that they may soon have the chance to get rid of this government.

The honourable leader spoke with considerable emphasis about the great resources of Canada—

Senator Perrault: Hear, hear.

Senator Smith (Colchester): —and what a wonderful country it is. In that respect I share his views fully and without reserve. Indeed, I would say to him that we are probably the most fortunate country in the world, richly endowed with natural resources, as secure as any nation can be in these troublous times from external attack, with a population alert, energetic, anxious to work, having a high rate of literacy and a high degree of scientific and technological training and ability. We are thankful for all the wonderful things that this country has, but the enumeration of these great assets only serves to emphasize how incompetent this government must be when, in spite of those assets, it gets us into this present mess.

The Leader of the Government made some comment regarding the fall of the dollar. He also mentioned, interestingly, the high rate of inflation in Argentina, which he said recently dropped from 650 per cent to 325 per cent. I suppose he was holding out to us that our rate of inflation is not too bad since it is below 325 per cent. I am sure he will be interested to know that the Argentine peso is one of the few significant currencies against which the Canadian dollar has not fallen. The peso of Chile is another.

The Leader of the Government mentioned the fall of the dollar which, for the first time in many years, has dropped below 90 cents in relation to the United States dollar. Indeed, in relation to that dollar, it has fallen 13 cents during the last

13 months. That certainly is an indicator to us of how the world regards Canada as compared to the United States.

But take a look at the Canadian dollar as against some of the other typical well-known currencies. This is how the Canadian dollar fared, from October 1976 to October 1977, as against foreign currencies in percentage terms, in spite of all these great assets which the Leader of the Government told us about last night, and which I agree we have. As against the United States dollar, it has fallen by 13.9 per cent; the Japanese yen, 32.3 per cent; the West German deutschemark, 22.2 per cent; the Swiss franc, 23.4 per cent; the United Kingdom pound, 22.2 per cent; the Italian lira, 12.1 per cent; the Iran rial, 8.4 per cent; the U.S.S.R. rouble, 13.4 per cent; the Chinese RMPY, 14.3 per cent; the Indian rupee, 15.4 per cent; the Bangladesh taka, 8.4 per cent.

Now, the Leader of the Government may derive some comfort from the fact that, as against the Chilean peso the value of our dollar rose in that period by 31 per cent and, as against the Argentinian peso, it rose by approximately 45 per cent. But that comfort does not last very long when one considers that in the same period, as against the Special Drawing Rights of the International Monetary Fund, which is a weighted average currency for international settlements, the value of our dollar fell by 10.8 per cent.

What a message this gives us about what the world thinks of our economic management; of the falling confidence it has in our government's financial and economic ability. With all these great assets we readily acknowledge having, and which most of these other countries cannot even approach having, the policies of this government have still managed to bring about this lack of confidence in the management of this country throughout the world.

The Leader of the Government referred to the cabinet meeting on Thanksgiving Day 1975. Consider for a moment, honourable senators, the pitiful picture he painted of those harried politicians huddled around the cabinet table on that joyous holiday, huddled in shock and in fear, faced with the tardy realization that the truth had caught up with them at last.

● (1440)

They are all politicians of conscience, and surely they must then have been shaken with repentance—if not repentance for their sins, then sorrow that their sins had found them out. How the sad realization must have sunk home that a year before they had not only rejected the truth which was placed before them on that Thanksgiving Day but, in order to hang on to power, had deliberately scared the public into believing that controls were a bad and terrible thing. But on that fateful day they could no longer resist the truth. They realized they had to act. I am sure the only good thing they could think of which resulted from their fight against controls the year before was that by means thereof they had managed to keep themselves in the seats of power.

I do not wonder that the honourable Leader of the Government remembers that day—and so will Canadians for a long time to come. Indeed, those who met that day will have cause to remember the truth of Mark Antony's words at Caesar's funeral, "The evil that men do lives after them."

The Leader of the Government would have us believe that things are pretty good after all, in spite of all the difficulties we see around us. But, honourable senators, there is no need to take the word of the opposition, or of statisticians, or independent economists, about how things are. We need only turn to the Speech from the Throne—and I recommend it for careful perusal by the honourable gentlemen opposite, especially the Leader of the Government, as he must have had a hand in writing it. How different his contribution to its content must have been, if we are to go by the speech he made on Tuesday; or, if his contribution to its content was of the same tenor as his speech yesterday, how quickly it must have been rejected by those who had the ultimate say as to what went into the Speech from the Throne.

If the Leader of the Government is not satisfied with looking to the Speech from the Throne alone, he could look to the speech of the Prime Minister, or that of the new Minister of Finance, both of which were made last week. All three speeches confirm what the opposition has been saying. Look at some of the things in the Speech itself, which can be found in the *Minutes of the Proceedings of the Senate* of Tuesday, October 18, as well as in *Hansard* of that date. Take a look at the last paragraph on page 4, carrying over to page 5, of the *Minutes* of October 18. Read it, and let it sink in. Perhaps it will help dissipate that fog which seems to obscure the vision of the Leader of the Government. This is the Speech from the Throne, composed in the Prime Minister's office. Let me quote:

> The human hardship imposed by the current level of unemployment in Canada is deeply disturbing. It is neither just nor tolerable that in this country there should be so many men and women deprived of the dignity of self-supporting work, unable to meet their financial commitments and plan confidently for the future. It is intolerable that so many are deprived of their right to secure and productive lives, and that their families bear an unfair burden of worry, uncertainty, and deprivation. On a national scale, unemployment now constitutes a very serious obstacle to economic growth.

That is how the Speech from the Throne describes our condition today. Does the honourable gentleman feel like being optimistic about that? And we all know who has been in power while these things have come about.

Let us see what is the government's own judgment of the policies that allowed such a state of affairs to come about. The Leader of the Opposition made reference to this paragraph on Tuesday night, and I think it is well worth repeating. It is found on page 4 of the document I have mentioned, and here are the very words of the Speech:

> High rates of unemployment and inflation are clear signals of the inadequacy of economic strategies appropriate to simpler times.

Listen to the same words again, and let them sink in that we may the better remember them:

> High rates of unemployment and inflation are clear signals of the inadequacy of economic strategies appropriate to simpler times.

Whose strategies? These are the strategies that this government, which has been in power for nearly 15 years, has been following. And who has been in office for the last nine of these years? A government led by the present Prime Minister has been directing the economic strategies followed during that time and they, no doubt, formulated them as well. And what is their judgment on those strategies? It is:

> High rates of unemployment and inflation are clear signals of the inadequacy of economic strategies—

Does the Leader of the Government want any more proof that things are not as they ought to be? Where has there ever been found a statement made by a Prime Minister in a debate on the Speech from the Throne so clearly an indictment of what the government has been doing, so clearly a statement that mismanagement has brought us into dire straits indeed? Let us turn to the Prime Minister's speech made on October 19, just seven days ago, and let us look at page 31 of the House of Commons *Hansard* of that date. In the last part of the last paragraph of the left-hand column on that page we find the words:

> There is high unemployment in Canada, there is high inflation, and a very serious devaluation of the dollar.

Or look at another sentence, and I direct the attention of the Leader of the Government particularly to this one:

> At no time in our history has there been so serious a threat to our society, both from the economic and national unity standpoints.

Do these statements I have just read justify the Leader of the Opposition or anybody else in this chamber in being optimistic? Is it a time to weep, or a time to laugh? Is it a time to mourn, or a time to dance? Honourable senators can draw their own conclusions.

It cannot give any Canadian pleasure to recite the long list of economic indicators which so vividly mark the trail left by the gross mismanagement of this government. To do so only emphasizes our own misfortunes, and yet to ignore these indicators would indeed invite more of the same. They have already been discussed at length here and in the other place, so I will confine myself simply to listing some of them, but not all. They are: a dollar that is worth less than 90 cents; an inflation rate of 8.4 per cent; an unemployment rate of 8.3 per cent; a trade deficit in manufactured goods last year of $10 billion; 20 per cent of our manufacturing capacity idle; this year's budgetary deficit of $9.2 billion, which is more than the total federal spending when this government came into office; total output this year only 2 per cent higher than last year, and to achieve that will require an improvement in the last quarter of the year; and total output next year estimated at 4 per cent to 5 per cent, which is, to use the words of the Minister of Finance, "not enough to bring down the rate of unemployment." Our balance of payments situation is unsatisfactory. There is a large increase in our tourist deficit. The revenues of the federal government are growing more slowly than expected. The budgetary deficit for next year is expected to be substantially greater than this year's. All of this in spite of the wonderful assets of this country, which obviously are being wasted instead of being the base for the progress we all hoped for and which we all should have had.

● (1450)

On Tuesday night the honourable gentleman pleaded with us to forget the sorry facts I have just enumerated, and to think of Canada, her great resources and her wonderful people. Incidentally, I could not help wondering whether he thought our people were as wonderful as he sometimes says, because he referred to them as having a "greed and grasp" attitude—"the greed and grasp attitude which has gripped Canada." It struck me that that was a strange way for a member of the government to refer to the fine people whom he has had the opportunity, for a short time, of helping to govern.

He asks us to believe that somehow, sometime, by the grace of God, we will overcome this economic mess into which the policies of the present government—described as they were by the Prime Minister—have led us. Finally, he besought us to have faith in this discredited government.

He then mentioned something that explained a matter which had puzzled me somewhat. I had wondered why the decision of the government to carry on with the Arctic pipeline was reached so quickly in the face of all of the difficulties and objections raised and all of the problems involved. Now it becomes clear. Apparently they hope that the pipeline will save them. It is a fervent hope, I am sure, but it is one which will never bear sufficient fruit to bring about the great miracle which will be needed to save this government when it comes time for its next test at the polls. I am sorry Senator Davey is not here, because I would commiserate with him on his disappointment in not being able to persuade the government to go to the people when things were not quite so bad. Now I suppose his efforts will be devoted toward delaying that fateful day as long as possible.

I say again, honourable senators, that these things have happened while the present government has been in office. Nine years ago, when the government led by the present Prime Minister came to office, it inherited a Canada in which things were pretty good. The employment rate was good; inflation was not a threat; the dollar was strong; the country was not divided; the economy was healthy; Canadians were confident in their country and its potential, confident in themselves, and confident in the future. But now the opposite is true. I repeat, these things have all occurred and grown while the present government was supposed to be leading the country. A government is supposed to lead, to govern; not just to drift along with the tide of events.

It is obvious that the government has lost the ability and the will to govern; they have been in office far too long; they are tired; they are overcome by their failures, overwhelmed by

their problems, empty of ideas, a burden to Canada. It is time for a change! It is time for them to go!

Senator Greene: Would the honourable senator permit a question?

Senator Smith (Colchester): I am always delighted to answer a question by the honourable gentleman.

Senator Greene: The honourable senator deprecated the fact that all organized political opinion was not represented in this Senate, as I understood his words. To the best of my knowledge—and here he can possibly help me—the only organized political parties on a national basis that are not represented here are the New Democratic Party, the Ralliement des Créditistes, the Marxist-Leninists and the Trotskyists. So I take it he is preaching a call for those parties, and I don't know what others. On the other hand, if he is advocating that only organized political parties should be represented in the Senate, I think I can speak for all of us over here when I say it will be with a heavy heart that we will watch our Conservative friends depart.

Senator Smith (Colchester): The honourable gentleman is always astute in making a speech when he is permitted to ask a question. But I will tell him exactly what I said, and he can read it tomorrow and be sure. I said that there is one highly desirable reform of the Senate which lies immediately within the power of the Prime Minister, and that is to make appointments to it which will allow it better to represent the different kinds of political beliefs in our country. Please note those words, "allow it better to represent the different kinds of political beliefs in our country."

Senator Buckwold: Would the honourable senator allow another question?

Senator Grosart: No, let him finish his speech.

Senator Buckwold: Do I hear from the deputy leader that I am not allowed to ask a question?

Senator Smith (Colchester): I did not hear the deputy leader say anything of that kind.

Senator Buckwold: The question I should like to ask follows the assault on the government and government policy in respect to the drop in value of the Canadian dollar in relation to the American dollar. I read within the last day or two a comment by the Treasurer of Ontario, the Honourable Darcy McKeough—

Senator Grosart: That is not a question; it is a statement.

Senator Buckwold: I wonder if the deputy leader would let me finish my question.

Senator Choquette: If it is a question. Senator Grosart says it is not a question.

Senator Grosart: It is a statement.

Senator Buckwold: I am saying that I have recently read in the newspapers—

Senator Choquette: That is a statement.

[Senator Smith (Colchester).]

Senator Grosart: It is a statement.

Senator Buckwold: It is leading up to a question. I have read that the Treasurer of Ontario regarded the drop in value of the Canadian dollar vis-à-vis the American dollar as commendable as far as his province was concerned, and the same statement was made just recently by the president of the Canadian Manufacturers' Association. I ask the honourable senator if there is any consistency in the fact that a member of his party, the Treasurer of Ontario, sees in the drop of the Canadian dollar some major benefits to the industry and to the people of Canada?

Senator Smith (Colchester): The honourable gentleman again seeks opportunity to make a speech instead of asking a question, but I have no trouble with that problem at all. In the first place, the distinguished Treasurer of Ontario was obviously trying to take what small advantage there is out of the drop in value of the dollar. It certainly does encourage exports. We are in this terrific mess, and we want to salvage what we can. If the decreased value of the dollar will help us to salvage something out of the mess by increasing our exports, then certainly that is what he should say. Incidentally, I read the same article and I am well aware of it.

• (1500)

The same thing is true of what was said by the president of the Canadian Manufacturers' Association. All manufacturers want to salvage what they can, and the Canadian Manufacturers' Association would encourage its members to take advantage of what small opportunity there is.

We have only to read the speeches of the new Minister of Finance and the Prime Minister to realize that they deprecate the fall in the value of the dollar, and one of them—I have forgotten which; it may have been both—said that unfortunately the growth in exports was not making up for the fall in the value of our dollar.

Senator Choquette: Honourable senators will recall that in 1963 the Conservative government was defeated on the devaluation of the dollar to 92.5 cents.

Senator Smith (Colchester): I am pleased that Senator Choquette has afforded me the opportunity to add something. I am sure that the honourable senator who asked the earlier question will recall vividly the assault made on the government and the fun made of our currency by the "Diefendollar", that fraudulent, worse than fraudulent, effort to convince the people of Canada that the devaluation of the currency at that time was such a catastrophe that the government should be defeated because of it—and it partly succeeded.

Senator Perrault: It was a completely different situation.

Hon. M. Lorne Bonnell: Honourable senators, I shall let the previous speaker do the weeping and the mourning, but I do not propose to laugh and dance. The message conveyed in the Speech from the Throne is that it is time to work, it is time to put our shoulders to the wheel. Therefore, let us not weep, let us not mourn, but let us work to put this country on its feet. As the Speech from the Throne indicated, we are living in differ-

ent times. The economic conditions of the past do not exist today. The situation has changed since November 15, 1976, and if we are going to adopt a gloomy attitude and refer to "Diefendollars," and so on, we shall not help the economy of this country.

Therefore, honourable senators, in my opinion it is neither the time to weep nor the time to laugh; it is neither the time to mourn nor the time to dance. It is time to work for the unity of this country, and to keep it together as one great country.

Hon. Senators: Hear, hear.

Senator Grosart: It is time the government started doing that too.

Senator Bonnell: In participating in this debate, I should like first to join with the previous speakers in welcoming you, Madam Speaker, back to your useful and important seat in this chamber. I agree with them that you have excelled yourself not only here in the Senate but also in your many duties outside this chamber, where you have represented the office of Speaker, the Senate and this country with honour and distinction.

Hon. Senators: Hear, hear.

Senator Bonnell: I should like also to join with the previous speakers in congratulating the mover and seconder of the motion for an Address in reply to the Speech from the Throne. The mover gave us much food for thought, and the seconder gave us a very lively and up-to-date report on how he sees the issue of national unity.

I must congratulate also the Leader of Her Majesty's Loyal Opposition and the Leader of the Government in the Senate on their interesting and excellent speeches. The Leader of the Government launched a devastating attack on the speech of the Leader of the Opposition. Although they did not agree on the outcome of the Canadian economy, they both presented strong arguments concerning the state of the nation. I am not too sure that either believed 100 per cent in what he was saying, but each did an excellent job in his presentation.

While I am on the subject of congratulating individuals, I should include our colleague Senator Fred Rowe, who this month had another book released by the publisher McGraw-Hill. The title of Senator Rowe's book is *Extinction*, which tells the story of the extinction of the Beothucks, the aboriginal Indians of Newfoundland, in the 1820s. For those who are interested in the early story of Canada, I recommend Senator Rowe's book as a "must," and I congratulate him on his achievement.

Hon. Senators: Hear, hear.

Senator Bonnell: In referring to Senator Fred Rowe, I should like to take the opportunity of congratulating, through him, his son Bill on being chosen the new leader of the Liberal Party in Newfoundland. I am sure that if the son has some of the drive and ability of his father it will not be too many years before we shall have the father of one of our ten provincial premiers as a member of the Senate.

May I say how pleased I was to be a member of the Senate when Her Majesty the Queen and Prince Philip were able to be with us in the Canadian Parliament on the occasion of Her Majesty's Silver Jubilee Year. I wish that she could have taken the time to visit all the provinces and territories, as I know that all Canadians have a very high regard for the Royal Family, who tend to stir up in our hearts and emotions the desire to build a strong, united country, with one Queen and one God.

I noted in the Speech from the Throne that the Government of Canada has recently made new funding proposals to the provinces which will improve the efficiency and flexibility of social services such as the rehabilitation of disabled persons, and day care and community development centres. The delivery of those services will thereby better reflect varying conditions and priorities across the country. It is hoped that the response of provincial governments will lead to the introduction of a revised social services act during this session.

I also noted in the Speech from the Throne a paragraph stating:

> The human hardship imposed by the current level of unemployment in Canada is deeply disturbing. It is neither just nor tolerable that in this country there should be so many men and women deprived of the dignity of self-supporting work, unable to meet their financial commitments and plan confidently for the future.

As I read those two sentences, the thought occurred to me that perhaps the time had come when we should all take another look at the report of the special committee chaired by Senator Croll, Poverty in Canada. Personally, six years ago I was not in favour of a guaranteed annual income, but as time passes it brings about changes in many things, and I am disturbed to see so much unemployment, so much need for social assistance and job creation. It further disturbs me that many of our programs, whether they be unemployment insurance, guaranteed income supplements, social assistance or general welfare assistance, tend under the present legislation to discourage people from either accepting or looking for work.

● (1510)

For example, I can think of many well trained, smart, alert, experienced senior citizens, still in good health at the age of 65, who are interested in working, want to work, and enjoy working, but who find that if they do take a job they lose their guaranteed income supplement. They not only lose their own but that of their wives, whose guaranteed income supplement will be discontinued as well. If they take a part time job and earn only a small amount of income, it becomes a major problem to have the guaranteed income supplement reinstated for both themselves and their wives. It seems much easier not to work, not to put their experience to the benefit of younger Canadians, not to keep their minds and bodies active, but rather just to sit and be non-productive so that the guaranteed income supplement will not be disturbed for either themselves or their wives.

I further find that in some areas where work is available and people are now drawing unemployment insurance, they do not

wish to accept the work, unless it is full-time employment, because they will lose their unemployment benefits for a short period of time and will face a long waiting period in order to have the benefits restored. In many instances, unless the employment is for five days a week and continuous, it is to the advantage of the unemployed not to accept this work because it will interfere with their unemployment insurance benefits.

I also find that many people who are receiving general welfare assistance would rather not accept work because they would lose that assistance. Whatever they would earn by working would be deducted from their benefits, and a long drawn-out procedure would follow to try to have it reinstated if the employment did not last or if for some other reason they could not continue.

It is my belief that many of the programs which we have set up to assist Canadians do not give enough incentive to work. I further believe that most Canadians want to work, that they get great satisfaction from supporting themselves and in planning their financial needs and commitments for the future, when they know that they are assured of an income and a decent standard of living.

I am starting to believe that the time has come when we should take another look at the Senate's report, *Poverty in Canada*, or the Croll report, and see if it is not time for us to introduce into this country a guaranteed annual income, an income which will allow for the essential components of a minimum standard for satisfactory living; not a subsistence standard, but one which will allow for dignity and decency.

The report of the Special Senate Committee on Poverty in Canada recommended that the Government of Canada implement a guaranteed annual income on a uniform national basis; that the guaranteed annual income program be financed and administered by the Government of Canada; that the guaranteed annual income be designed to cover all Canadians who need it; that the basic allowance rate under the guaranteed annual income be set initially at 70 per cent of the poverty line for each family size; that the guaranteed annual income incorporate a work incentive mechanism to ensure that those who work receive and keep more income than those who do not; that the guaranteed annual income replace all existing federal income maintenance legislation, which would progressively be repealed; and that income tax exemptions be raised so that no Canadian whose income is below the poverty line would be subject to income tax.

The more I read these recommendations, and the more I see the incentive to work being removed from social legislation, the more I think that Senator Croll and his committee should be commended, and that the Senate and the government of Canada should now, in 1977, take another look at these recommendations and update them so that they fit the economy and the needs of Canadians at this time. They should amend them, if necessary, always keeping in mind that man gets great satisfaction out of working and earning his own living, planning his own life and future and trying to better himself. Whatever program we initiate, it should encourage people to work, because this country cannot be prosperous unless every man and woman who is fit and able to work is willing to put his or her shoulder to the wheel in order to make the economy of this country, the growth of this country, the development of this country, successful. I therefore recommend to all senators, and to the Government of Canada, that they take another look at the report of the Special Senate Committee on Poverty, keeping in mind the work ethic as well as the needs and desires of Canadians in 1977.

[Senator Bonnell.]

I was also pleased to note in the Speech from the Throne that the government will introduce measures in this session to enhance Canada's exports, and that further support will be provided to the private sector in undertaking large capital projects in other countries. I am not too sure what all this means, but it sounds good, and I look forward to hearing the minister explain the details of this program in the other place and show how it might give an incentive to private enterprise to expand its operations, as well as to increase our export trade.

I also noted this paragraph in the Speech from the Throne:

> Several measures will be placed before you to improve the national transportation system. For example, new ports legislation will be introduced which will enhance local autonomy while maintaining the overall national interest.

This small section in the Speech from the Throne reminds me of the major problems which we have in Atlantic Canada, particularly in Prince Edward Island, because of transportation policies which I contend are not fair to our island provinces. Prince Edward Island, which was guaranteed continuous transportation to and from the mainland, with the federal government defraying all costs, finds itself being priced out of the Canadian market because of high transportation costs. It pays a major penalty to export to other provinces, as well as a major price to import from those other provinces. Because of the huge increases in transportation and ferry rates, the tourist industry in Prince Edward Island, which was our third major industry, is gradually falling behind, with no growth.

Our private enterprise tourist operators are finding that while their operating costs are increasing, the number of tourists is not increasing because of the high transportation charges involved in visiting Prince Edward Island. Not only has the fare been raised substantially but it has now reached the point where, because of federal government transportation policies, certain parts of the province are being hurt worse than others. For example, on the Borden-Cape Tormentine ferries, which are operated by the Canadian National Railways to the western end of the Island, from September 3 to June 25 the fare for a 5 year-old child is 25 cents. From June 27 to September 3, during the tourist season, the fare is 50 cents. The fare for that child to the eastern end of Prince Edward Island is 50 cents in the off-season and $1.00 during the tourist season—a 100 per cent increase over what is charged to travel to the western part of the Island.

• (1520)

On the eastern end, the ferries which run between Wood Islands and Cariboo are operated by Northumberland Ferries Limited. On the western end, the ferries which run between Borden and Cape Tormentine are operated by the Canadian National Railways.

If you happen to be travelling in a trailer or a camper, you would pay 20 cents a foot in the off-season at Borden and 40 cents a foot during the tourist season. If you visit the eastern end of the Island you will pay 30 cents a foot in the off-season and 60 cents a foot in the tourist season—a 50 per cent increase.

The passenger rates for adults at the western end of the Island are 65 cents in the off-season and $1.00 during the tourist season; whereas at the eastern end of the Island the rates are $1.00 in the off-season and $2.00 during the tourist season—a 100 per cent increase during the tourist season between June 25 and September 5.

Honourable senators, I hope that among the measures that will be placed before us to improve the national transportation system will be one to keep the ferry rates of Canada's island provinces at least at the level they are now in the off-season, and the rates at each end of Prince Edward Island the same, before the economy of these provinces is destroyed, and the tourist industry, which earns lots of dollars, is hurt to the point where private enterprise is no longer able to supply up-to-date accommodation for visitors.

I would like to spend the afternoon talking about transportation, but there are so many other interesting and forward-looking paragraphs in the Speech from the Throne that I will leave this item to be discussed more fully when measures to improve the national transportation system are placed before us.

Senator Rowe: Would the honourable senator permit a question before he leaves this matter of transportation? He has pointed out—quite correctly, I am sure—that the increasing rates for transportation of vehicles and travellers by water to Prince Edward Island have affected the tourist trade there. Is the same thing true, I wonder, in respect of tourist traffic by airplane. It is my impression that the tourist industry in Newfoundland has suffered considerably as a result of the increased air fares of recent years. I wonder if he can tell us what the effect has been in Prince Edward Island.

Senator Bonnell: In answer to my friend's question, I would say that Prince Edward Island used to reap great benefits from tourists visiting from Nova Scotia and New Brunswick. The greatest number of tourists in our province were from New Brunswick and Nova Scotia. As a result of the increased rates, the people from Nova Scotia and New Brunswick cannot afford the trip. They go back and forth, but do not visit on the Island. Air fares are increasing everywhere, and we are losing no more tourists than any other province because of them.

As far as ferries are concerned, we are losing, and losing badly, not only in tourists but also in exports and imports. Our whole economy is based on those ferries, and we must have continuous transportation at a reasonable cost provided by the Government of Canada, according to the BNA Act.

I also notice in the Speech from the Throne:

> In the field of energy it will continue to be the determined policy of the government to work with the provinces toward the goal of self-reliance, particularly by encouraging exploration and conservation to reduce our dependence on imported oil. Further encouragement will be given to the development of energy-saving technology, of renewable energy sources, and of the application of solar energy.

Honourable senators, I am pleased to see this paragraph in the Speech from the Throne because it is my belief that the cost of energy will be one of the major problems affecting Canada in the not too distant future.

In this context I wish to congratulate the Government of Prince Edward Island and Premier Alexander Campbell for their foresight in trying to devise alternative sources of energy such as solar energy and wind power. Premier Campbell and his government seem to be leading the country in the development of energy-saving technology.

• (1530)

I believe that the time has come for the Government of Canada to construct a national or trans-Canada power grid for the transportation of energy to all provinces, in the same way as it constructed the trans-Canada pipeline for the transportation of oil and gas. There are tremendous amounts of energy to be developed in the Churchill Falls and Lower Churchill Falls areas, in the Fundy tidal power area, the James Bay area, and many other areas of this country, which could be fed into a national grid to provide cheaper energy to Canadians.

Although I see no mention in the Speech from the Throne of the relocation of federal departments throughout the provinces of Canada, I wish to state that I support this program as a result of which some 4,600 full-time and 5,500 part-time federal jobs, with a payroll of over $80 million, are being relocated in 24 communities. The presence of the federal offices will boost the demand for locally supplied goods, services and accommodations. A marked increase in regional economic growth and activity should result. It is estimated that construction of new federal offices will produce some 4,700 man-years of direct employment in the construction industry, and about 11,000 man-years of employment in associated fields. This, honourable senators, will be a great boost to employment, and a great boost to the economy of many regions of Canada. I believe it is a policy which will be appreciated by all the taxpayers of the country.

In this regard, I should like to thank the Government of Canada for announcing the transfer of the Department of Veterans Affairs to Charlottetown, Prince Edward Island. The agencies and programs which will move to Charlottetown are: the Canadian Pension Commission, the Pension Review Board, the War Veterans Allowance Board and the Bureau of Pensions Advocates, as well as the veterans services, treatment services and administration services of the Department of

Veterans Affairs. These units presently employ approximately 650 people in the National Capital Region. The move of the Department of Veterans Affairs to Charlottetown is expected to result in the hiring of between 400 and 500 employees in Prince Edward Island, with an annual payroll of $5 million to $6 million. This relocation to Charlottetown will contribute to the economic growth of the province, as well as tending to reduce some of the regional disparities of the past.

These relocations of federal departments will bring the government much closer to the people it serves. They will also make a considerable contribution to the economic well-being of communities all across the country, as well as giving Canadians who might not otherwise have been able to benefit from federal employment access to federal job opportunities. I commend the Government of Canada for this relocation policy.

I should also like to bring to the attention of the Senate the number of people killed on Canadian highways. I know that the Ministry of Transport, through the Road and Vehicle Traffic Safety Branch, has made great strides in the field of safety, safety equipment, higher standards of roads, and better highway signs. But, in spite of all their efforts, we seem to be having an increasing number of motor vehicle accidents, and an increasing number of young people in the prime of life killed on the roads.

In recent years a number of special studies have been carried out by research groups on the level of blood alcohol in victims of fatal motor vehicle accidents. The published findings of these studies indicate that at least 44 per cent of drivers fatally injured had been drinking, and at least 38 per cent of those drivers had levels of blood alcohol above 0.08 per cent, weight per volume, or 80 milligrams of alcohol per 100 millimetres of blood. The total number of accidents in Canada in 1971 was 491,781, while in 1975 it was 647,302. The number of persons killed on the highways in 1971 was 5,573, and in 1975 it was 6,061. The number of persons injured on our highways in 1971 was 192,599, and in 1975 the number of persons injured was 220,941. I have taken these figures from the 1975 report of Statistics Canada.

Each year many Canadians shake their heads and comment critically on the slaughter on American highways in the peak holiday periods. I wonder how many of those Canadians realize that our fatality rate is almost 50 per cent higher than that of the United States. Fifty per cent higher! I suggest that Canadians should continue to shake their heads, but in shame and not in criticism. There is no reason at all why our fatality rate should not be as low as that of our southern neighbour. I raise this topic for discussion, because I think there is too much complacency among Canadians who think it cannot happen here, or will not happen here. In fact, not only can it happen here but it does happen here, and all too frequently.

I commend the Road and Vehicle Traffic Safety Branch of the Ministry of Transport for its efforts, and I would like to suggest that more drivers in Canada should use their seat belts and lower their speed. We should continue to establish better safety standards for all the new motor vehicles and components. We should urge the provinces to build safer roads, and impress upon our people that they should practise good driving habits. Perhaps we should ask the federal government and the provincial governments to increase their educational programs on highway safety in an effort to do something towards reducing the tragic slaughter of young people in the prime of life, not to mention the millions of dollars of property damage and the millions of dollars of productivity lost to our country.

On motion of Senator Grosart, for Senator Sullivan, debate adjourned.

STANDING COMMITTEES

FIRST REPORT OF COMMITTEE OF SELECTION ADOPTED

The Senate proceeded to consideration of the first report of the Committee of Selection which was presented on Wednesday, October 26, 1977.

Senator Langlois: Honourable senators, I move, seconded by the Honourable Senator Perrault, that the report be adopted.

Motion agreed to and report adopted.

LIBRARY OF PARLIAMENT

MESSAGE TO COMMONS—SENATE MEMBERS OF JOINT COMMITTEE

Senator Langlois moved:

That a message be sent to the House of Commons by one of the Clerks at the Table to inform that house that the Honourable Senators Bélisle, Bell, Cameron, Choquette, Côté, Davey, Forsey, Fournier (de Lanaudière), Fournier (Madawaska-Restigouche), Hicks, Phillips, Quart, Riel, Rowe, Sullivan and Walker have been appointed a committee to assist the Honourable the Speaker in the direction of the Library of Parliament, so far as the interests of the Senate are concerned, and to act on behalf of the Senate as members of a joint committee of both houses on the said Library.

Motion agreed to.

PRINTING OF PARLIAMENT

MESSAGE TO COMMONS—SENATE MEMBERS OF JOINT COMMITTEE

Senator Langlois moved:

That a message be sent to the House of Commons by one of the Clerks at the Table to inform that House that the Honourable Senators Bell, Bonnell, Choquette, Duggan, Eudes, Fournier (*Madawaska-Restigouche*), Fournier (*Restigouche-Gloucester*), Greene, Haig, McGrand, Michaud, Neiman, Riley, Rizzuto, Smith (*Colchester*), Walker and Williams have been appointed a committee to superintend the printing of the Senate during the present session and to act on behalf of the

Senate as members of a joint committee of both houses on the subject of the Printing of Parliament.

Motion agreed to.

RESTAURANT OF PARLIAMENT

MESSAGE TO COMMONS—SENATE MEMBERS OF JOINT COMMITTEE

Senator Langlois moved:

That a message be sent to the House of Commons by one of the Clerks at the Table to inform that house that the Honourable the Speaker, the Honourable Senators Bélisle, Godfrey, Inman, Norrie, Quart and Rizzuto have been appointed a committee to direct the management of the Restaurant of Parliament, so far as the interests of the Senate are concerned, and to act on behalf of the Senate as members of a joint committee of both houses on the said Restaurant.

Motion agreed to.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

MESSAGE TO COMMONS—SENATE MEMBERS OF JOINT COMMITTEE

Senator Langlois moved:

That a message be sent to the House of Commons by one of the Clerks at the Table to inform that house that the Honourable Senators Asselin, Ewasew, Forsey, Godfrey, Lafond, Riley and Yuzyk have been appointed to act on behalf of the Senate as members of a joint committee of both houses on Regulations and other Statutory Instruments.

Motion agreed to.

The Senate adjourned until Tuesday, November 1, at 8 p.m.

THE SENATE

Tuesday, November 1, 1977

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

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

First Annual Report of Loto Canada, including its accounts and financial statements certified by the Auditor General, for the period June 1976 to March 31, 1977, pursuant to sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Report of Defence Construction (1951) Limited, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. Bell Canada and its Craft and Services employee groups, dated October 24, 1977.

2. Willow Creek School Division No. 28 and its caretaker group employees, dated October 24, 1977.

3. Port aux Basques Integrated School Board, dated October 24, 1977.

Report of Statistics Canada for the fiscal year ended March 31, 1977, pursuant to section 4(3) of the Statistics Act, Chapter 15, Statutes of Canada, 1970-71-72.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between Union Carbide Canada Ltd., Chicoutimi, Quebec and the group of its hourly employees represented by the United Steelworkers of America, Local 7287. Order dated October 26, 1977.

Report of The Seaway International Bridge Corporation, Ltd., including its accounts and financial statements certified by the Auditor General, for the year ended December 31, 1976, pursuant to sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Report of The St. Lawrence Seaway Authority, including its accounts and financial statements certified by the Auditor General, for the year ended December 31, 1976, pursuant to sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Report of the Department of the Secretary of State of Canada for the fiscal year ended March 31, 1977, pursuant to section 6 of the Department of State Act, Chapter S-15, R.S.C., 1970.

Report of the Canadian Film Development Corporation, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 20 of the Canadian Film Development Corporation Act, Chapter C-8, R.S.C., 1970.

INCOME TAX

BANKING, TRADE AND COMMERCE COMMITTEE AUTHORIZED TO MAKE STUDY

Senator Hayden, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on Banking, Trade and Commerce be authorized to examine and report upon the subject matter of any bill relating to income tax based on budget resolutions, including the 31st March 1977 budget proposals as subsequently changed, in advance of any such bill coming before the Senate, the Ways and Means motions of 20th October 1977 to amend the Income Tax Act and Income Tax Application Rules, 1971, or any matter relating thereto; and

That the committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purpose of the said examination.

Motion agreed to.

SPEECH FROM THE THRONE

MOTION FOR ADDRESS IN REPLY—DEBATE CONTINUED

Hon. Joseph A. Sullivan: Honourable senators, I rise to participate on this day in this debate for a number of reasons. In the first place, it was my very great privilege and honour to be present in the Senate 20 years ago when Her Most Gracious Majesty Queen Elizabeth II opened Parliament. I have again been fortunate enough to have witnessed this most auspicious ceremony, and I join with all my colleagues in this body in thanking Her Majesty most sincerely for again coming, as our Queen, to perform this most important constitutional function.

• (2010)

If I may be pardoned for saying so, I believe only 12 senators remain who were present on that occasion 20 years ago. I happen to be number 12. I was the last of the first Diefenbaker appointments who witnessed that previous ceremony, and I believe that all Canadians are deeply grateful and most fortunate in having, as the head of this country, a monarch whom we all deeply love and owe our allegiance to.

Some hon. Senators: Hear, hear.

Senator Greene: One more year and you wouldn't have been on the team.

Senator Sullivan: We are all on the team.

Madam Speaker, I pay my respects to you for carrying out the duties of your office in such an excellent and expert manner.

Without attempting to be perfunctory, I congratulate the mover of the Address in reply to the Speech from the Throne, Senator Frith, for a clear recitation expressed in philosophical generalities, but I must say that I believe all senators are aware of most of the issues to be placed before this body.

I should also like to congratulate the seconder of this motion, Senator Marchand, for his vigorous and demonstrative manner of proposing the course of unity for all Canadians.

I have a brief statement on unity that I wish to quote. It is not my own, but I think its particular message is better than anything that could come from any politician, doctor or lawyer. It comes from Darryl Sittler, a young man who captained the Toronto Maple Leaf Hockey Club last year and scored the winning goal for Team Canada in the Canada Cup Tournament. The Prime Minister gave a luncheon at which young Sittler was asked to speak. All he said was: "If we can play together, we can live and work together."

Hon. Senators: Hear, hear.

Senator Sullivan: No one can fault either the mover or the seconder for what they said and how they said it, but we on this side are at a loss to understand why they did not come to grips with the basic underlying cause of the problems of this country, namely, inflation and disunity.

I leave the problem of inflation, and so forth, to the professors, economists and sociologists; they have done such a masterful job over the last ten years! That is all I propose to say.

I feel that the report of the Special Senate Committee on Science Policy deserves the highest commendation, and I warmly congratulate Senator Lamontagne on the report. I had personal reasons for my interest in that committee, and he knows what they were.

I now wish to state quite emphatically the reasons that I am on my feet. I am interested in sick people. Because of my physical condition, once again having undergone major surgery, I was unable to attend the meeting of the Standing Senate Committee on Health, Welfare and Science last June when the ban on saccharin, the artificial sweetener, was under discussion. Well, it will be under discussion tonight.

At that time the Government of the United States had already hoisted its ban on saccharin for at least 18 months. Senator Carter, the chairman of our committee, was kind enough to write to me and suggest that if I were not able to attend the meeting perhaps I would like to forward any questions I had in mind pertaining to this particular problem and he would present them at the meeting. However, I was unable to do so from my hospital bed. I did prepare a letter for Senator Carter, but it was too late. I should like to put that letter on record now. It reads:

> DEAR SENATOR CARTER: It was awfully kind of you to write to me and offer me the opportunity, if I am unable to attend the next committee meeting, to send to you any questions I would like to ask and you would ask them in my name. That is extremely courteous of you indeed.
>
> However, Senator Carter, after reading the transcript of the last committee meeting, there is nothing I would have liked better than to have been present at that meeting. I am amazed that the Department of Health and Welfare of Canada would be so dogmatic in a decision on such meagre scientific evidence that they have produced in an experimental animal, the rat. I have had a great deal to do with experimental work in animals—the only difference being that I happen to have been out in the world competing in the market place and struggling for advancement while they are protected within the confines of a governmental bureaucracy. I want to place one question to you to ask from the Chair.
>
> In all frankness I must say that the issue cannot be really resolved on the basis of one or two scientific studies. A number of rather complex factors are involved including the impossibility of conducting randomized trials in human beings, as well as a wide variation among lower animal species in their responses to drugs like saccharin.
>
> Shortly after I spoke in the Senate when I discussed the subject of mutation, the department sent a teletype letter, I believe to all the far corners of the earth, stating their conclusion and basing it further on the result of what is called the Ames test by Dr. Ames in California.
>
> I am surprised that some official from the department did not explain that the Ames test is a 'tissue culture' type test for carcinogenic potential based upon the assumption that if a chemical induces a mutation in tissue culture, it is also potentially carcinogenic. The virtues of this test are that it is very rapid and quite inexpensive to perform. Its only potential shortcoming is that the equivalence of mutagenicity in tissue culture to carcinogenicity in man is yet to be proven.

That is from the *Science Journal*, July, 1976, Volume 193. Further, the letter goes on:

> As, unfortunately, I am unable to attend the next committee meeting, I have furnished Senator Buckwold with further irrefutable evidence in regard to this whole matter. I have asked him to use it freely and liberally in every sense of the word because I do not want to witness

another 'swine flu bungle' as we have so recently just seen.

I would like to interject here and congratulate Senator Buckwold on his untiring efforts in this whole episode which he carried out so expeditiously and, might I add, correctly.

Hon. Senators: Hear, hear.

Senator Sullivan: There appeared on page 20 of the *Globe and Mail* of Saturday, October 22, a headline which stated that consumers were getting less for their money as a result of the ban on saccharin. I sincerely trust that some official from the Department of National Health and Welfare will appear before the Anti-Inflation Board and present a strong case that thousands of people in this country, yes, hundreds of thousands, the obese and the diabetics, will have to pay more for saccharin, now only obtainable by prescription, than they did before this authoritative decree was enunciated by the department. In other words, people will pay more, and they are not likely to get bladder cancer. If they do not pay anything, they may get it. That is about the reasoning. It is not much better.

What has prompted me more than anything else is the fact that one of the senior deputy ministers of the Department of National Health and Welfare wrote a letter to the Toronto *Star* on October 18, 1977, in reply to an editorial, which appeared in the same paper of Friday, September 23, 1977, under the heading: "More Proof Needed of Saccharin Danger." I probably would have overlooked this situation had it not been for two remarks in that letter, which I challenge.

● (2020)

First, it is stated in the letter:

> The technique used to assess the carcinogenicity of saccharin in rats is widely used throughout the world and is endorsed by such bodies as the World Health Organization and the U.S. National Cancer Institute.

On May 13 of this year the World Health Organization stated that studies made so far failed to provide any proof that saccharin increases the risk of cancer of the bladder. The technique that has been used, as the letter states, in the United States National Cancer Institute has not yet proved that the use of saccharin produces cancer of the bladder in human males. Dr. Sniderman of the United States National Cancer Institute states that they are not in a position at the present time to come to such a conclusion, and furthermore, that it will take a period of at least three years to discover whether this is so or not.

Honourable senators, this is exactly what I quoted from Dr. Charles Best in the conclusion of my speech to the Senate on May 3, 1977, as reported at page 659 of *Hansard*:

> I do not accept the conclusion that as a result of this experiment diabetics [and obese individuals] should discontinue using saccharin, and much further work has to be done.
>
> In view of all this scientific evidence, this particular problem should not be referred to a committee until further epidemiological studies have been concluded.

[Senator Sullivan.]

I repeat that purposely.

The second point I wish to make from this letter is the fact that it stated:

> Recent studies conducted by the National Cancer Institute of Canada show a link between saccharin ingestion and bladder cancer in human males.

Well, this is a sorry state of affairs. Without in any way criticizing any of the individuals—far be it from me to do so—who participated in this work for the department, some of whom I know, the department sought to encourage the co-workers of the National Health Research Development Project of Health and Welfare Canada to have a paper entitled, "Artificial Sweeteners and Human Bladder Cancer" forwarded to Washington. Let me explain that the department sent this article to Washington, and it should have known it would be published. Under the so-called Delaney clause of 1952, the United States are at liberty to do so. The irony of this situation is that they did not want it published because certain tables that went with it were a little bit mixed up. Having been a member of the Ontario Cancer Foundation for many years I have some idea how these matters—grants and so forth—are arranged.

I hold up in front of you, honourable senators, one of the most reputable scientific medical magazines in the world, *The Lancet*. This journal is published in London and Boston, and its editors took it upon themselves to publish this article. The article appeared in *The Lancet* of September 17, 1977, but the letter to the *Star* did not mention the fact that at page 592 of the same issue of *The Lancet*, there was an editorial entitled, "Bladder Cancer and Saccharin". I quote simply two remarks from that editorial:

> A study by Dr. Howe and his colleagues—

And it is rather interesting that there are two different groups working in the same Departments of Epidemiology and Preventive Medicine at the University of Toronto.

> —reported on p. 578, [of *The Lancet*] suggests that a positive relationship exists between artificial-sweetener use and the risk of bladder cancer. This has already been publicized in the national Press, largely because recent U.S. legislation requires that documents submitted to federal departments and agencies must be made available to the public. Adequate appraisal is obviously not possible from summary Press reports and *The Lancet* is publishing the work so that the data on which the claimed association is based are available for independent assessment by a wider audience. Under such scrutiny certain weaknesses in the study can hardly be overlooked.

The editorial goes on further to state:

> But there are other reasons for questioning the conclusions drawn by Howe and his colleagues from the association between bladder cancer and A.S. use. If we accept that the findings are not entirely due to chance, we must consider the possibility that the association might be indirect.

I could go on quoting from this editorial, but I shall just read the last paragraph:

> There is need for further work on saccharin and bladder cancer in man. One such study has already come to our notice through the U.S. public information rules previously mentioned. This is a careful study by Wynder and Goldsmith—

I will refer to them later.

> —of A.S. use in 146 cases and in 132 matched hospital controls: they report that the risk of bladder cancer in A.S. users of either sex was, if anything, somewhat lower than in non-users. We judge that most readers will find the case against saccharin unimpressive.

The *Canadian Medical Association Journal* published an article in 1974, Volume III, page 1067, by Dr. Robert Morgan and Dr. Meera Jain of the Departments of Epidemiology and Preventive Medicine of the University of Toronto, who did a study of 232 bladder cancer patients and found no positive relationship of cyclamate or saccharin to bladder cancer.

Dr. Robert Morgan and Dr. Robert Osborne of the same departments at the University of Toronto will have an answer to the previously mentioned article which, as stated, appeared in *The Lancet* with the editorial from which I have read certain pertinent parts. Dr. Morgan's reply will appear in the next issue of the *Canadian Medical Association Journal* and will be most interesting reading, I can assure you.

In my previous presentation to the Senate I spoke about one of the outstanding men of America who is doing this work, Dr. Irving Kessler, at the School of Hygiene and Public Health at Johns Hopkins University. I should like to repeat one remark which he made, and which was published in the *Federal Register* on April 15, 1977, Part III. He stated:

● (2030)

> Most scientists would agree that individual studies are insufficient by themselves to prove or disprove causal associations in human disease.

Further on in that article he states:

> The point of all this is that in seeking to establish causal associations in human disease, science usually advances by means of many small steps converging on the truth, rather than by single spectacular giant leaps forward. To demand from one or two investigations immediate and definitive answers to complex questions on the etiology of human disease is to ignore the manner in which much of our established medical knowledge has been acquired until now.

Dr. W. R. Bruce of the Princess Margaret Hospital introduced me to Dr. John H. Weisburger, the Vice President for Research, Naylor Dana Institute for Disease Prevention, American Health Foundation. Dr. Bruce's letter of June 16, 1977 reads as follows:

> Dear John:
>
> Senator Dr. Joseph Sullivan as a previous member of our Board has been particularly interested in looking into the Saccharin legislation. I knew that you were interested in these studies from your talk here two weeks ago and gave him your name.
>
> Yours sincerely,
>
> W.R. Bruce, M.D., Ph.D.

In a letter dated June 21, 1977, Dr. Weisburger wrote:

> I just received a note from Dr. W.R. Bruce of The Princess Margaret Hospital. I understand you are interested in our views on saccharin.
>
> As you will see by the documentation which I just submitted to the FDA, it is my considered opinion that saccharin is not a human cancer risk.
>
> With my very best,
>
> John H. Weisburger, Ph.D.
>
> Vice President for Research.

I should like to read a paragraph from another letter, but I will cut it down somewhat because I know it may be a bit boring. I have to put some of these scientific facts on the record, and I intend doing so. Dr. Weisburger, in a letter dated June 24, 1977, stated:

> May I say that I know very well my colleagues and friends, the Public Health Protection Branch, whose data are currently used for public action here in the United States as well as in Canada . . . I believe that this is a very controversial area, and I hope that we scientists can come up with a rational solution so that the public can be protected while at the same time not going to extraordinary length in emphasizing health risks by substances which in my opinion are not worth our time and effort.

Further on in that letter he states:

> As you will see by the enclosed report of this Institute, the main human premature killing diseases stem from two aspects of our lifestyle; one is smoking, and the other is our diet, which is too rich in fat of all types in relation to our caloric needs due to our sedentary lifestyle.
>
> Thus construed, the saccharin matter is a tempest in a teapot, and it is regretted that so much public attention and scientific efforts were made at great cost. I now believe that we can safely conclude that saccharin is not a human cancer risk under the usual conditions of intake.

In the first paragraph of his letter of June 20, 1977, Dr. Weisburger wrote:

> The undersigned is currently Vice President for Research of the American Health Foundation. Prior to 1972, he was Head of the Carcinogen Screening Section and Director of the Bioassay Segment of the Carcinogenesis Programs for the National Cancer Institute, Bethesda, Maryland.

I might explain the meaning of the word "bioassay." It is the determination of the potency or concentration of a compound by its effect upon animals, isolated tissues or microorganisms as compared with a standard preparation. One further note from Dr. Weisburger's letter is as follows:

> These studies further find support in other studies conducted in other laboratories in the United States, Europe, and in Japan in which reliable observation has disclosed no untoward effect of these high levels of saccharin in mice and in rats, the classic species used for carcinogen bioassay.

With his last letter to me, dated October 21, 1977, Dr. Weisburger enclosed an editorial he wrote for the publication, *Preventive Medicine*, Volume 6, 185-190, 1977. He wrote:

> As we just discussed, I am mailing you immediately copies of our papers dealing with bladder cancer.
>
> As I have told you, it is my considered opinion that the positive results with saccharin in rats reflect at best a weak promoting action. Saccharin as tested in animals as well as in rapid bioassays does not exhibit properties characteristic of a carcinogen.

In one paragraph of his editorial he mentioned studies made by scientists in England, and said that they had arrived at the same conclusions as he and his colleagues.

Honourable senators, I have only scratched the surface of this whole problem, but I should not forget *The New England Journal of Medicine*, one of the outstanding medical periodicals in the world. An article headed, "Saccharin—The Bitter Sweet," appeared in its issue of June 9, 1977, from which I should like to read as follows:

> No study, including the Canadian one, has shown convincingly that there is an excess of bladder cancer in rats exposed to saccharin only after birth, the "F_0" generation. The Canadian study is persuasive only for male rats born of mothers fed a diet containing 5 per cent saccharin and weaned to the same diet, the "F_0" generation. The study is only weakly positive for F_1 females.

The article goes on to state:

> The issue of dose response is crucial. A diet containing 5 per cent saccharin has 500 to 2000 times more saccharin than is consumed by an adult human being.

That is fairly conclusive evidence.

I did not touch upon the views of my colleagues in the United Kingdom, and I know a great many of these men. Unfortunately, I was ill during the time this first came up, but I do not intend to sit here now and not say something about a subject with which I am fairly familiar.

To repeat, I do not wish to see this particular sorry matter made a bungle, as was the swine flu vaccine episode. It is one thing to carry out well-conducted experiments; it is quite another to carry out meaningful ones.

Finally—with a little colloquial phraseology—a good many years ago there was done an in-depth study on the incidence of squamosal carcinoma of the cervix uteri in Catholic nuns which found that they were free of this disease. Since these nuns were virginal, the investigators reached the conclusion that this form of cancer was caused by sex. Though I realize that sex is not a food additive, I still feel that, in the spirit of their pontifical announcement, the Department of National Health and Welfare should demand that sex be outlawed throughout Canada.

[Senator Sullivan.]

● (2040)

Senator Inman: May I ask the honourable senator a question? Where does honey fit in as a sweetener? I read an article some time ago which described honey as being a substitute sweetener for people with diabetes.

Senator Sullivan: Well, are you a diabetic? If you are, come to my office. I get the pure brand of honey. I would not worry about it.

Senator Greene: Most of us—and here I think I speak for most Canadians—have been under the illusion, perhaps mistakenly in the light of the honourable senator's remarks, that our Department of National Health and Welfare, in its research, was more independent of the drug lobby than its counterpart in the U.S.A.. Therefore, the conclusions of scientists in the Department of National Health and Welfare are likely to be more legitimate than those of scientists in the United States Department of Health who were subjected to the pressures, under their system, of the drug lobby.

Can I take it from the honourable senator's speech that this is a fallacy, and that, in fact, in many instances the conclusions of the United States Department of Health might be more valid than those of the Department of National Health and Welfare, despite the fact that it may be more free from the influence of the drug lobby?

Senator Sullivan: Thank you, Senator Greene, but I have not been talking about the officials, outside of one man in the Department of Health in Washington. I have been talking about individual researchers in various institutions in the United States. I have been talking about Kessler of Johns Hopkins University, and I have been talking about Weisburger of the Naylor Dana Institute at Valhalla, New York. The last remarks I read came from the Harvard Medical School. So I was not in any way trying to uplift the health and welfare body of the United States Government over our own—not by any means. I belong to a number of senior American societies, but I do not think that Canada needs to take second place in medical research, with this one exception. Nowhere in the world do people agree with what has been done in Canada—and that is to deprive a whole nation as a result of an experiment on rats.

Hon. Bernard Alasdair Graham: Honourable senators, I should like to begin by congratulating Senator Sullivan for calling upon his vast medical and scientific knowledge to place some very important information on the record of the Senate. And, senator, I particularly appreciate that you did not ask Senator Inman for her OHIP or SIN number, or whatever it is you use in Ontario or Prince Edward Island, before you responded to her question.

Senator Sullivan: I don't know quite how to take that, senator. Are you talking about state medicine?

Senator Graham: With all the kindness in my heart, sir.

[*Translation*]

Honourable senators, first of all I should like to express my whole-hearted gratitude and satisfaction for the warm welcome extended to Her Majesty the Queen during her visit which was a great success.

I join the other senators in paying tribute to you, Madam, Speaker of the Senate, whose wisdom and good sense are a credit to the Senate.

I also pay tribute to the members of the Senate who moved and seconded the Address in reply to the Speech from the Throne. Both proved most convincingly the degree of knowledge and sensitivity which could be expected from two men of such exceptional value.

I congratulate the Leader of the Government and the leader of the opposition for honouring us with their continued presence. Both honourable senators bring to the Senate considerable experience, and an acute sense of responsibility in the performance of their respective duties.

Allow me also to extend my congratulations to their deputies, as well as the whips and all the members of the Senate staff, who were most gracious and co-operative.

[*English*]

On a much more sombre note, honourable senators, the death of Mrs. Robert Stanfield saddened all members on both sides of this chamber. Both in her public and in her private life Mary Stanfield exhibited a warmth and a kindness which created for her a very special place in the minds and hearts of all Canadians.

We are living in a particularly difficult time in our nation's history. We have slow growth and a serious problem of unemployment. Recent layoff announcements at INCO in Sudbury proved to be rather a dramatic reminder to those of us who live in Cape Breton of the harsh realities we had to face when Hawker-Siddeley suddenly pulled out of the coal and steel industries of our area. Fortunately, the governments of Nova Scotia and Canada recognized the possible consequences and moved quickly to maintain and, in the case of coal, to expand the industry. I am mindful of the part played by our colleague the former Premier of Nova Scotia, the Honourable G. I. Smith, who took courageous action at that time in leading the takeover of the steel plant by the Government of Nova Scotia.

I think it is fair to say that over the past ten years, with the introduction of the Cape Breton Development Corporation, and in no little measure because of the large investments by the Government of Canada, the cooperation of labour and management, and also because of the oil cartel of the Arab countries, we have gone a considerable distance in developing the technology required for a healthy coal industry.

Devco now operates three mines in Cape Breton: one rehabilitated mine, No. 26, and two new mines, Lingan and Prince, and they employ in all some 3,500 people. This, I suggest, is in sharp contrast to the announced intention several years ago of phasing out the mines without one mine or one miner to exist actively in Cape Breton by 1981. At the present time a major offshore drilling program, financed on an 80 to 20 percentage basis by Canada and Nova Scotia, is being carried out in the Sydney coal field. The purpose of the drilling program is to give a more precise definition to the extent of the resource so that accurate planning for the short- and long-term future can be put in place. Early signs are very encouraging. As honourable senators know, coal is a very valuable resource and it is essential that we are vigilant in ensuring that this resource is exploited properly so that the people of Nova Scotia, and indeed of Canada, may derive maximum benefit. I am hopeful that the coal resource will prove to be in sufficient quantity and quality, and available at a production cost, that will warrant the opening of one and possibly two new mines to meet the demands and the possibilities of an expanding market.

● (2050)

I also believe that there can be no security, and therefore no real sense of well-being, until and unless the problem of steel is resolved. As honourable senators know, Hawker-Siddeley left the Sydney community a capital-starved production plant that essentially served the needs of its other divisions. Over the past few years there has been a great deal of discussion about the possibility of a world-scale steel plant, which has been communicated to the public as being a greenfield operation which could possibly produce anywhere from 2 million to 12 millions tons of basic steel depending upon the kind of time-frame presented.

The economic recession of the 1970s has postponed the realization of this project. All possibilities have been fully investigated by the consortium, including the Government of Nova Scotia, the private partners, with some extensive facilitating help from the federal Department of Regional Economic Expansion.

So far as the project itself is concerned, the work has gone well. I believe it has been established that if and when any major steel complex of that kind can be judged to be sensible and feasible, Cansteel offers the best possibility anywhere in the industrialized world. In the meantime, the existing Sydney steel plant has enormous problems. Hawker-Siddeley left us a plant which was often referred to as an orphan plant, in desperate need of capital in several major departments and with a labour force which is most certainly concerned, and at times confused and uncertain.

Nova Scotia is carrying a very heavy burden in even sustaining Sysco. Money must be expended to put the plant in better condition, and federal government support for a realistic approach to rehabilitation is absolutely essential.

I might also say that steps are already well under way to rebuild and to stabilize Sysco's position in the marketplace, and hopefully the day is not too far away when the work force, and indeed the community, will have a sound reason for having a greater sense of optimism and security.

As one means of alleviating the unemployment and economic problems of disadvantaged regions, the Government of Canada instituted a program of decentralization. It is important, however, that the government not only find a way to

decentralize its work force, but wherever possible there should be decentralization of decision-making powers.

Some Hon. Senators: Hear, hear.

Senator Graham: One of the best examples can be found in the Central Mortgage and Housing Corporation. Its manpower is widely dispersed throughout the country, but its decision-making power is maintained almost exclusively in the Ottawa region.

We recognize that major policy decisions must be made centrally, but the implementation and rationalization of those policies must respond to the unique problems of the various regions. We must be careful not to use either Toronto's or Edmonton's solutions to solve Glace Bay's problems, and conversely we must not use Glace Bay's solutions to solve Toronto's or Edmonton's problems.

In the field of transportation, I regret to say that the country's national airline has been demonstrably insensitive to the travelling needs of some regions of our country. Let me say at the outset that Air Canada personnel, especially in the part of Canada which I know best, are extremely courteous and helpful. But I suspect that they too are sometimes frustrated and embarrassed by cutbacks and the lack of proper schedule coordination within their own system and with regional carriers.

Senator Flynn: Agreed.

Senator Graham: Let me deal briefly with schedule coordination. Three and a half years ago, on April 23, 1974, the then Vice President of Public Affairs for Air Canada, Mr. Claude Taylor, who is now President and Chief Executive Officer of the company, appeared before the Standing Senate Committee on Transport and Communications. The purpose of the meeting was to deal with Bill C-5, intituled, in part, "An Act to authorize the provision of moneys to meet certain capital expenditures of the Canadian National Railways System and Air Canada for the period from the first day of January, 1973, to the 30th day of June, 1974."

Page 30 of the evidence records the following question asked by me of Mr. Taylor:

> In respect to scheduling, what kind of consultation do you have with other airlines? To be specific, what kind of consultation do you have with respect to scheduling in terms of EPA and yourselves in and out of the Atlantic region?

Page 30 also records, Mr. Taylor's response, as follows:

> You have probably used the best example that we have in Canada, senator, because there is a closer working relationship between EPA and Air Canada in that region than there is between Air Canada and any other regional carriers. There is a very close working relationship in scheduling between EPA and Air Canada. The two carriers consult in the processing and planning; they consult prior to the publication of schedules, as well as in respect of the volume of traffic over the routes which they both serve.

[Senator Graham.]

Honourable senators, if the coordination of schedules in Atlantic Canada over the past three years is the best example in the country of liaison between the national airline and the regional carriers, then all I can say is, "God help the other regions in Canada."

I do not intend to take the time of the Senate on this occasion to document the callous disregard for passenger convenience which has been shown on numerous occasions in flight scheduling. The record, in the form of schedules, speaks for itself. I do suggest, however, that it is time to inject some humanism and common sense and knowledge of the areas to be served in schedule planning, instead of relying mainly on computers.

Exactly one year ago today, on November 1, 1976, at the opening of the new terminal facilities at the Halifax International Airport, I made, for the umpteenth time, personal representations in this respect to Air Canada officials. This was followed by other appeals, but they have obviously fallen on deaf ears. The senior senator from Cape Breton, Senator John M. Macdonald, never fails to congratulate me on the progress I am making with Air Canada each time that a new schedule appears. We did have one good evening flight to Halifax and Sydney over the spring and summer months, but two days ago that was taken off for the winter period and for the life of me I cannot determine why. The flight originates in Toronto, goes on to Halifax, and terminates in Sydney. I have never travelled on that particular flight, flight 622, when it has not been completely filled. Last Thursday evening, when I was returning home to Nova Scotia, it was over-booked by 15 passengers. Yet that flight has been taken off.

Well, effective July 1 of this year, Air Canada officials, according to one news report, recognized that the Atlantic operation was not receiving the attention at the corporate level that it should, and they created a sixth region, based in Halifax, which reports directly to the corporate head offices in Montreal. At that time they appointed Mr. Roger Linder as Vice President of the Atlantic Canada administration unit. In a reference to his appointment, and to the establishment of the Atlantic unit which he leads, a Halifax *Chronicle Herald* article of September 6, 1977, quotes Mr. Linder as follows:

● (2100)

> This is an important change to air travellers and to shippers as well as the staff of Atlantic Canada, as they will have a stronger and more direct voice at the corporate level.

The story goes on to say that during the previous two months Mr. Linder had spent a great deal of time travelling the four Atlantic provinces talking to staff, provincial and municipal officials, and to business leaders who frequently use the air service.

I feel that I use the air line as much as anyone in Atlantic Canada, and I have never been contacted by Mr. Linder or his representatives, nor has the Deputy Prime Minister of our country, the member of Parliament for Cape Breton Highlands-Canso, nor the member for Cape Breton-The Sydneys,

nor the member for Cape Breton-East Richmond, nor, to my knowledge, has any other member of this chamber.

I have spoken already about the industrial development and employment problems we have in our part of Canada. I believe the Government of Canada has been helpful and generous in trying to solve this problem, but the situation is aggravated all the more when prospective developers are reluctant to come and even take a look because of poor airline scheduling.

Now let me say this. I am well aware of the commendable efforts being put forward by Mr. Taylor and other officials of Air Canada to put the airline's balance sheet in the black after three consecutive years of losses. If it is necessary, we are prepared to accept our share of a reasonable cutback, but that, of course, is all the more reason why schedules within the Air Canada system itself, and with regional carriers, should be better coordinated. It will be very interesting to see the balance sheet for this year when it is produced.

Perhaps my good friend, the Chairman of the Transport and Communications Committee of this chamber, and his members, might consider it appropriate, after three and one-half years, to invite Mr. Taylor and his associates to make a return appearance before the committee. I mean that in all sincerity, because I am sure they will have some very relevant information that they will want to communicate to us. We, of course, will want to communicate with them as well. In the final analysis I suggest that if Air Canada wants to remain a national airline it should pay closer attention to the needs of the people for whom the service was created.

Let me say something briefly about the national scene before concluding. Our job today, as Canadians, is to work together towards a new federalism, and thus resolve the conflict and the grievances of our time, just as the Fathers of Confederation did in theirs. High on the list of problems to be resolved are those of language equality and French-English relations. I have already spoken on this question in this chamber, having done so on July 14 of this year during the national unity debate. But it would be very short-sighted to suppose that the challenge to Canada's unity can be defined in terms of language alone. Just as serious a challenge is posed by the sense of inequality felt by people in the Atlantic provinces, and the west, and by our native peoples. Maritimers, for example, have a keen sense of history. They are conscious of the hopes and expectations that were aroused at the time of Confederation, and their sense of grievance is based not only upon the economic realities of today but also upon the gap between the realities of today and the promises of yesterday.

My own province of Nova Scotia was among the most prosperous parts of North America a century ago, having amassed substantial wealth through fishing, trading and shipbuilding. My ancestors agreed, very reluctantly, I might say, to cast their lot with the union, principally because the union held out the hope of a better life for all through better transportation systems and other means. Nova Scotians agreed to share some of their prosperity with Upper and Lower Canada as part of their act of faith in a new country. They are still waiting for the fulfilment of the hopes of a century ago. Their faith is sometimes battered, but never broken; their commitment to Canada is sometimes abused, but never abandoned.

We are very much aware, of course, that through equalization payments, cost-sharing programs and DREE grants, Canada and, indeed, the "have" provinces of our country, have, do, and will continue to help the Atlantic provinces both to maintain a national standard of public services and to develop economically. Over the last decade more than a billion dollars have gone into the region in DREE grants, and about $5 billion in equalization payments. Equally important are federal initiatives such as the 200-mile fisheries limit and the federal-provincial agreement on development of offshore resources.

What the people of Nova Scotia and the other Atlantic provinces want most of all, however, is the chance to assume our rightful place in this country; the chance to stand on our own feet as self-reliant and fully productive Canadians; the chance to keep our young people gainfully employed at home and to keep our towns and our cities thriving as vital and proud communities. That is what we want, and as long as we do not have the chance to obtain it, there will always be Atlantic Canadians who are convinced that Canada is unfair to them.

It is true that federal governments, over the years, have seriously addressed the problems of regional unemployment, the need for new and expanded industries, the encouragement of primary industries and the adjustment of harmful tariffs, but disparity persists, and it undermines the confidence of the region that it can some day emerge from its disadvantaged status.

What has happened over the last year or so, to give us new hope and confidence is, ironically, the change that we have seen in the economic and political climate in Canada. The Parti Québécois has opened the eyes of all Canadians to the need for some important accommodations in the way we live together, and the state of the economy has opened our eyes to the need for far more cooperation and mutual understanding among Canadians.

I have never known a time when Canadians were more open to each other than we are today, or more willing to listen to and understand each other, or more accepting of the need to adapt our Constitution and our ways of doing things to the realities of our time and the needs of our regions.

To capitalize upon and give form to that new spirit, I suggest that one of the things that can be done today, which would have been much more difficult just a few years ago, would be for the Canadian federation to make a constitutional commitment to the reduction of regional disparities, thus eliminating the fear in my region, for example, that changes of government, or changes in national attitudes, could result in arbitrary changes in the level of regional encouragement.

• (2110)

More than that, I believe now is the time when Canadians are ready, as seldom before, to contemplate structural econom-

ic changes of benefit to the regions. Of great benefit to the Atlantic area, for example, would be more decentralization of national economic activity, the development of alternate energy sources such as tidal power in the Bay of Fundy, better management of fish stocks off the Atlantic coast and the growth of our export trade. Given the climate of public opinion in Canada today, I am much more hopeful that such initiatives are capable of attracting public support in all parts of the country.

Everywhere you go in Canada these days you meet people who show that they are more willing than they have ever been to consider new ways of making sure that every Canadian believes he has an equal place in this country, an equal opportunity to grow and an equal share in the benefits this country has to offer.

It is also clear that western Canadians feel aggrieved at times about their place in the union. Their complaints are as real today as they were at the turn of the century—the feeling of having an unequal voice in Ottawa and inadequate influence over economic decisions which affect their lives. Westerners struggle, as they have always done, against the weather, the railroads, what they sometimes refer to as insensitive eastern corporations, and the grain-marketing system. They want industrial development and opportunities commensurate with their natural resources. They want to feel their accomplishments are valued, and their voice is heard and respected.

Honourable senators, if we are to achieve a new sense of unity in Canada, these grievances, as well as others, must be resolved. A start towards that resolution might be found in the knowledge that Confederation has always been a dynamic system, never a static one. It has been continually adapted to the changing needs of the country. That history of adaptation permits us confidence as we go about the task of adjusting to present reality.

The scope of that task, and the hope it affords of a reunited and stronger country, makes this an exciting time to be a Canadian—a time when every Canadian can contribute to the rebirth of one of the truly great nations of the world.

On motion of Senator Desruisseaux, debate adjourned.

AGRICULTURE

"RECOGNIZING THE REALITIES: A BEEF IMPORT POLICY FOR CANADA"—INTERIM REPORT ON CANADIAN BEEF INDUSTRY—DEBATE CONTINUED

On the Order:

> Resuming the debate on the inquiry of the Honourable Senator Argue, calling the attention of the Senate to the interim report of the Standing Senate Committee on Agriculture, appointed in the last session of Parliament and authorized in that session to examine from time to time any aspect of the agricultural industry in Canada, on its inquiry into the desirability of long-term stabilization in the Canadian beef industry, entitled: "Recognizing the Realities: A Beef Import Policy for Canada," tabled in the Senate on Friday, 14th October, 1977.—(*Honourable Senator Langlois*).

[Senator Graham.]

Senator Langlois: Honourable senators, I am yielding to the Honourable Senator Yuzyk.

Hon. Paul Yuzyk: Thank you for yielding to me, Senator Langlois.

Honourable senators, in rising to speak on this report, I want to associate myself with the general thrust of the remarks of Senator Argue, Senator Olson, Senator Greene and Senator Molgat who have already participated in this debate.

There was a considerable amount of work done by the members of the committee, and also by the committee's staff, Albert Chambers and Rick Andrews, in preparing this report. For their substantial contributions they should be commended.

The chairman of the committee in particular, Senator Argue, is to be congratulated for his outstanding role in piloting the report to completion.

• (2120)

This report is a timely and significant document for the beef industry, as we are facing a new round of multilateral trade negotiations in Geneva this fall, and the beef industry is still recovering from a disastrous year of severely depressed prices and record low returns to beef producers in 1976.

Canadian beef producers have been suffering immense losses during the last few years. Senator Molgat has already vividly illustrated this fact by quoting a recently completed independent study which stated that Canadian beef producers have lost $100 million per year for the last three years. The Agriculture Committee was made well aware of these losses as we listened to representatives of producer organizations and producers themselves in the course of our inquiry.

One major point mentioned throughout our study was the devastating impact which imports of offshore beef have had on our markets. I personally find this situation intolerable and, indeed, difficult to understand. During 1976, for example, when beef producers in this country were facing record low prices and constantly escalating costs, the Government of Canada was allowing record levels of imports to enter the country. These imports depressed beef prices generally, particularly in the cow market, by adding to our surpluses. This beef, primarily from Australia and New Zealand, was in fact selling in Canada during 1976 at prices 27.5 cents per pound below its selling price in the United States. In July 1976, an attempt was made by the government to correct this huge discrepancy in price. This resulted in the infamous "6-cent under rule", which stated that imported beef from Australia and New Zealand would not enter Canada at prices more than 6 cents per pound below the price at which it entered the United States. Such an agreement, however, had little effect, as prices of imports did not come into line with the "6-cent under rule" until November 1976, fully five months after this "emergency action" was taken.

No attempt was made by the government during most of 1976 to regulate or monitor in any way the flow of oceanic imports, despite repeated calls by producer organizations and

the official opposition in the other place. Producers were forced to bear the brunt of these excessive import levels alone, which were based on international trading patterns over which producers had no control. Only in October 1976, when the United States triggered its meat import law, did Canada enact the Export and Import Permits Act to restrict the level of imports for the rest of the year. This action also had a questionable effect of reducing import levels as we were already committed to large volumes of meat which was en route to Canada by ship, so most of the damage was already done.

Because there was no long-term policy on imports and because there was no legislative mechanism to regulate the flow of imports, the producers of this country were forced to suffer severe hardships, the extent of which has already been quantified—$300 million in losses since 1974. Considerations such as these prompted the Standing Senate Committee on Agriculture to produce its interim report, *A Beef Import Policy for Canada*. This is an urgent problem, and producers across Canada were unanimous in demanding a solution. I believe that the report currently before the Senate, which has already received considerable attention, provides such a solution.

Before I go further, I must comment on the objective and democratic way in which the committee conducted itself during this inquiry. All parties wishing to appear before the committee were accommodated, and all provincial governments were contacted. In fact, some 30 briefs were presented to the committee in Ottawa. The committee was not satisfied with only this testimony, so it organized a series of public hearings in small towns in five separate provinces. These meetings provided some 1,800 beef producers with the opportunity to talk directly with senators who were members of the committee and who, I might add, took a week of their holidays, when the Senate was in recess, to perform the formidable and commendable feat of holding meetings in seven towns in four provinces in a period of eight days. By the way, they did not use a government aircraft, but travelled by commercial airlines and buses. This is but another example of the vitality and dedication which exists in this chamber, and I heartily congratulate the senators involved.

The next obvious question is: What will be the impact of this report? Judging from the initial reaction by producers and governments, I would say that the impact will be significant. The report was widely publicized in both western and eastern Canada, and I have in my hand an impressive file of favourable press comments. The headline, "Beef Import Curb call Welcomed on Prairies," graced the front page of a major western newspaper. Headlines such as, "Quotas Seen Aiding Beef Producers," "Senate Report Expected to Suggest Flexible Quotas," "Prairie Producers Back Beef Tariff Plan," and "Beef Import Suggestions Getting Favourable Reaction from Industry," appeared in many leading papers.

Soon after the tabling of the report, the Canadian Federation of Agriculture, the largest producer organization in this country, issued a press release praising it in terms such as "Canadian beef producers will be greatly heartened by the recommendations of the Senate Committee on Agriculture for the beef industry of Canada." Charles Munro, President of the Canadian Federation of Agriculture, went on to say that the Federation "will be intensively studying and discussing the details and implications of the very challenging proposals of this important Senate report."

● (2130)

The Canadian Cattlemen's Association, who were important witnesses during the inquiry, are pleased with the overall tone and objectives of the report but have some alternative methods they would like to discuss to achieve these objectives. Our committee will be holding further consultations with all these organizations to discuss our recommendations.

Provincial governments have played an important role in this inquiry, and recently the Honourable Marvin Moore, Minister of Agriculture in Alberta, Canada's largest beef-producing province, supported the committee's report in the provincial legislature. To the question, "Does the Alberta government agree with the Senate report?" the minister replied on October 20 as follows:

> Mr. Speaker, the standing Senate committee looked into all phases of the marketing of beef insofar as imports to Canada are concerned. They made a number of recommendations and it would be difficult, without going to some length, to suggest that we are in favour or opposed to all of those recommendations.
>
> I would say, however, in general the spirit and intent of the Senate report to the Government of Canada is one that we can agree with. It can probably be best summed up by a statement made at the beginning of the recommendations in the Senate report, to the effect that the Senate committee had examined the effects of Canada's trade laws on the achievement of stability in the beef industry and found that the laws were inadequate and, in many respects, counterproductive.
>
> If I could quote a sentence from their report, the Senate committee says:
>
> > Yet the trade policy pursued by the Canadian government has drained away the resources of beef producers and caused considerable instability in both supply and price.
>
> The Senate committee goes on to say:
>
> > The Committee has concluded that this policy and the laws which implement it must be changed.
>
> Mr. Speaker, I would have to say that in general the context of the presentations made by this government to the Senate committee, which are quoted extensively throughout the report, are in fact in concert with what we think needs to be done in the beef industry, particularly for Alberta producers.

It would, however, be an understatement to say that this Senate report has been well received by all quarters that are concerned. Nevertheless, this chamber is rapidly gaining a

reputation for the knowledgeable and pertinent studies it undertakes, and this is another obvious example.

After tabling this report the committee immediately undertook the next important step, namely, that of following up its recommendations by promoting their implementation, as it has done with the report on Kent County in New Brunswick. In fact, a meeting was held at noon today with the Honourable Jack Horner, Minister of Industry, Trade and Commerce, to discuss implementation of our recommendations. Last week, members of the committee had a successful meeting with the Minister of Agriculture, the Honourable Eugene Whelan, who felt that the beef industry should be given long-range protection. Although he said that he had some reservations, the minister nonetheless agreed with the committee's general philosophy on the question of beef import policy and that the committee's follow-up is important. Obviously we are actively concerned about the implementation of this report, and this follow-up is a role of which we as senators are uniquely capable, and which I believe to be one of our important tasks.

Some of the reactions to our report have been based on the concern that any action that we take will cause serious trade disruptions with our trading partners, particularly the United States. If this were to happen I would be seriously concerned, as the American market is the source of the majority of our export of beef cattle. I personally do not expect any drastic moves which would invite retaliation.

Our report is a careful rethinking or assessment of our relationship with the United States. Our relationship to their market regarding dressed beef has changed considerably in the past few years, and we are now on a strict quota. United States producers are now calling for the inclusion of live cattle in this quota structure. This is exactly what our report suggests—yearly quotas based on historical access. This would allow us to continue our beneficial trading relationship, yet allow each country to protect itself from abnormal floods of beef, which seem to occur often in the North American market.

Our recommendations, therefore, are far from extreme, far from promoting a trade war. In fact, the committee stresses that possible changes would occur only through consultation with our trading partners. We believe, however, that this report should provide the basis for such consultations.

The problem has been defined, the causes have been analyzed and the solution presented. The committee has heard the evidence and its report reflects that input. In some areas the committee has gone beyond what was directly suggested by producers, but this was done in the spirit of the hearings and was considered necessary by the committee to provide a complete and long-term solution to the problem. The members of the committee are convinced that some changes must be made to our import policy.

Although we consider that our recommendations are sound, we are willing to discuss alternative solutions at any time. We are willing to compromise on the details of the solution, but on the necessity of an immediate solution to this serious problem facing beef producers there can be no compromise. Action is necessary immediately.

In closing, let me say that I was pleased to be involved, along with my esteemed agricultural colleagues, on the subcommittee which drafted this report. I am confident that the views of the opposition were well represented and considered.

In lighter vein, if we want the beef producers to stop beefing about the beef industry, it will be necessary to beef up the beef industry. The consumers may beef about a small rise in beef prices, but they will soon realize that this will bring about stabilization in the beef industry, and in agriculture, which in the long-run will be in the best interests of Canadians as a whole.

On motion of Senator Langlois, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, November 2, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the National Museums of Canada, including accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 22 of the National Museums Act, Chapter N-12, R.S.C., 1970.

Report of operations under the Foreign Investment Review Act for the fiscal year ended March 31, 1977, pursuant to section 30 of the said Act, Chapter 46, Statutes of Canada, 1973-74.

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans, as follows:

1. Bell Canada, Montreal, Quebec and the group of its executive employees. Order dated November 1, 1977.

2. Bell Canada, Montreal, Quebec and the group of its clerical and associated employees, represented by the Canadian Telephone Employees' Association. Order dated November 1, 1977.

Public Accounts of Canada, Volume I, for the fiscal year ended March 31, 1977, pursuant to section 55(1) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

THE HONOURABLE JACQUES FLYNN, P.C.

FELICITATIONS

Senator Perrault: Honourable senators, it should be noted that yesterday marked the tenth anniversary of our distinguished colleague, Senator Jacques Flynn, as Leader of the Opposition in this chamber.

Hon. Senators: Hear, hear.

Senator Perrault: It is not only a tribute to his ability, but to his incredible staying power, that he should have survived for so many years in that position. On behalf of all government supporters in this chamber may I wish him many, many more happy years in his present capacity.

Senator Benidickson: He is a former Minister of Mines and Technical Surveys.

Senator Flynn: Honourable senators, I don't know if this should have been put on the record.

[*Translation*]

That is because there are several interpretations that could be given to such an anniversary. In any event, I just want to say that during my ten years as Leader of the Opposition in this house, I have known three government leaders: Senator Connolly, Senator Martin, and my good friend Senator Perrault.

I must say that in order to survive, I had to rely on the cooperation, ability and courtesy of all the senators of course, particularly those around me who have always honoured me with their confidence and loyalty. I know that as far as senators opposite are concerned, I did at times strike staggering blows. Some hurt less than others, some know better than others how to roll with the punch.

[*English*]

I must say that I am very grateful for the courtesy and understanding that I have been afforded during these 10 years. I do not agree with the wishes offered by the Leader of the Government that I should stay here many, many more years. My wish is that Joe Clark will soon be able to appoint his own Leader of the Government.

• (1410)

SPEECH FROM THE THRONE

MOTION FOR ADDRESS IN REPLY—DEBATE CONTINUED

The Senate resumed from yesterday consideration of Her Majesty the Queen's Speech at the opening of the Third Session of the Thirtieth Parliament, and the motion of Senator Frith, seconded by Senator Marchand, for an Address in reply thereto.

Hon. Paul Desruisseaux: Honourable senators, first I should like to associate myself with the congratulations that were extended to the Leader of the Opposition. His work has been outstanding and he deserves all the praise that the Leader of the Government gave him.

I should also like to associate myself with those senators who have spoken of the passing of Mrs. Robert Stanfield. We feel saddened by what has taken place, and we do offer our deepest condolences to the family.

[*Translation*]

Honourable senators, I would like first to congratulate the movers of the Address in reply to the Speech from the Throne which has been so graciously delivered by Her Majesty the Queen of Canada. I would like also to commend my honourable predecessors in the present debate.

May I point out in particular the very correct and constructive speeches of the Leader of the Government and the Leader of the Opposition? I did appreciate them very much.

I associate myself with those who spoke in praise of Her Honour the Speaker of the Senate for the excellent work she has done throughout the last session and we express to her our satisfaction and our happiness that she maintains her present functions and again presides over the destiny of the Third Session of the Thirtieth Parliament. We felt quite clearly that the Speech from the Throne had been so drafted as to remove any hint of deliberate emptiness which sometimes permeates through it.

I felt it was a model of frankness and political oratory. It describes the nature of the threat to a very unhealthy national economy and the frailty of Canadian unity. It points out that plans for adequate solutions to some of our problems will be disclosed during this session. Naturally, they will not be easy proposals. Already some even have doubts and fears in this connection.

The progressive removal of wage and price controls expected in the spring of 1978 threatens to increase wages at a time when our economy would be liable to experience another inflationary thrust on the domestic as well as international levels.

The Honourable Jean Chrétien will have much to do to cope with the complex problem which indeed is not exclusive to Canada. I think that whatever may be our political allegiance, we must close up our ranks, show a kind of common front, conclude unanimous agreements to facilitate the choice of steps and means to find more effective solutions.

The Throne Speech was for me a model of moderation and realism. It takes into account the present pitiful condition of national unity. It promises challenging government measures on our constitutional issues and our language problems.

I am one of those who feel there is no easy solution to such problems. They will not be solved in Canada more easily than elsewhere. Moreover, they will be solved only through the good will of the people involved, around a table where a frank and intelligent discussion might be fruitful.

The unemployment problem which was mentioned in the Speech from the Throne is even more acute than believed in some quarters. I am still confident, because some solutions are on the horizon. There is always a silver lining. Yesterday's setbacks are only preparation for tomorrow's successes. For the time being we cannot exclude the possibility of another depression. Should the economic and unemployment situation deteriorate any further, we will unfortunately have an alarming increase in unemployment and the snowballing effects it entails.

I intend in the near future to talk about that serious problem. It affects our industries which, here in Canada, create most of the jobs. The quest for solutions to that major and far-reaching problem should be the main and pressing objective in this session. Assistance measures through tax cuts as announced in the Speech from the Throne and specified in the speech delivered by the Honourable Jean Chrétien will not have the full scope expected by many.

With the annual deficit forecast for this year, namely $8 to $9.5 billion —the largest in Canadian history and, I believe, the highest prorated per capita deficit in the world—no one can reasonably expect wild give-aways. I will have the opportunity to go back to this subject in the very near future.

The Speech from the Throne calls upon our intelligence, and asks us for a more generous contribution in solving many of our political and even social problems. That, I suggest, will be an ideal opportunity for opposition parties to offer their positive suggestions and criticisms.

The Speech from the Throne also reminds us that we, as Canadians, are in a deficit position as far as those individual and common disciplines which are so essential to success and prosperity are concerned.

Faced with the very dismantling of our country, we have it as a duty once again, as our forefathers did, to be committed to a national renewal which would enable us to make common strides towards the progress of our young country.

● (1420)

[*English*]

As to the multilateral negotiations now under way that were mentioned in the Throne Speech, I intend to speak to you about them in the near future, and to discuss with you the effects and consequences of certain arrangements in the past for some areas of Canada. I will then also touch on the federal consultations with the provinces and the private sector which are mentioned in the Speech. I will, however, abstain from elaborating now on the other points raised in the Speech from the Throne. We will have occasions to discuss them during the session.

May I simply comment that I do not believe that the announced legislation to help private enterprise in undertaking large foreign projects financed by Canada would be anywhere near as beneficial to us as would Canadian projects financed here in Canada, to give more direct and better employment to Canadians. Important developments are needed here for so many obvious reasons. The second trans-Canada highway, which is to run more northerly, the hydro-energy development and the power transmission network that would enable a thorough distribution of our energy from renewable resources and give more guarantees against blackouts, and a great many other public works projects, would help to create additional jobs for Canadians at a time of emergency.

We are in deep trouble in our output, and to some extent, one could say, in our trade. We find we are in great need of productive Canadian investments.

I believe the best interests of government and Canadians demand that we develop a much better relationship with those who *de facto* have been producing or creating jobs in Canada, and with those who have been creating work for Canadians and who can now, better than anyone else, get us out of the economic problems we are experiencing. I believe we could somehow benefit in these areas from the examples given us by

certain countries which have succeeded in lessening these particular problems, in spite of the difficult times.

We are in dire need of better and more serious consultations with Canadian business and industrial people in relation to the establishment of domestic and international economic policies which Canada should follow to achieve greater and better results for continued prosperity. These consultations would be in the best interest of the nation and to the greatest advantage of its people, and would eventually create jobs and fiscal revenues at a time when the need for both is so great. As far as I am concerned, this would have excellent public appeal and would seem so much sounder and better than blindly following the adventurous and sometimes untried economic book theories advocated by certain pseudo-economic advisers, which could very well precipitate some major economic disaster that would make Canada a much poorer nation.

I believe we must hereafter cease to expect a Utopian government capable of creating, at will, a flamboyant Canadian era. I believe that only through good will and "bonne entente" among the founding members of our young country can we hope to achieve a good, sound and efficient government that will be capable of promoting worthwhile basic national policies based on Christian capitalist principles. These can best serve us as a nation.

We have, indeed, the ability to realize quite rapidly such good government programs, backed and supported by our industrial, financial, labour and business people and by our trade organizations.

I believe that these are our best means to return to an era of prosperity and good employment to which Canada is entitled. After all, our statistics are far from being all bad, and we are following a worldwide pattern of economic hardship and recession.

● (1430)

After some recent quarterly economic reports of no growth, Canada's real gross national product in the last quarter grew roughly at an annual rate of 4½ to 5 per cent on the strength of improved merchandise exports, with further moderate growth expected for the remainder of the year. The United States gross national product growth is now expected to be about the same as ours.

Consumer income, spending and savings have not decreased, and consumer credit and durable spending are still following a pattern of growth which will in fact supplement the use of consumer credit for durable purchases.

Retail trade is expected to increase but will remain slightly below the 10 per cent gain of 1976. Consumer prices have now been contained considerably and are not expected to be up this year over 7.9 per cent, which is still much better than most countries of the industrialized world.

Business investment, in spite of recent scares in Canada, has continued to increase modestly this year.

Farm production is not expected to surpass last year's, but it will be of interest to note that inventory build-ups are also growing appreciably less rapidly in 1977.

Corporation profits are still expected to rise by some 12 to 16 per cent in 1977, and will now exceed $22 billion.

Interest rates have not really galloped this year. The Canada-United States interest rate spread has narrowed to around 2 per cent, from a 2⅞ per cent annualized rate. Bank lending increased over 10 per cent, with Canadian bankers' acceptance still going up and mortgage lending growing this year over last year.

Against these fair and welcome figures what we as Canadians are critical, displeased and unhappy about is the uncertain situation created by our unemployment, now at about one million people, and our labour market where, at the same time, we find an increased participation rate among our young people, giving rise to sharply higher unemployment. For this reason, unemployment should be number one on the list of priorities for this session of Parliament.

Our welfare state dedication, the high cost of interest on our immense consolidated national debt, our over-generous gifts, or 50-year-no-interest-loans of large amounts to foreign countries, even to those who are not friendly, or who are quite incapable of ever reciprocating, have increasingly siphoned away billions of Canadian dollars—dollars that were and are most needed here as productive investments to cut unemployment. Insane spending by all levels of government, which has increased again this year, is among the reasons leading us to require a full reconsideration and a serious analysis of our national economic policies.

There are other points. The open, free and easy free trade system in the name of world trade and commerce will gradually lead to the closing of more and more manufacturing industries in Canada which up to now have provided some 40 per cent of all Canadian employment, because the processing and even the buying of natural resources will, hereafter, be done outside Canada and sold to us, under these free trade arrangements, at a cost much lower than that at which we will be able to produce them here because of the high cost of labour through wages and fringe benefits. So as we continue to be uncompetitive we will have ever-increasing Canadian unemployment if we lack the courage to react and wake up to these facts and do something about them.

A sane revision of our trade practices and of our national economic policies is necessary and urgent. The one million unemployed Canadian voters have identified many of the weaknesses of our present national economic policies and they are not accepting them. And tomorrow, in the realization of what has happened or is happening, labour unions will condemn them and fight them, and our youth, whom we have been telling to continue their education so that they can obtain some employment, will bitterly fight and search vindication and revenge because of our unwilling betrayal.

I believe that a good and well-intentioned government, such as I believe this government to be, should establish a sort of council made up of experienced advisers, the best brains of labour, business, finance, industry, education and the leaders of provincial and federal governments, who together would

undertake to review our Canadian economic policies in a manner that would lead us out of darkness and on to the road of more employment and greater individual and collective prosperity.

Senator Flynn: They should have started that a long time ago.

Senator Desruisseaux: I would not disagree with the Leader of the Opposition on that point, but these views are not easily shared. However, they will come to realize what they are doing. In my view those mainly responsible for the present situation are those who have been advising the government, the economists, the pseudo-economists who espouse the cause of free trade entirely and without reservation, and perhaps a few other interested parties.

• (1440)

Before closing my address, may I say that I endorse Senator Frith's suggestion that a Senate committee be established to study proposals for Senate reform. Such a committee should report its findings and its recommendations to the Senate and, through the Senate, to all Canadians.

Senator van Roggen: Senator Desruisseaux, I wonder if I might put a question to you. First of all, may I say I agree with much of what you have said in your speech, but, as I understood you, on two occasions you took exception to our support, with government assistance, of exporters and the development abroad of export facilities by means of Canadian government assistance. That subject has, of course, been in the press recently because of the Inco matter and the new plant being developed in Guatemala, and so on.

My question to you is this: Would we not be in danger of losing major Canadian technological advantage overseas if we were to cut off such assistance in the face of the fact that there is no way we can avoid the type of competition we will have from the Germans, the Japanese and the Americans and others, all of whom provide that type of assistance? Surely we, as one of the world's greatest trading nations per capita, must provide the same type of assistance in order to be competitive in those areas.

Senator Desruisseaux: I thank Senator van Roggen for his question. As I said just a moment ago, these questions are not easily agreed on. It is my belief that what we are now doing is preparing the road for the closing of so many manufacturing industries in Canada because we will not be able to face competition from the other countries which are now enlarging their exporting views. The problem used to be centred on textiles, and you have had my thoughts on that; but now we see the problem expanding into other fields of manufacturing.

If matters continue along these lines, the labour difficulties we are experiencing in Canada will only increase and there will be more unemployment. Ironically, while we are trying—and trying sometimes in the face of great difficulty—to increase our exports, we are actually losing out because of our efforts to better our situation. I believe in terms of Canada's independence in international trade that we are no longer free. We depend on others. Because I am worried and concerned about this, I say that we should have some kind of reciprocity in our dealings with other countries so that when we sell goods to another country we can expect that country to buy from us in the equivalent amounts of our sales. In that way at least we can increase our exports and increase our work here in Canada for Canadians.

It is good that we should aim at divorcing ourselves from some of the internal troubles occuring in other countries, but at the same time too few people fully realize the situation existing in Canada. I believe that our trade is not what it should be and that we should try to improve it. There should be a measure of compensation where necessary, and everything should be done within the guidelines. However, the subject is too complex to attempt a reply to the question. I intend to speak next week on the situation concerning Canada's secondary manufacturing industry, and I hope to provide a few statements of fact that will be helpful in explaining my views.

Hon. Peter Bosa: Honourable senators, I am pleased to take part in the debate on the motion for an Address in reply to the Speech from the Throne, and I should like to follow tradition by first congratulating both Senator Frith, the mover of the motion, and Senator Marchand, the seconder.

I have just returned from spending one week at the United Nations in New York as parliamentary observer, and I must say that I am delighted to have had the experience. While there I was in constant contact with most of our officials at the Canadian Mission to the United Nations, and I can say with pride that Canada is very ably represented. Ambassador Barton is our permanent delegate at the United Nations. Each morning there were briefings on different topics in which the United Nations is involved.

The United Nations of today is very different from the United Nations of 1945. At that time there were 51 member states; today there are 149. The principal objectives then were the peace and security of the world and, while those objectives have not lessened, greater stress is placed today on a new world economic order. It is believed it will take approximately 20 years before that complex undertaking can be successfully concluded.

What impressed me most is the manner in which the business of the United Nations is carried on. The emphasis is on consultation and negotiation, and definitely away from confrontation. Of course, there are some exceptions in that area.

I could not have chosen a more interesting week to be there. The Security Council was in session, during which the situations existing in South Africa and Namibia were discussed; a special political committee dealt with a presentation from the International Air Line Pilots Association regarding terrorism in the sky; and the Palestinian question was discussed in the General Assembly, as well as the question of Israeli settlement of occupied territory.

Canada is held in high regard at the United Nations because of her sincere and positive efforts on behalf of the work of that international organization. I found that English-

speaking and French-speaking countries look to Canada because of its bilingual policy, and believe we can understand them both. I recall a poster that was put out by the Commissioner of Official Languages showing that 33 countries speak English and 25 speak French, and stating that Canada enjoys the best of both worlds. Anyone who has any doubt as to the merit and value of bilingualism should pay a visit to the United Nations. Canada has certainly made a great contribution towards promoting understanding among the members of that organization.

● (1450)

Speaking of contributions, I would like to touch very briefly on the contribution that Canadians of Italian extraction have made in the development of this country. Some Canadians are under the mistaken impression that Italians have only just arrived here, but I would point out that they have participated in virtually every aspect of Canadian history from the discovery of America down to the present. Although the pattern of contribution has changed, until the late nineteenth century the Italians who served Canada were, in the main, highly skilled individuals—navigators, missionaries and soldiers. Large scale immigration to Canada did not commence until the 1880s, and the settlers then were mostly from southern Italy.

It was Giovanni Caboto, a citizen of Venice, who sailed the *Matthew* from Bristol, England, in May of 1497, and after 52 days at sea landed on the shore of what is now Cape Breton Island. He planted the royal flag, and that of Venice, and solemnly took possession of the island in the name of Henry VII.

Another great navigator was Giovanni da Verrazzano, who was in the service of the King of France. You will notice that Italians did not discriminate in those days. They worked for both the royal family of England and the royal family of France, the latter in the person of Francis I. Giovanni da Verrazzano sighted the coast of what is now known as South Carolina in 1524 and continued south to Florida. He then turned north and followed the coastline to Cape Breton, and provided the first conclusive evidence that Canada is joined to the rest of America. Da Verrazzano's explorations and reports clearly fixed the attention of France on North America. He convinced the French court that settlement was feasible, and further exploration desirable.

In 1642 there arrived Father Giuseppe Bressani, a Jesuit. At that time there were not more than 200 Europeans in all of Canada. He set out on an arduous and dangerous undertaking on behalf of the early French missionaries—the establishment and maintenance of a mission in Huronia, Ontario. During his eight years in New France, Father Bressani experienced much hardship and tragedy. He was captured by the Iroquois, was wounded and tortured but, by some miraculous means, survived. He returned to France and came back to Canada several times, but eventually the missionaries abandoned the mission and Father Bressani returned to Italy in 1650.

A great many Italians served in the French army attached to New France. The Marini family, of noble Genoese origin, served for several generations. Carlo Marini enrolled in the Carignan regiment and landed in New France in 1665. His son Paul received the title of Chevalier de St. Louis in 1743, and eventually became commander-in-chief of the French troops in the Ohio country. Giuseppe Marini, like his father and grandfather, served in the west and in Acadia. He was wounded at the battle of the Plains of Abraham, and returned to France after the fall of Quebec.

In 1678 we see a marine officer named Enrico Tonti as an assistant to de LaSalle. Tonti spent 25 years exploring the Mississippi Valley. Later, in 1703, Captain Tommaso Crisafi reached the height of his career when he was appointed governor of Trois Rivières. There are many others, such as Francesco Carlo Burlamacchi, known in French as Bourlamaque, who served as Montcalm's third in command and was promoted to brigadier-general. After the fall of New France, many Italians continued to come to Canada as soldiers of two foreign regiments, the de Meuron and de Watteville, which were sent to Canada during the war of 1812 with the United States. The de Meuron regiment included some 300 Italians, and the de Watteville an unknown but significant number. When the regiments were disbanded in 1816 most of the men chose to stay in Canada, settling around Drummondville, Quebec, and southern Ontario. Ketch Harbour in Nova Scotia was founded by a small group of Italians in the late eighteenth century. A retired British army captain, Filippo de Grassi, settled near Toronto. His family played a significant role in the Upper Canada rebellion of 1837.

Today there are approximately 800,000 law-abiding, honest and hard-working Canadians of Italian descent in Canada. They have settled in every province, including the Northwest and Yukon Territories, and are to be found in every field of endeavour.

By far the largest concentration of Italian-Canadians, many of whom are already of the first or second generation, is to be found in the Toronto area, where some very substantial community projects have been carried out, such as Villa Colombo, a senior citizens' home and cultural centre, which is the pride of the community; and the Friulano Club, which is both a recreational and cultural centre. There are many other entities such as the chorus of Santa Cecilia and that of Abruzzi; the York Italian band; C.O.S.T.I., a retraining centre for disabled workers; the National Congress of Italian-Canadians; the Dante Society; sports and educational associations; and others too numerous to be listed in other parts of Canada.

A year ago last May a fund-raising campaign was initiated to assist the earthquake victims of Friuli, northern Italy, where I was born. The sum of $4,200,000 was raised throughout Canada. The federal government donated $1 million, and the province of Ontario $500,000. A few other provinces also contributed lesser amounts, as did Metropolitan Toronto and the Borough of York. The balance was raised by private donations.

There was constituted a national *ad hoc* committee of 32 members, which acted on behalf of an umbrella organization known as the National Congress of Italian-Canadians. This committee perceived that the donors wanted the trustees of the

fund to by-pass governments and agencies and to provide assistance directly to the earthquake victims. To this end a technical committee, with fewer members, was created, and it formulated a plan to build 181 anti-earthquake, permanent homes—92 in the town of Venzone, where the Canadian army established an open kitchen immediately after the earthquake, which served the immediate needs of the area; 59 in Forgaria; and 30 in Pinzano—as well as two senior citizens' homes, one containing 40 beds in the town of Bordano, and another in Taipana of 45 beds. In total the project will be able to accommodate 830 people of the 60,000 that were left homeless. It is, in the words of President Comelli, the President of the region, the largest single project being carried out in Friuli by a group of private individuals.

The *ad hoc* committee went to great lengths to carry out the project in the proper manner. It appointed the firm of Clarkson, Gordon & Co. as auditors, and formed a national committee of distinguished and reputable Canadians, some of whom are members of the Senate, to oversee it. Tenders were advertized for in both Italy and Canada. Unfortunately, no Canadian firm submitted any bids, but 18 Italian construction companies did. Their sealed tenders were opened in the presence of representatives of both the federal and provincial governments, the media, community leaders and members of the *ad hoc* committee. Three different construction firms were awarded the contracts, which are now under way and nearing completion.

● (1500)

There were two contractual arrangements signed in Udine on April 2, 1977—one with the construction companies and the other with the municipalities. The municipalities have to provide the construction sites and all the required services. The contracts also spell out the manner in which the houses are to be allocated.

Each allocations committee consists of five members: three from the local council—two from the administration and one from the opposition, because, as you know, in Italy they have party politics at the municipal level, and it was thought that by having both the administration and the opposition represented on these committees a balanced view would be obtained—and the other two appointed by the National Congress of Italian-Canadians. The recommendations of the committees are then to be submitted for approval to a meeting of the heads of families in the towns which are going to benefit from these homes, so that there will be no question of preference, favouritism, or nepotism. All precautions have been taken to ensure that the Friuli project is carried out in a convincingly proper manner. Not only Italian-Canadians, but all Canadians, should be proud of both the size and type of assistance they provided to the earthquake victims of that area.

Unfortunately, the Italian community is often the object of bad publicity and stereotyping. The action of a few often obscures the real constribution of many. The CBC program *The Fifth Estate* of October 4 last certainly contributed a great deal towards that end. I read recently the speech delivered by Mr. A. W. Johnson, President of the CBC, on October 7, 1977 to a Rotary Club of Toronto, and this is what he said:

> A new era of Canadianism for cultural understanding of ourselves is the basis of nationhood. Our television and radio programming must be central in providing this cultural understanding by Canadians on Canadianism. That is our job—more crucial today than every before.

I believe Mr. Johnson is sincere in what he says, except that he is not aware of the deep prejudice that lies in some parts of his bureaucratic machinery.

I do not monitor the CBC, but from personal experience I can quote the following examples. When Spiro Agnew resigned as Vice-President of the United States, Barbara Frum—a very able interviewer, and this is no reflection on her—interviewed a Washington journalist on the radio program *As it Happens*. During the interview there were some brief intervals during which the theme music from *Zorba the Greek* was played, and this connected Spiro's wrongdoing with the entire North American Greek community.

A similar thing happened on the same program when Mr. Elio Madonia and Mr. Lorenzo Duso were interviewed on their efforts to form an anti-defamation committee. The music played on that occasion was from *The Godfather*. In my view, this is just a perpetuation of stereotyping.

As I mentioned earlier, on the evening of October 4 last the CBC program *The Fifth Estate* produced a documentary which is a classic example of stereotyping and distorting something which is good and honest, and which leaves the viewer confused and perplexed. There has been some controversy—and I am sure honourable senators will have read about it in the press—concerning a financial transaction between the Italian Government and one Canadian construction company, namely, Atco, over the acquisition of prefabricated homes. The CBC chose that controversy; a scandal alleged to have happened in Sicily in 1968; mismanagement of funds raised in 14 countries to save the City of Venice; a negative report on international aid; our projects; and lumped them all together in one program. As a result of many inquiries, our committee is engaged in a campaign to explain that there is nothing wrong with the Friuli project.

When Mr. Ron Haggart, a senior producer of the CBC, was asked to explain the purpose of the program, he replied that it was to demonstrate the new attitude of people towards charity. It was to show that we no longer live in an age when the receiver of charity accepts what he is given, and is expected to be grateful and to keep quiet.

● (1510)

The program, according to Mr. Haggart, was intended to show that people will express their displeasure with charity, if that is what they feel. I am in total agreement with that concept, but why did the CBC not ask the people of Friuli how they felt about our project? Why did they ask Mrs. Claudia Persi-Haynes, who lives in Canada and who, according to Mr. Haggart, "performed services for the CBC," or Rocco Maragna, the architect and the only paid person from Canada, who

gave his reports to the media before he gave them to his employers. He is no longer the committee's architect. I want to know if these two people have been paid by the CBC. I want to know if the CBC had arranged for these two people to go to Friuli, and if they have received any compensation.

Another example of prejudice is when Mr. Primo Di Luca, the technical co-ordinator of the project, was being interviewed and asked what he thought about organized crime. What did that question have to do with the earthquake project? Is that not prejudice?

I am sure Mr. Johnson will want to look into these matters, and assure us that he will do something about them. Canada is a multicultural country. In the words of Martin Luther King, everyone longs for "a feeling of somebodyness." The CBC could foster that feeling by representing the facts as they are.

Hon. Andrew Thompson: Honourable senators, I would like to congratulate Senator Bosa on his forthright speech.

He is probably aware that a number of very interested senators watched the development of the National Congress of Italian-Canadians. I remember three years ago when we had a meeting with Mr. Campeau of Montreal, the first president, and Mr. Delzotto of Toronto. They told us of the problem of organizing the Italian communities across Canada. They explained the challenge facing newcomers in getting their roots planted in this country, and their consequent absorption with economic problems. A characteristic which is common to Italians—as it is to many other people—is a strong sense of individuality. I know the senators who were present at that first meeting are delighted, and, indeed, not surprised, at the success of the campaign, because they recognized the verve and the vigour of those two men who spoke to them at that time.

I concur completely in the honourable senator's remarks concerning the media abuse the Italian-Canadian community across Canada has received, even in connection with many of its worthy drives. I have been at the Friuli Club, and I remember the start of this campaign. I saw the many volunteers spending days and nights in getting this project on the road. Frankly, the raising of almost $4.5 million was a magnificent effort. Then I read in the *Globe and Mail* an interview with one paid organizer. I know that there were very few paid workers, but that newspaper story unduly emphasized the trivial fact that that particular person had an expense account. It seemed to me that that unnecessary emphasis must have dismayed every volunteer who had been working so strenuously—and here I must mention that Senator Bosa and many of his colleagues have given freely of their own time in flying to Italy to see that what was needed to be done was done.

I am sure that all honourable senators are delighted that the National Congress of Italian-Canadians is going to counteract with a strong voice something that has been going on for too long in Canada—the stereotyping of national groups and, in particular, the Italian-Canadians. I represented a riding of Italian-Canadians for almost ten years. I saw what they achieved by hard work and talent, and I heard the malicious slurs that were heaped upon them because of their financial success. Suggestions of organized crime and everything else would be made about many of them. I hope that all of us will help at being watchdogs, not only with respect to the CBC but also with respect to the news media, and even those who use the immunity of a legislature or parliament to cast slurs, and who do not have the courage to step outside and voice those same defamations.

Honourable senators, I am sure we all congratulate the National Congress of Italian-Canadians and Senator Bosa, and wish them as much success in their further endeavours in Canada as they had in this great international project.

Hon. Edward M. Lawson: Honourable senators, I, too, would like to make a brief contribution to the debate on the motion for an Address in reply to the Speech from the Throne.

I am pleased that the government plans to take some steps to deal with what I view as the most serious problem facing the country—that of unemployment. Even though millions of dollars have been set aside to deal with unemployment, the impact of that has almost been shot down the drain by the action of Inco in its handling of the particular problem respecting its employees and the large number of layoffs they are facing. If there was ever an example of how not to deal with your employees, and how not to improve labour-management relations, the action of Inco, in the way it handled that particular problem, is probably the best and the worst at the same time.

The government must recognize that unemployment across the country is perhaps the most serious problem facing us; that it is really a smouldering powder-keg. I, too, have experienced situations in which we had great difficulty in finding employees to go to jobs, and found that there are people who are not prepared to work. Our dispatchers have had to call 30 or 40 people to get one man to take a job that was available at good wages and good working conditions. But the present circumstances are that there are many thousands of Canadian workers who are out actively soliciting and seeking employment, and no jobs are available. We simply cannot minimize the seriousness of that.

Another comment I would like to make concerns the announcement by the government about the removal of controls. First, I want to say that there has been an unfortunate choice of date for the removal of controls, simply because of the unfairness of it. Had they selected a date like October 13, the people who were the first to be caught by the controls would be the first to be relieved, and vice versa, and the controls would have been applied fairly and equitably to everybody. The way that the government proposes to remove controls is most unfair, and there is resentment among fair-minded Canadian workers, who recognize unfairness and who resent it. I suggest that when the controls are finally off there will be an attempt by those workers who have been unfairly dealt with to make the necessary corrections, and economic conflict will follow.

There must be a positive side to the impact of controls, and perhaps it is best for me to describe it.

● (1520)

I have been doing a simple analysis, a review, of the lower number of man-days lost as a result of work stoppages in British Columbia and nationally, last year as against this year. In the first half of 1976 in British Columbia there were 446,487 man-days lost; in the first six months of this year that was reduced substantially to 70,739 man-days. These figures are handed out by Statistics Canada, or whoever is responsible; they put out the information, give us the numbers, but do not tell us what they mean. Applying the average wage of the average worker in British Columbia, the saving to the economy of British Columbia by keeping these people working, with no additional plant and no additional equipment—simply working at the job instead of being off the job—is approximately $24 million.

Nationally, the reduction in man-days this year over last year is approximately four million. This, transmitted into dollars, is more money in the economy—somewhere between $150 million and $200 million, depending whose economist you use. More money has been kept in the economy than the whole of what the government is proposing to use to deal with unemployment or to provide additional job opportunities.

I think this is simply due to a combination of things. The Anti-Inflation Board and the controls have to assume some credit for creating a situation which resulted in a lesser number man-days lost, because the people involved from the union side, the employees, and the employers knew there were upper limits and there was no point in striking beyond that because the controls were there. There was also a genuine concern by the employees, the unions and the companies to improve their labour-management relations, and the net result was a savings to the economy of millions and millions of dollars.

The government is to be congratulated for their program of expending millions of dollars to assist labour organizations to improve education, to improve understanding, to teach economics and so on. They are to be congratulated, because if we can simply continue the practice of reducing lost man-days by keeping people at work in the present plants, with the equipment and so on that they are operating with now, it is surely a better investment than even creating new plants and new equipment, having regard to all the funds that we would have to make available to assist that. So the government is to be congratulated there.

Those are some of the positive things about the controls program. On the negative side there are some very serious ramifications. There are too many examples of where the Anti-Inflation Board has acted unfairly and arrogantly, and many unions have suffered as a result of it. In Newfoundland, for example, one local virtually went bankrupt in filing its appeal to restore what it had properly and fairly negotiated, and what was ultimately granted when it was appealed. There are other examples where the Anti-Inflation Board, because of the people on it having no understanding of the industries involved, has destroyed long-standing historical relationships, and in my judgment there will be many attempts to correct those inequities when the controls come off.

Probably the worst example, which surprisingly did not involve a trade union, has been the Anti-Inflation Board's treatment of a company called Canadian Freightways in Alberta. Not many years ago this was a bankrupt company. It had a new management which decided that they should try some of the newer methods of working with their employees—running a good tough operation, discouraging absenteeism, putting in the kind of welfare programs that would assist them from a medical point of view, putting in a safety program to eliminate a shutdown because of accidents and so on—doing all the things you would expect a good company with a good labour-management relationships to do. What was contemplated, as I understood it and as they understood it, by the government in putting in the controls program was increased productivity and the elimination of waste. The net result was that they made a profit of $2.3 million, but the Anti-Inflation Board said, "No, that is an excess profit and you must dispose of it."

Those of you who understand the trucking industry will know that it is regulated, and a rate increase applies to everybody. The first thing they said to the company was, "Cut your rates." The response of the company was, "If we cut the rates we are going to increase our volume of business, and bankrupt all the competition running with us under the same tariff."

The Anti-Inflation Board then said, "Perhaps that is not such a good idea. Then what you do is give the customers you haul freight for one free day a week"—a Friday surprise sale. During that period they made 960,000 deliveries for 6,000 different shippers, and it is utter economic madness to propose that they have a one-day surprise sale. The net result of that would be again to increase their volume of business, and unfairly distribute the money.

The company kept saying throughout, "All we want to do is carry out what we understood the program said in the first place. We would like to build a new plant in Edmonton. We want to build a new warehouse in Prince George. We want to buy some additional trucks, and we want to put some people to work." The AIB said, "None of that kind of nonsense. This is what you must do." Talk about bureaucratic madness.

The company then appealed, and made a rather unusual request. They said, "We want representatives of our employees to come with us." The Anti-Inflation Board said, "No, we can't have that. They will have access to your private financial information." The company replied, "They have it now. This is the kind of company we operate. We share information with our employees. They know; they are concerned." However, the board said no. Finally, they did agree to allow the union representatives, representing the employees, to be in attendance.

The meeting took place in Victoria and I had the privilege of attending. I heard the chairman of the Anti-Inflation Board

say, "What you have to understand is that increased productivity by the employees, people productivity, doesn't count under the Anti-Inflation Board program. If it is increased productivity as a result of plant or equipment, that is all right; but not by people, not by workers." I asked the chairman, "Have you made this as a public statement? Is this public policy? I have discussed this with the Minister of Labour, and I have heard him making speeches, as I have been making speeches, across the country and saying to employees, 'What is necessary is to work harder, produce more, and eliminate waste', and now you tell us it does not count." People productivity doesn't count under the Anti-Inflation Board.

The matter was then pursued further with the Minister of Finance, the Honourable Donald Macdonald, who agreed that the excess profit had not been properly calculated, and directed that it be re-calculated under the other method. The result was that it was substantially reduced from $2.3 million to approximately $0.5 million. That appeared to be the way the matter was going to be resolved, but the then Minister of Finance resigned. The very next day, or certainly within 48 hours, the company received a directive from the Anti-Inflation Board that the deal that had been arranged through the former Minister of Finance was off, and telling them what they must do.

That is the current state of that particular situation, and I want to draw it to the attention of the Leader of the Government, who I hope will draw it to the attention of the new Minister of Finance. I certainly shall give him a summary in writing. I can refer him to the September issue of *Motor Truck* magazine, which describes the whole issue in detail.

Sure, the company can eliminate this profit. They can go back to the bad old days of having work stoppages, of having a lot of wasted time through absenteeism, and of having a lot of accidents. They can go back to doing all the things that would reduce the company to a non-profit-making company, and a situation in which they certainly don't build new equipment, don't buy any new trucks, and don't put people to work. This is the present attitude of the Anti-Inflation Board. It is probably a classic and the worst example of the arrogance presently shown by the Anti-Inflation Board.

As I said at the outset, I want to say some positive things about the Anti-Inflation Board and what they have accomplished. They did give reasons so that there could be appeals, but because there have been successful appeals taken against their decisions they now won't give any reasons. In one case, when we said we wanted to appeal, they said, "That is a waste of the taxpayers' money." I do not believe that we should take from any bureaucratic agency the statement that we are wasting the taxpayers' money when we are simply exercising our legal right to appeal, under the procedure contemplated by the legislation, from the many unfair decisions that have been made by that tribunal.

● (1530)

They simply say, "Well, if you are going to appeal, it will be 40 weeks before you get a decision." How do you like that? These are the types of attitudes that are being demonstrated, and I bring them to the attention of the government by outlining this particular example, this terrible example of what is happening to what I consider to be a model company. Because of its good labour-management relations, its relationship with its employees, its responsibility in the area of safety, the work place, equipment and efficiency, its relations with other carriers and its concern for its role as a good corporate citizen, it is being subjected to this type of treatment.

It is, perhaps, unusual for someone with a labour background to be speaking on behalf of a company, and pointing out the unfair treatment it is receiving. However, this case simply cries out for something to be done about it. I certainly urge the government, when a new monitoring agency is considered for the period after the controls come off, not to make the mistake of transferring the people who are caught up in the bureaucracy of the present situation. The government should have the good judgment to go out and select people from industry and labour who are practitioners, who know what it is like out there in the field to run a company or a union, and who make a living and work and produce. They must get people who have some understanding and some involvement.

One point I wish to make in conclusion is that everyone is looking for a magic formula, and I do not believe there is any magic formula. Everyone is looking to the government to wave a magic wand and solve all the problems, or get someone to solve them, but it will not work that way. In my opinion, what we really need is a combination of confidence and commitment. It is hard to have confidence in the face of all the things that are going on, but I think this is the time we need it most. We must have confidence in the country and the economy, and we must have commitment.

I say to all the employees to whom I am able to speak that they must have individual commitment to do just a little better job, and produce a little more. We need their commitment to their fellow workers in the areas of eliminating waste, trying to do better jobs and producing better quality products, because we are competing domestically and in world markets. We must have commitment from labour and management to eliminate waste, and to continue to reduce those lost days resulting from strikes and lockouts. There should be commitment from management to provide safer and better work places. Then, we must all acknowledge that beyond our own selfish interests we have a greater commitment to the community as a whole, to the economy and to the country we live in.

On motion of Senator Langlois, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, November 3, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DISTINGUISHED VISITORS IN GALLERY

The Hon. the Speaker: Honourable senators, I should like you to welcome some very distinguished guests and colleagues from the Caribbean and from the provinces of Canada who are attending this week the Fourth Canadian Regional Parliamentary Seminar in Ottawa.

Hon. Senators: Hear, hear.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of a Report to the Canadian Egg Marketing Agency, dated July, 1977, entitled "1977 Update of the Provincial Models of the Farm-Gate Cost of Egg Production for Medium Size Egg Producers," issued by the Minister of Agriculture.

Report of the Minister of Industry, Trade and Commerce under the Corporations and Labour Unions Returns Act (Part II, Labour Unions) for the fiscal periods ended in 1975, pursuant to section 18(1) of the said Act, Chapter C-31, R.S.C., 1970.

Report of operations under the Export and Import Permits Act for the year ended December 31, 1976, pursuant to section 26 of the said Act, Chapter E-17, R.S.C. 1970.

Report on the administration of the Industrial Research and Development Incentives Act for the fiscal year ended March 31, 1977, pursuant to section 17 of the said Act, Chapter I-10, R.S.C., 1970.

Copies of Report of the National Advisory Council on Voluntary Action to the Government of Canada entitled "People in Action", dated September 1977, issued by the Secretary of State of Canada.

BANKING, TRADE AND COMMERCE

REPORT OF COMMITTEE EXPENSES TABLED

Senator Hayden, Chairman of the Standing Senate Committee on Banking, Trade and Commerce, which was empowered to incur special expenses in connection with the examination of documents, bills and other matters referred to it, in advance of such matters coming before the Senate, and the examination of such legislation as was referred to it, tabled, pursuant to rule 84, the expenses incurred by the committee during the Second Session of the Thirtieth Parliament.

NATIONAL FINANCE

REPORT OF COMMITTEE EXPENSES TABLED

Senator Everett, Chairman of the Standing Senate Committee on National Finance, which was empowered by the Senate on October 28, 1976 to incur special expenses for the purpose of its examination and consideration of such legislation and other matters as might be referred to it, tabled, pursuant to rule 84, the expenses incurred by the committee during the Second Session of the Thirtieth Parliament.

FOREIGN AFFAIRS

REPORT OF COMMITTEE EXPENSES TABLED

Senator van Roggen, Chairman of the Standing Senate Committee on Foreign Affairs, which was authorized by the Senate on October 27, 1976 to examine and report upon Canadian relations with the United States, tabled, pursuant to rule 84, the expenses incurred by the committee in connection with the said examination during the Second Session of the Thirtieth Parliament.

HEALTH, WELFARE AND SCIENCE

REPORT OF COMMITTEE EXPENSES TABLED

Senator Bonnell, Chairman of the Standing Senate Committee on Health, Welfare and Science, which was authorized by the Senate on March 23, 1977 to inquire into and report upon such experiences in prenatal life and early childhood as may cause personality disorders or criminal behaviour in later life, tabled, pursuant to rule 84, the expenses incurred by the committee in connection with the said examination during the Second Session of the Thirtieth Parliament.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(*g*), I move that when the Senate adjourns today it do stand adjourned until Tuesday, November 8, 1977, at 8 o'clock in the evening.

• (1410)

Honourable senators, as is customary, before the question is put, I should like to give a brief rundown on the business that will be before the Senate in the coming week.

On Tuesday evening and Wednesday afternoon we shall continue with the debate on the Address in reply to the Speech from the Throne. A number of senators have indicated an intention to take part in the debate on those days, Wednesday being the last day that this matter will be debated.

It is expected that Bill C-3, respecting the reorganization of Air Canada, will be passed by the other place today. In that event we shall have it before us next week. As honourable senators will recall, Bill C-3 had reached the report stage at prorogation of the last session. It was introduced *de novo* at the beginning of this session and immediately advanced to the report stage.

The several standing committees of the Senate have now held their organization meetings. The Banking, Trade and Commerce Committee met this morning to commence its advance study of the budget resolutions respecting income tax, and will continue that study on Wednesday next. It is expected that other committees will be authorized today to continue with the studies in which they were engaged last session. I am not yet in a position to inform the Senate when those committees will commence hearings.

The two bills to be introduced in the Senate, which I mentioned on Thursday last, should be ready for introduction on Tuesday evening.

Motion agreed to.

THE ESTIMATES

NATIONAL FINANCE COMMITTEE AUTHORIZED TO MAKE STUDIES

Senator Everett, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on National Finance be authorized to examine and report upon the expenditures proposed by the estimates laid before Parliament for the fiscal year ended the 31st March 1977, tabled in the Senate on 19th February 1976; and

That the papers and evidence received and taken on the subject in the preceding session be referred to the committee.

Motion agreed to.

Senator Everett, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on National Finance be authorized to examine and report upon the expenditures proposed by the estimates laid before Parliament for the fiscal year ending the 31st March 1978, tabled in the Senate on 17th February 1977.

Motion agreed to.

NATIONAL FINANCE

COMMITTEE AUTHORIZED TO ENGAGE SERVICES

Senator Everett, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on National Finance be empowered to engage the services of such counsel and technical, clerical and other personnel as may be necessary for the purposes of its examination and consideration of such legislation and other matters as may be referred to it; and

That the committee have power to sit during adjournments of the Senate.

Motion agreed to.

CANADA-UNITED STATES RELATIONS

FOREIGN AFFAIRS COMMITTEE AUTHORIZED TO MAKE STUDY

Senator van Roggen, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on Foreign Affairs be authorized to examine and report upon Canadian relations with the United States;

That the committee be empowered to engage the services of such counsel and technical, clerical and other personnel as may be required for the purpose of the said examination, at such rates of remuneration and reimbursement as the committee may determine, and to compensate witnesses by reimbursement of travelling and living expenses, if required, in such amount as the committee may determine;

That the papers and evidence received and taken on the subject in the three preceding sessions be referred to the committee; and

That the committee have power to sit during adjournments of the Senate.

Motion agreed to.

CHILDHOOD EXPERIENCES AS CAUSES OF CRIMINAL BEHAVIOUR

HEALTH, WELFARE AND SCIENCE COMMITTEE AUTHORIZED TO MAKE STUDY

Senator Bonnell, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on Health, Welfare and Science be authorized to inquire into and report upon such experiences in prenatal life and early childhood as may cause personality disorders or criminal behaviour in later life and to consider and recommend such remedial and preventative measures relating thereto as may be reasonably expected to lead to a reduction in the incidence of crime and violence in society;

That the committee have power to engage the services of such counsel, technical and clerical personnel as may be required for the purpose of the inquiry;

That the papers and evidence received and taken on the subject in the preceding session be referred to the committee; and

That the committee have power to sit during adjournments of the Senate.

Motion agreed to.

FEDERAL-PROVINCIAL AFFAIRS

VISIT OF PRIME MINISTER OF QUEBEC TO FRANCE—QUESTION

[*Translation*]

Senator Flynn: Honourable senators, as a Canadian and especially as a French-speaking Quebecer, even though my name is Flynn—and in view of the reception given Mr. Lévesque by the French government which, both by deeds and words, endorses and supports Mr. Lévesque's independentist stand and the fact that most Quebecers—I am not talking about the rest of Canada—disagree with that stand, is it the intention of the government to send a note to the French ambassador to Canada to protest, not only on behalf of Canada but also on behalf of the majority of French-speaking Quebecers, against such interference in not only the domestic affairs of our country, Canada, but also in the domestic affairs of Quebec?

Senator Perrault: The senator's question is very important.

[*English*]

The visit of the Prime Minister of Quebec to France and statements attributed to him and representatives of the Government of France are of substantial interest not only to the Government of Canada but to all Canadians. I must advise honourable senators that the full texts of some of the statements have not yet been received in Canada. Those that are available are under detailed scrutiny today, but because that study has not been completed I am not in a position to make a full statement on this important matter now. When the study has been completed, I shall make a statement on behalf of the government in this chamber. Possibly, that will be early next week.

● (1420)

BUSINESS OF THE SENATE

LEGISLATION—QUESTION

Senator Bosa: Honourable senators, I should like to ask a question of the Leader of the Government. Can he give us an idea of what we might expect to receive in the way of legislation in this session, in addition to the measures Senator Langlois has already mentioned? I ask this question so that members of the Senate may prepare for debate on the matters to come before them.

Senator Perrault: Honourable senators, a list of legislative priorities has been developed by the government for the current session. However, in view of the fact that most of these proposed measures have yet to be introduced in the other place—and, indeed, information is not publicly available on the subject matter of most of these proposed bills—it is not possible for me to provide the house with that information at this time. The schedule of proposed legislation is a rather full one, and I can go only to that point in attempting to answer the honourable senator's question.

Senator Bosa: Honourable senators, my reason for asking that question is that I was wondering, if bills are to be initiated in the Senate, whether we might be given some idea of the subject matter of those bills, and thus be more able to participate in the debates in a fruitful and positive manner.

Senator Perrault: Honourable senators, it is the intention of the government to initiate a number of bills in the Senate. I would hope that there will be a greater number of bills initiated in this place than there were during the Second Session of this Parliament. As honourable senators will recall, in the first session of this Parliament some 30 bills originated in the Senate, which I believe was to the benefit of the entire parliamentary system. Last year there were fewer bills introduced here, and there was a good deal of frustration generally because of the slow progress of legislation through Parliament. I have taken a number of recent initiatives to ensure, hopefully, that a greater number of government bills will originate in this chamber in the next few weeks.

ALASKA HIGHWAY PIPELINE

NEGOTIATIONS BETWEEN CANADA AND THE UNITED STATES—QUESTION

Senator Olson: Honourable senators, I should like to ask a question of the Leader of the Government with respect to what appears to be a disagreement between the United States Senate and certain bodies in Canada over procurement and tendering in connection with the AlCan pipeline. My question is:

(1) Is a negotiating team now at work attempting to clear up this disagreement?

(2) Will the result of the negotiations be reflected in the legislation to be presented to Parliament when ratification is requested by the government?

Senator Perrault: Honourable senators, I must take that question as notice. I understand that there was some information in the media this morning with respect to the question asked by the honourable senator, but I have no detailed information available at this time.

NATIONAL CAPITAL REGION

STATUS OF SPECIAL JOINT COMMITTEE—QUESTION

Senator Robichaud: Honourable senators, may I ask the Leader of the Government whether he can inform us as to the current status of the Special Joint Committee of the Senate and House of Commons on the National Capital Region?

Senator Perrault: Honourable senators, at this moment we are awaiting the arrival of certain information regarding the

matter from the minister responsible for the National Capital Commission and its work. I had hoped that we would have had that information by this week. Indeed, it may arrive later this afternoon, and if it does I will seek leave to provide it to the house.

● (1430)

SPEECH FROM THE THRONE

MOTION FOR ADDRESS IN REPLY—DEBATE CONTINUED

The Senate resumed from yesterday consideration of Her Majesty the Queen's Speech at the opening of the Third Session of the Thirtieth Parliament, and the motion of Senator Frith, seconded by Senator Marchand, for an Address in reply thereto.

[*Translation*]

Hon. Léopold Langlois: At the very beginning of my remarks, honourable senators, I want to reiterate to Her Majesty the Queen our feelings of deep and sincere gratitude for doing us the great honour of opening the third session of the thirtieth Parliament.

There is, in fact, nothing I could add just now to the feelings we conveyed to her when I moved, seconded by Senator Jacques Flynn, P.C., the following motion:

> To Her Most Excellent Majesty
> Elizabeth The Second,
>
> By the Grace of God of the United Kingdom, Canada and Her other Realms and Territories Queen, Head of the Commonwealth, Defender of the Faith:
>
> Most Gracious Sovereign:
>
> We, Your Majesty's dutiful and loyal subjects, the Senate of Canada, in Parliament assembled, humbly wish to convey to Your Majesty the loyalty, affection and deepest respect of this House and of all Canadians, our happiness in welcoming Your Majesty and His Royal Highness the Prince Philip to Canada during Your Majesty's Silver Jubilee, and our gratitude to Your Majesty for graciously opening the Third Session of the Thirtieth Parliament.

I am also happy to join with my honourable friends in the Senate in congratulating The Honourable Speaker for the way she has discharged her important responsibilities and in expressing once again our feelings of gratitude and admiration.

I have been greatly impressed by the speeches delivered by the mover and seconder of the Address in reply to the speech from the Throne. I noted their practical suggestions, to which we should address our best attention.

I am particularly interested in the suggestions made by Honourable Senator Frith on Senate reform. He will surely let me suggest a slight amendment to his proposal to appoint a special committee to study the reform of our Chamber. Indeed, I do not believe it is either practical or possible, due to the great number of committees now in operation in the Senate, to add a special committee for that purpose. Rather, if the Senate were to conclude that such a study was necessary, I would suggest that it be conducted by the Senate Committee on Legal and Constitutional Affairs.

I am especially concerned with Senator Frith's proposition, because I took an active part, in 1973, in the debate on the motion by Senator Croll drawing the attention of the Senate to the urgent need, in the public's view, for immediate reform of the Senate. That debate was most interesting and constructive. I hope, honourable senators, that you will allow me to put on the official record of the Senate a few of the suggestions I made on that occasion.

If I may, I would refer you to the *Debates of the Senate* of June 19, 1973, pages 748 and 749, where I said the following, and I quote:

> In concluding, honourable senators—I have already spoken too long—I submit that it is rather the responsibility of this house to initiate its own reform, by adjusting better to the new circumstances under which it must operate, to the changing needs resulting from our rapidly expanding country, as well as to the vocation it has assumed both at the national and international level.
>
> This reform from inside can be carried out right now or gradually, smoothly and without confrontation, through the improvement of our ways and means, as well as the addition of new activities coming under the domain of the Senate within the Canadian parliamentary system.
>
> We might easily "*de proprio motu*" initiate studies on new formulas, whether in the social, economic, human or political fields, so as to elaborate original solutions to the problems which the various areas of our country and the various classes of our society have to face.
>
> I think that this chamber can also greatly contribute to a climate of understanding and co-operation between our levels of government in the field of federal-provincial relations, while maintaining, through our studies and activities, public awareness of the need for a truly nation-wide dialogue.
>
> Concerning some of the other reform objectives which can be attained from the outside, such as improving the representation of ethnic groups and political parties in the Senate, they can also be achieved without friction and debates of a partisan nature, and without acrimony, simply by way of a statement of policy on the part of the government in office to the effect that henceforth the Prime Minister of Canada will consult, for instance, either the provincial Premiers, or the Leader of the Official Opposition in the house of Commons, or for that matter organizations representing ethnic groups, before recommending to the Governor General the appointment of a certain percentage of nominees to the Canadian Senate.

I had added previously that in my view at least one third of this house should belong to opposition parties at any given time. I did not change my mind on that matter. I would like a Senate committee to re-examine these proposals which are, in my view, practical and can easily be implemented.

I quote further:

> Such a method of reforming the Senate along those lines could be adopted without the Prime Minister of Canada having to abdicate for evermore in any way his unquestionable right of recommending appointments to the Senate to the Governor General, just as the Minister of Justice, for instance, does not abdicate his ministerial duties when he consults either judges or lawyers before appointing new judges.
>
> Once this new appointment policy for Senate members has been consecrated by time and constant usage, it would become an intrinsic part of our Canadian parliamentary system.
>
> It has often been said that the best constitutions were never written; however, nothing will prevent a government, if it so wishes, to incorporate this new policy in the text of the Canadian Constitution itself and to add, if the political situation at the time makes it possible, other Senate reform objectives which require one or several amendments to the Constitution.

I wanted to put on record those suggestions I made in 1973 because, as I said earlier, I hope they are worth mentioning again as I wish to emphasize the need for the present government to carry out the reform of the Senate of Canada immediately.

Honourable senators, the Speech from the Throne deals with several issues, which the Parliament of Canada and the whole country will have to study in the immediate future, and particularly issues related to the economy and national unity.

I do not intend to deal today with the problems which affect the Canadian economy at the present time. I consider that the Leader of the Government has delivered a masterly speech on this question to which I could hardly add. Furthermore, I know that I shall have other opportunities to deal with our economic and financial problems during the present session, particularly when I am called upon to put forward various appropriation bills in this house.

Therefore, today I shall deal exclusively with the problem of national unity, casting aside all bitterness and partisanship. I firmly believe that national unity transcends all other matters and should be approached with serenity, in an atmosphere of mutual understanding and respect for others' views. The future of our country is at stake. That is why we cannot risk in the slightest way to jeopardize the best possible solution which can be found to that serious national problem.

The November 15, 1976 election of a government whose main objective is the separation of Quebec from the rest of Canada has certainly marked a major step in the political evolution of our country. There is no need to recall that that government got elected after having covered up, so to speak, that objective and setting as their first task the providing of a good provincial government for Quebec.

[Senator Langlois.]

However it seems that the Parti Québécois is again resorting to those tactics to get a favourable vote on their referendum, or plebiscite, on the independence or separation of Quebec. Those two terms, in my opinion, reflect the same line of thinking or the same objective in the point of view of the present Quebec government.

Our attention has again been drawn to the possibility of their covering up and confusing, to get a favourable vote for independence. I refer to the statement made by the PQ member of the National Assembly for Vanier, the son of the late Jean-Jacques Bertrand, a former premier of Quebec. It is to be noted that the member for Vanier is also a member of the parliamentary committee on the referendum on the future of Quebec, and I am quoting his statement as reported by the Montreal *Gazette* of October 31 last, which statement has yet to be contradicted by any other member of the Parti Québécois. I quote what the *Gazette* said on this subject on October 31 last:

[*English*]

> "Separatism and independence" are terms that should be banned from the Parti Québécois government's vocabulary, a PQ backbencher said on the weekend.
>
> Jean-François Bertrand said the government's objective is not to separate Quebec from Canada, but to assure the province of sovereignty in an economic association with the rest of the country.

[*Translation*]

It is interesting to read the statement of MNA member Bertrand and compare it with what Mr. Lévesque himself said when he was interviewed by Mr. Keith Spicer. During that interview, Mr. Lévesque claimed, to our astonishment, that he was unable to define clearly and specifically what type of association he has in mind for Quebec with the rest of Canada, that he was unable to do so because he had not had enough time to study the problem in depth. Honourable senators, it is inconceivable that a man as intelligent as Mr. Lévesque should think that he can continue to mislead Quebec so drastically without simultaneously spreading confusion first and then suspicion. The Lévesque-Spicer interview, to which I have just referred, was reported in full in the Montreal *Gazette* for Friday, October 26, 1977. I shall quote some of the answers Mr. Lévesque gave Mr. Spicer, leaving it to you, honourable senators, to decide whether Mr. Lévesque can really reconcile what he says with the propaganda his people are now spreading with a view to giving Quebecers the impression that they are no longer thinking in terms of independence or separation for Quebec, but merely and simply of an association from which everyone might stand to benefit.

Here, then, are some quotations from the Spicer-Lévesque interview. First, the *Gazette* quotes Mr. Lévesque as saying:

● (1440)

[*English*]

I think November 15, 1976, was really what you might term "rising expectations."

Expectations of a society modernizing and discovering itself at the same time. It was a threshold we crossed. That threshold brings us closer, I think, to independence.

[*Translation*]

Further on Mr. Lévesque added, describing that proposed association as a working hypothesis or the second part of his option—and I also quote, as reported in the *Gazette* of October 26, the same issue from which I took the first quotation:

[*English*]

For my part, I consider that it's a very fine formula of our times which started with the Belgo-Luxembourg-Netherlands grouping (later Benelux) which became the Europe of the Nine. The Scandinavian experiment too.

[*Translation*]

In my opinion, that last reference of Mr. Lévesque relates to the concept of independence and not solely to that of some kind of association. Let us see now what Mr. Lévesque thinks of a so-called third option and the possibility of negotiating such an option before the referendum on independence.

Again I quote the same newspaper of the same date, that is October 26, 1977.

[*English*]

So we prepared an option we're going to defend, which we have been defending for 10 years, which we're going to defend right up to a referendum. Then we'll see.

Meanwhile I hear others who say—and (our option) has at least done this much good—"Well now, we'd better hurry up to find a third option," a third way somewhere between ours and the status quo. Mr. Trudeau even said at one point that we'd have to go back to square one, "zero base" as in Washington.

Well, it's fine with me if others come up with options. We're not stupid, we'll look at them.

I want you to note this:

But I believe in advance that these options will not answer the need to feel in Quebec, that is, that federalism is a straitjacket for the society which Quebec has become and it's going to get more so.

[*Translation*]

Then Mr. Spicer asked Mr. Lévesque what he thought of the project of the Canada West Foundation, namely, a Canada with five parts, the negotiation of a new Confederation with the five main areas of the country. It should be noted that Mr. Lévesque made a half-affirmative answer, under the reserve that Quebec should remain a different and completely autonomous entity.

Again I quote what he said, as reported in the October 26, 1977 issue of the *Gazette*:

[*English*]

I think it's not a crazy idea at all as a rearrangement.

It could, in many ways, make sense. It would give a better base for regional power in the legitimate sense of the word to exercise itself, and it would bring a rearrangement much more attuned to regional aspirations and needs, both at Senate level and at Commons level.

The only basic difference with our own idea, and I have to underline it, is that joining such a group I think would be very interesting for Quebec—but (in the form of) a different entity which has its own self-government.

● (1450)

[*Translation*]

Then Mr. Spicer asked Mr. Lévesque:

[*English*]

SPICER: As an independent state in the international sense?

LÉVESQUE: Which would join the kind of tier like that in a new association which I think would be a lot better balanced, but as an independent state with its full powers, with its full tax base and with no federal representation—

[*Translation*]

In the light of those verbatim quotations by Mr. Lévesque, it is clear that the only possibility of an association with the Quebec he has in mind would be on the basis of a treaty between fully autonomous and independent countries. His proposal, in my book, only spells the destruction of Canada as we know it today, being replaced by a group of independent states which would merely be related by economic agreements or treaties.

I felt it would be advisable to put on the record of this house what Mr. Lévesque said, and his words I did not dare translate for fear of misinterpreting him, even though I do not know whether the interview was conducted in English or in French.

Senator Flynn: He is good in English. He is even pretty good in English.

Senator Langlois: Even if it had been conducted in French, I would not have stood the double risk of a second translation of a text which had already been translated.

However, I know Mr. Lévesque well enough—we come from the same part of Quebec—I know his vernacular and I recognize him in the excerpts I have just quoted. I am therefore under the impression that the interview was conducted in English.

It is important to note that in his proposed association Mr. Lévesque is dead set against the idea of a common state, a national state, therefore the principle of Canada as we know it, and he would not want that state to continue in a Canada minus Quebec.

Mr. Lévesque has been consistent in his opinion. Did he not, in the aftermath of November 15, 1976, tell the New York Economic Club that independence was irreversible and unavoidable? That first public statement was followed by several others during which Mr. Lévesque clearly said that he would

under no circumstances negotiate with Canada as we know it today, simply because he was fed up with those ten-against-one federal-provincial conferences.

In the circumstances, we must conclude that Mr. Lévesque first wants to separate and then negotiate his proposed association with the status of an independent and autonomous head of state negotiating with another or other also autonomous and independent head or heads of state. Indeed, in his interview with Mr. Spicer, Mr. Lévesque stated that the staying power of the rest of Canada after separation would depend on the will of the other areas of Canada to stay together within a Canadian state, as I suggested earlier, without Quebec.

Indeed, yesterday in his speech in Paris Mr. Lévesque I think continued, as do his propagandists here, to spread confusion by always talking about a strictly economic association, proposing negotiations on an equal footing while at the same time inserting in his speech the word "Confederation". He even managed in his manoeuvering yesterday to confuse the Radio-Canada analysts brought together to comment on his speech; they could not explain that reference even though those three analysts included a member of the executive of the Parti Québécois, Mr. Harvey.

Honourable senators, we should not be surprised if the PQ maneuver creates a situation voluntarily made ambiguous for the purpose of trying once again to filch a favourable vote from the people of Quebec as they did to gain power in November 1976. So it is up to us to alert the people of Quebec and Canada, even some of our politicians who in that confusion are desperately trying to find solutions to a problem they know little or nothing about. This explains why we receive so many contradictory solutions from all sides.

The same thing goes for those who again yesterday were shouting in distress: "What does Quebec want?". It is certainly difficult for us from Quebec to understand today that a person who just yesterday was asking what does Quebec want should now propose with disconcerting assurance all sorts of solutions, going as far as denouncing those responsible for a situation which just recently they did not know anything about.

In that impossible situation it is important to upset those content mortals in their comfortable possession of an innate and even spontaneous knowledge. This results in this extraordinary inflow of magic solutions, in an even more confused climate than the one the Parti Québécois wanted to create at the outset.

What is wrong in Quebec now, and I would even add in Canada, is that we have too many nation builders, too many constitution makers to allow the voters of this country to opt for a clear and specific solution to this problem of national unity.

I think it is high time for every one of us to help clean up this climate of confusion and consolidate our positions by a common expression of solutions that could in our opinion be beneficial to every region of this country, and it is important for that purpose to have unanimity among the political parties

in this house, as well as in the other place, and in all provincial legislatures in Canada.

However, I would not for a moment consider suggesting that we stop any discussion on national unity. Quite the contrary, I want to encourage a healthy convergent discussion toward a consensus for the preservation of this country we love so much and we all want to see grow in unity and prosperity.

What I am asking for as forcefully as I can is an end to that divergence on the means to be taken, coming from people in authority to whom the people of Canada will have to turn tomorrow for advice on the answer to give in a plebiscite or a referendum, whatever the origin or the purpose. Honourable senators, it is also important that an end be put to those criticisms made by politicians from coast to coast who day after day keep blaming our confederative system for all the economic problems afflicting their province or their area, as if they were the only ones to suffer from such evils, at a time when the world economy as a whole is in bad shape, and as if only a change in the political system of Canada could magically rid them of their present problems.

This type of mentality has been so spread out by politicians across this country that a few days ago I noticed in a newspaper the testimony given by a Newfoundlander before the Pepin-Robarts task force. He asked in all honesty to what extent the economic situation of his province would have deteriorated today had Newfoundland joined Canada in 1867 instead of 1948.

● (1500)

No need then to stress the fact that Canadian opinion is seriously affected and damaged by the state of confusion brought about by these internal bickerings coming from every part of this country.

Another aspect of this debate, which also seems to me badly engaged, stems from this kind of attitude too often adopted which consists of trying to persuade the Quebec separatists to give up their independentist option either in favour of the status quo or a third option. In my opinion it would be childish to think that Mr. Lévesque is prepared to put aside his proposed referendum and to accept instead the status quo or a third option endorsed by the rest of Canada. Besides, as I have already mentioned, it seems to me that most Canadians do not want to retain the status quo. On the other hand, Mr. Lévesque himself rejects without hesitation the possibility of negotiation before that referendum, insisting that he does not want to negotiate in a one-against-ten type of position.

It also happens, and quite unfortunately too often, that the supporters of the position which I have just described are tempted to try to win support for their solution by raising arguments based on what has quite rightly been called economic terrorism. One must not believe that Quebec can be induced to see things the way we want by the fear of economic reprisals or by dark predictions, whatever they might be.

In my opinion, it is unthinkable and senseless to believe that you can get Quebec to do the things you want by using fear. Besides, those negative arguments have no weight in any case

and we will convince Quebec to espouse our position only with positive arguments, cleary establishing that the solution which we are putting forth is as good for them as it is for the rest of the country.

Finally, I urge those Canadians wishing to participate in the debate and negotiations regarding this great national issue to avoid politicizing the debate. The present situation is tense and confused enough without having to add additional political or partisan considerations to it, because they would be likely to ruin whatever chances we have to reach a national consensus on the main aspects of the issues at stake.

Honourable senators, I will conclude by saying that the future of Canada demands from us that we invite all our fellow citizens to consider the present situation in a climate characterized by peace of minds and hearts.

Senator Denis: Would the honourable senator allow a question?

Senator Langlois: Certainly.

Senator Denis: If I understand well, your contention is that independence is a prerequisite for association. Once independence is gained, the independent government would associate. Well, as you know, five provinces have already turned a deaf ear to any offer of association with the Quebec government. How does the honourable senator explain the Quebec government's determination to pursue that kind of association when five major provinces, the four Western provinces and Ontario, have stated they would not have any part in it?

Senator Langlois: Honourable senators, I prefer the last sentence in my colleague's question, as I was going to take exception to his preamble blaming me for that association concept, whereas in fact I have taken some thirty minutes to stress the exact opposite. The P.Q. government's policy to try and enter into an association after divorcing from the rest of Canada, is in my view a sheer fallacy, and Mr. Lévesque is day-dreaming, to use one of his favourite phrases, if he believes he can destroy Canada and rebuild it afterwards. He thinks he can raise it from the dead in even less than three days, rebuilding it, as it were, into a sovereign state associated with the rest of Canada. As my colleague has already pointed out, a number of Canadian provinces, through their premiers, have clearly precluded any form of economic association between a separated Quebec and what would then be left of Canada. I also think that such a position by the Parti Québécois is sheer Utopia.

[*English*]

On motion of Senator Connolly (Ottawa West), debate adjourned.

The Senate adjourned until Tuesday, November 8, at 8 p.m.

THE SENATE

Tuesday, November 8, 1977

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

Prayers.

AIR CANADA BILL, 1977

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-3, respecting the reorganization of Air Canada.

Bill read first time.

Senator Perrault moved that the bill be placed on the Orders of the Day for second reading on Thursday next.

Motion agreed to.

CANADA BUSINESS CORPORATIONS ACT

BILL TO AMEND—FIRST READING

Senator Perrault presented Bill S-2, to amend the Canada Business Corporations Act.

Bill read first time.

Senator Perrault moved that the bill be placed on the Orders of the Day for second reading on Thursday next.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Board of Trustees of the Queen Elizabeth II Canadian Fund to Aid in Research on the Diseases of Children, including the Auditor General's Report on the financial statements of the Board, for the fiscal year ended March 31, 1977, pursuant to section 15 of the Queen Elizabeth II Canadian Research Fund Act, Chapter Q-1, R.S.C., 1970.

Statement of all bonds registered at the office of the Registrar General of Canada for the period October 13, 1976 to October 17, 1977, pursuant to section 32 of the Public Officers Act, Chapter P-30, R.S.C., 1970.

Report of the Superintendent of Insurance for Canada, Volume II, Annual Statements of Property and Casualty Insurance Companies, for the year ended December 31, 1976, pursuant to section 8 of the Department of Insurance Act, Chapter I-17, R.S.C., 1970.

Copies of financial statement on the operation and maintenance of the Great Slave Lake Railway for the year ended December 31, 1976, together with a statement showing the net capital investment as at December 31, 1976, pursuant to section 9, Chapter 56, Statutes of Canada, 1960-61.

Report of the Department of Transport containing a Statement of Wharf Revenue Receipts and a Statement of Harbour Dues for the fiscal year ended March 31, 1977, pursuant to section 14 of the Government Harbours and Piers Act, Chapter G-9, R.S.C., 1970.

Reports on operations under the Regional Development Incentives Act for the months of February, March, April, May and June, 1977, pursuant to section 16 of the said Act, Chapter R-3, R.S.C., 1970.

Report on the administration of Part I of the Royal Canadian Mounted Police Superannuation Act for the fiscal year ended March 31, 1977, pursuant to section 26 of the said Act, Chapter R-11, R.S.C., 1970.

Report of the Canadian National Railways Securities Trust for the year ended December 31, 1976, pursuant to section 17 of the Canadian National Railways Capital Revision Act, Chapter 311, R.S.C., 1952.

SCIENCE POLICY

REPORT OF COMMITTEE EXPENSES TABLED

Senator Lamontagne, Chairman of the Special Committee of the Senate on Science Policy, appointed in the Second Session of the Thirtieth Parliament on November 30, 1976 to consider and report on Canadian Government and other expenditures on scientific activities and matters related thereto with power to incur special expenses in connection therewith, tabled, pursuant to rule 84, a report of the special expenses.

BANKING, TRADE AND COMMERCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Standing Senate Committee on Banking, Trade and Commerce have power to sit while the Senate is sitting tomorrow, Wednesday, November 9, 1977, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

ALASKA HIGHWAY PIPELINE

NEGOTIATIONS BETWEEN CANADA AND THE UNITED STATES—QUESTION ANSWERED

Senator Perrault: Honourable senators, a question was asked by the Honourable Senator Olson on November 3 regarding the Alaska Highway pipeline. The question followed these lines, quoting part of the question:

> I should like to ask a question . . . with respect to what appears to be a disagreement between the United States Senate and certain bodies in Canada over procurement and tendering in connection with the AlCan pipeline. My question is:
>
> (1) Is a negotiating team now at work attempting to clear up this disagreement?
>
> (2) Will the result of the negotiations be reflected in the legislation to be presented to Parliament when ratification is requested by the government?

Under Article 7 of the agreement between Canada and the United States on principles applicable to a northern natural gas pipeline, signed September 20, 1977, each government undertakes that it will endeavour to ensure that the supply of goods and services to the pipeline project will be on generally competitive terms, having regard to the objectives of the agreement. The objectives specifically include the desire to advance national, economic and energy interests and to maximize related industrial benefits to each country through the construction and operation of the pipeline system. Article 7 also provides for consultations between the two countries should it appear that these objectives are not being met. Canada will have recourse to such consultations if concrete problems arise.

In the agreement the two governments recognize that legislation will be required to implement the provisions of the agreement. The government has made clear its intention to introduce into Parliament legislation which would carry out and implement relevant provisions of the agreement.

U.S.S.R.

OCTOBER REVOLUTION—SIXTIETH ANNIVERSARY—QUESTION

Senator Yuzyk: Honourable senators, I should like to ask the Leader of the Government in the Senate if he could supply senators with a copy of the telegram that the Prime Minister of Canada sent to Soviet leader Brezhnev on the occasion of the sixtieth anniversary of the Great October Bolshevik Revolution.

Senator Perrault: Honourable senators, I must take the question as notice. I shall look into the matter. I know of no such text, but if one exists I shall attempt to determine the facts.

Senator Yuzyk: If such a text is available, could this telegram be printed in the next issue of Senate *Hansard*?

Senator Walker: No.

Senator Grosart: Wait until we get it.

Senator Perrault: Honourable senators, I would not presume to undertake that responsibility or commitment until the facts are ascertained.

Senator Choquette: It might be too friendly.

SPEECH FROM THE THRONE

MOTION FOR ADDRESS IN REPLY—DEBATE CONTINUED

The Senate resumed from Thursday, November 3, consideration of Her Majesty the Queen's Speech at the opening of the Third Session of the Thirtieth Parliament, and the motion of Senator Frith, seconded by Senator Marchand, for an Address in reply thereto.

Hon. John J. Connolly: Honourable senators, the ceremonial opening of this session of this Parliament was a great state occasion. The majesty of the monarchy and, indeed, the majesty of the Monarch herself, were both evident and warming. There was a dignity in the occasion which the institutions of Parliament also conveyed, and behind the panoply lay the majesty of the law which it all symbolized. Here stability showed and the reassurance of due process. The television made the event available to Canadians everywhere. This, too, was reassuring.

• (2010)

Madam Speaker, you played a significant part in this impressive ceremony, and we were proud of you. All of us are delighted, of course, that you continue to preside over our more prosaic business. In my opinion, it all goes to prove that the Senate is a workshop and not a theatre.

I congratulate Senator Frith for the perspective and discernment in his speech. There is an injunction to senators carved upon the walls of our Speaker's chambers, *Sapere aude*—Dare to be wise—and there was wisdom in Senator Frith's words. I wish the Leader of the Government and the Leader of the Opposition in this house well as they discharge their onerous duties and exacting tasks. We are greatly in their debt every day, as is their country.

After hearing the speech of Senator Marchand, I am glad that this chamber can provide a forum for a person of his experience and talents. I would say that in that speech he arrived as a senator, and it is to our advantage. His speech has inspired others in this debate to express themselves on the pressing question of national unity. Now, for his sins, he must bear the responsibility of having stimulated me in the same direction.

Honourable senators, if Rip Van Winkle had fallen asleep in Canada late in 1967 to awaken in 1977, he would have been mystified. The centennial celebrations in this country produced a national sense of euphory. The world and its leaders beat their ways to our doors to celebrate with us. Our prosperity, our institutions, our freedoms and our enlightenment were widely commended for emulation. Expo was a window on Canada for the world and it was a window on the world for Canada. Then, within a decade, the word is abroad that the national community which is Canada is threatened in its unity

and in its very existence. This would have startled a modern Rip Van Winkle and it certainly startles us. I have no magic solution for this problem, but I have some views upon it which I would like to express as a senator from Ontario, and a citizen who is deeply concerned.

The immediate and proximate cause of this crisis in national unity was the election about one year ago of the Parti Québécois in the province of Quebec. The reasons for the dramatic drop in the popularity of the Bourassa government were many and various. Alarm at the state of the economy of the province was widespread; little growth was seen, or foreseen; and debt had mounted. Very visible and prominent projects such as James Bay and the Olympics, projects good in themselves, peaked at a time of fiscal and social malaise.

There was trouble, too, in the national economy, along with frightening inflation, massive unemployment, and turmoil in the work force. These problems have not been solved. These conditions, of course, disaffected all of the communities in the province of Quebec as well.

In the larger picture, world trade was declining. There was social unrest; there was violence. The actions of the oil countries of the Middle East not only disrupted national economies but they precipitated an alarming crisis in the supply of energy everywhere. It was a bad time for governments; it still is a bad time for governments. The Government of Quebec fell with a resounding thud.

When people decide to dismiss a government, they seldom do it for sophisticated reasons. When they do so, they turn to the available alternative. In the province of Quebec the available alternative was the Parti Québécois, because no other group appeared to be acceptable or viable.

It should surprise no one that, once in office, Mr. Lévesque and his colleagues should embark vigorously upon a policy of separation and independence from Canada for the Province of Quebec. This has always been the reason for the existence of his party. For years he had preached that Quebec was at a disadvantage while in Confederation, and that the only remedy for Quebec was the severence of that tie. If other circumstances, such as an unpopular government and a faltering economy converged to bring his party to office, as they probably did, it would be fatuous for people in Quebec or elsewhere to expect him to abandon his basic policy. He has not done so. He has said so in Canada, in the United States, and, lately, in France.

There is an extreme nationalism at the base of this movement, and the flame has been fired by emotional appeals and extravagant promises from brilliant performers, writers, artists, speakers, academics, intellectuals, politicians, people who know the value of organization, who are expert in the use of the media, and whose work prospers in a time of discontent.

The new breed of politician in the Parti Québécois is prepared to reject the view of Cartier, who devoted his career to the proposition that Quebecers could find their place in the sun within the Canadian Confederation. They refuse to believe Laurier—surely one of the greatest persons Canada has ever produced—who said that the twentieth century could belong to Canada with Quebec playing its full part. They rebuff St-Laurent as they ignore his passionate plea for national unity. These men were great Canadians and also great Quebecers. The centuries of tremendous development within the province of Quebec vindicate the careers of all three.

Honourable senators, the proximate cause of the crisis in Quebec is political. The remedy, then, must also be political. And under our democratic institutions the needed remedy is not evidently available yet in Quebec. There is a vacuum in their politics. The old parties do not offer the leadership to challenge effectively the policies of the present Quebec government, and until that vacuum is filled, until a viable alternative is established, existing ministers and their supporters in the National Assembly and elsewhere hold virtually undisputed sway.

● (2020)

Surely this is political priority number one for Quebecers who are deeply Canadians. To provide this will take much time and hard work. We all know it is the anxious concern of thousands of resolute Quebecers, many of whom are in this Parliament, many of whom are in this honourable house. Had we not known, they would surely have told us.

Honourable senators, it is trite to say we are not a homogeneous people. For over 200 years that fact has conditioned our history and has influenced our public policy profoundly. But it was not easy for the 60,000 French Canadians in the early days of British rule. If one reads the terms of the capitulation of Quebec and of Montreal, if one reads the terms of the Treaty of Paris of 1763, if one reads the stipulations of the Quebec Act (1774), one will find that none of these documents contain a code of basic freedoms. There was a glimmer of this attitude in the British Parliament from men such as Fox, Burke, Sheridan, and Sir Guy Carleton, but there was no sweeping assertion of minority rights for the new subjects of His Majesty.

For the French-speaking colonists of those days, the old master was gone. They were expected to adjust to the new one. The French Canadians at that time decided there was more to it than that.

There were some concessions, for there was some enlightenment in the British Parliament, as I have said. The new subjects were allowed to practise their religion. This was unusual, given the disabilities which applied to Roman Catholics in the United Kingdom at that time. There was wisdom in this step, too, for the British, if only to preserve peace and order. After the conquest, most of the governing classes in Quebec returned to France. The church was the only remaining organized protector of law and order, and protector of these people.

The colonists were allowed to apply the provisions of their civil law, which was based upon the ancient Customs of Paris. It was the only law they knew, and it was written in the only language they spoke. But language rights were not entrenched. Falteringly, they were accepted, mainly because French was

the only language the people understood. French was freely used in business and in the courts. But in the early legislative assemblies and in the legislative councils which preceded them, in retrospect, the use of French came to be accepted with a gradualness which was agonizing.

In time, despite Lord Durham, there was progress in the area of language rights.

When the Act of Union of 1840 had outlived its usefulness, the scheme of Confederation as we know it was put in hand. The British North America Act of 1867 was not legislation imposed upon the Canadian colonies by the British Parliament. It was passed by the British Parliament. But its provisions resulted from agreements freely made by colonial statesmen of the time.

Honourable senators are very familiar with the salient elements of this our Constitution. Sections 91 and 92 purport to provide an equitable distribution of powers between the federal and provincial authorities. Section 93, in some respects the keystone of the arch of Confederation, provides for education and denominational schools to be under the control of the provinces. Section 133 prescribes the extent, then envisaged, for the use of both English and French. Minority and provincial rights were to be protected, in a measure, by the stipulations in respect of the Senate in section 21 and following sections of the act.

In the first century of Confederation there were swings of the pendulum from an acknowledgement of provincial control in certain areas at one extreme, to strong federal control at the other, and back again. These changes resulted from court decisions, especially those of the Privy Council, which strongly favoured provincial power; from the use of the War Measures Act in national emergencies, which conferred very wide authority on the federal government and the federal cabinet; from royal commissions like Rowell-Sirois, which proposed a reallocation of powers between the federal and provincial authorities. There were tax-sharing agreements between Ottawa and the provinces, especially in the Second World War. This was for fiscal accommodation, and it was a good step—a step in the right direction. Then there was the federal-provincial conference. Federal-provincial conferences are now virtually institutionalized for continuous federal-provincial consultation in many fields. This is a bird's-eye view of the legal structure.

The country, too, has experienced great growth in population, in wealth, in industrialization, in its work force. There have been huge national undertakings, the building of railways, the building of highways, the airlines, the seaway, pipelines, and provincial and federal budgets have experienced a multiplier effect as we have grown. Popular demands in the fields of health, welfare, pensions and education have produced services never dreamed of in 1867. And the demands upon the federal government by the provincial governments still grow. And the demands by all levels of government upon the taxpayer grow apace.

In this century we have had buoyant economies and stagnant economies; we have seen great prosperity and severe depressions; in most respects our cycles of economic change, both good and bad, have followed economic trends in the whole of the Western World. Now our economy is in a trough, and it does not help the unemployed to know that we have in our company many of the other great nations of the world. I need not dwell upon this point because honourable senators, particularly in the opposition, have already done so in this debate. But despite their disapproval of the government or of its policies or of the present Prime Minister or of his attitudes, opposition members generally, unanimously in fact, project a basic optimism about this country. What they say is this: Canada is still great and all it needs is their party to run it—

Some Hon. Senators: Hear, hear.

Senator Connolly (Ottawa West): —and they are entitled to that opinion. Realists remain optimistic about Canada, but none of us should refuse to accept change where change is warranted. We may and probably do need structural changes in our organic law, in our Constitution. Unquestionably, certain powers are essential for the national Parliament if our integrity as a nation is to be preserved. We know these fields full well—monetary policy, defence, external affairs, national communications, the essentials of the judicial system. This is not power grabbing, this is common sense. But at times we observe how advisers to federal governments reach out in programs which do in fact infringe upon provincial jurisdiction. This is the way of the power grabber, of the centralizer. The federal authority has no divine right and no constitutional right to legislate in every field. There are times when provinces can legislate more effectively and within their own constitutional capacity.

● (2030)

In the past 50 years federal governments have been deeply involved in certain relatively new areas of activity, areas of activity really never contemplated at the time of Confederation—consumer affairs, housing, pensions, health, even some aspects of fisheries and of agriculture, and certainly of education.

In the committees of this house we see evidence of encroachment in these areas of provincial power, as we did, for example, in respect of the Competition Bill. We notice, too, a tendency on the part of the federal authorities to legislate in grey areas, probably to the chagrin of the provincial governments.

I ask: Is it enough for Ottawa to justify itself by pleading that it must set national standards by doing this? We must think about the consequences if provincial legislative authority is eroded. We know, too, that the provinces will not assume added responsibilities without having corresponding fiscal capacity; but should they do the taxing in these overlapping fields or should Ottawa? These are major problems in a federal state. So long as our state is a federal state, we shall have to cope with them and deal with them.

Now, what of language rights? Section 133 of the British North America Act is not adequate for the needs of today. I think everyone acknowledges that. There are large francophone communities in many places outside Quebec now that did not exist in 1867. The report of the Royal Commission on Bilingualism and Biculturalism, and the studies issued by that commission, contain a great deal of material both useful and wise in this great discussion—particularly in respect of bilingual districts and in respect of amendments to section 133. Indeed, they set out a trial amendment for that section, and the Official Languages Act passed by Parliament in 1968 is a step in the right direction.

In the light of the stipulations of Bill 101 passed in Quebec in 1977, and in the light of other legislation passed years ago and since abrogated in other places with respect to language rights in the so-called anglophone provinces, it seems clear that Canada should have a provision in her Constitution adequate to establish language rights for Canadians who use either of the official languages. And the language rights of other minorities, so-called new Canadians, must be treated adequately as well.

New situations have developed since 1867. Take Ontario alone. There are now large communities—comprising in total over a million francophones—in the east, in the north and in the southwest part of this province. Successive Governments of Ontario, to their credit, have made arrangements so that much progress has been made in the provision of francophone schools in Ontario. But in the Legislature, in the courts and in the system of records there is no provision for French in Ontario yet. This need has emerged, and the remedy, I really believe, will not long be delayed.

Not only Quebec, but all the provinces, and the federal authority, need and can profit from adjustments in our organic law to meet emerging, modern requirements. I differ profoundly from Mr. Lévesque when I say that this can be done to the greater advantage of all groups and of all citizens, anywhere in Canada, within the framework of the Constitution.

One can wonder if a truncated Canada could be a bilingual country. What would future public opinion decree in that unhappy development? What then of the cultural security of millions of French Canadians outside Quebec if that kind of thing should develop?

I return to the situation in Quebec. If separation should occur I think the cost to Quebec alone would be enormous. I believe there would be restrictions in economic growth, a lower standard of living and a reduction in training and educational facilities because the costs would be so great. There would be the establishment, unfortunately, of an introspective enclave within the North American land mass, and perhaps an enclave without the assurances for the survival of its culture which Canada's institutions guarantee and enshrine today. There would be a relative inability to attract capital for development, probably social upheaval and unrest, and a severe brain drain. Support from the Government of France would not cure these ills if they should develop in Quebec.

If I were to list the dire consequences of the separation of Quebec from the rest of Canada I suppose I would be here most of the night, though perhaps you would not be, but I think the Premier of Nova Scotia made a pretty good fist of it yesterday in a speech he made somewhere in the maritimes. I think the consequences of separation would be equally bad for Canada. Honourable senators, in my humble opinion the separation of Quebec from Canada would be an unmitigated disaster for Quebec and for Canada.

It may be that thoughts of independence have crossed the minds of leaders in great states of the American union, such as New York, California, Illinois, Pennsylvania, Ohio and Texas. Some of them are empires. But I do know that each of these states has gained immeasurable strength from staying within the union. From the union, for them, flowed opportunities both on the national and the world stage. That book is open. Anyone can read it.

Honourable senators, the lives and prospects of the younger generation of Canadians have been enlarged and enriched by the thought, the work and the sacrifices which have been made in this country by earlier generations of Canadians. As we acknowledge this debt we cannot forget—though in anglophone Canada we often do—the part French-speaking Canadians have played in this tremendous national development. The ancestors of the people of Quebec today were the Europeans who discovered and first settled this country. They were the contemporaries of these first settlers who explored this country—and their names colour the map of the continent—Marquette, Joliet, LaSalle, Hennepin, DuLuth, and Vincennes.

● (2040)

When Selkirk's settlers reached the Red River, and the site of Winnipeg, in 1802, intrepid men had preceded them. The first was LaVerendrye. He was there in 1737, and he was on the prairies and in the mountains to the west before Mackenzie saw the Pacific from Canada East in 1793.

The early French of the church in this country left us all a magnificent legacy. Laval, the country's first bishop, was the founder of the first institution of higher learning in North America. The stories of the early missionaries who became martyrs are tales of heroism and devotion. E. J. Pratt, the brother of one of our former colleagues from Newfoundland, wrote his great epic about Brébeuf, and his brethren, Lalemant, Jogues and the others.

There were women in the early hospitals and in the first schools—Marguerite Bourgeoys, Jeanne Mance and Madame de la Peltrie.

William Lyon Mackenzie had his Lower Canada counterpart in Louis Joseph Papineau in the 1830s. Reform was their motto.

Baldwin and Lafontaine, commemorated in a monument just outside this chamber, presided over the Union of the Canada in the 1840s. Later Sir Louis Hippolyte Lafontaine was the head of the commission that gave Quebec, and Canada, its distinctive Civil Code. Fathers of Confederation

from Quebec pledged their careers to the new nation—Cartier and Langevin.

Prime ministers of Canada from Quebec have all been dedicated to the concept of one Canada, one nation in which French-speaking citizens would play a full part—Laurier, St. Laurent and now Trudeau. Other Quebecers have been honoured leaders in Canadian public life. Is it now to be said that men like Lapointe, Dandurand, Gouin, Cardin, Blondin and Sevigny, and indeed Quebecers like Fitzpatrick, Doherty, Power and Hackett, deceived their fellow Quebecers with their Canadianism? Is their memory to be dishonoured and are their careers to be discarded?

Quebec has given Canada great jurists, four of whom have been Chief Justices of the Supreme Court of this country—two Taschereaus, a Rinfret and a Fauteux. The bar of Quebec has produced giants—men like Geoffrion, Lafleur, St. Laurent, Beaulieu, and one of our former colleagues, who was here after the height of his career, Gustave Monette.

Who does not honour Gagnon, the painter; Hébert and Bourgeault, the sculptors; Lavallée, who wrote our national anthem; and so many other Quebecers in every artistic discipline?

Honourable senators, I have not lately come to these views. Quebecers have huge economic, social, intellectual and physical investments in this country. In public life, in the professions and in large and imaginative enterprises you see Quebecers everywhere. This is their capital too. This investment of three centuries has assuredly redounded to their benefit, and to all Canadians as well. The partnership has been fruitful; certainly fruitful beyond the dreams of the men of the seventeenth, eighteenth and nineteenth centuries. Such people cannot leave Canada—a Canada to which they have given so much, and in which they can continue to expect to develop and to flourish as part of one of the great nations of the world. And other Canadians must say this as well.

● (2050)

We say we love our country, and we do. But our devotion and our affection we must not confine to a beautiful land in its infinite variety and in its myriad moods. Our love must also be for its peoples, for its men and women who live here, who build upon the achievements of earlier generations and who, regardless of language, or race, or colour, or creed, together, can make it greater still.

Hon. Margaret Norrie: Honourable senators, this is indeed a memorable occasion for me, rising to take part in the debate on the motion for an Address in reply to the Speech from the Throne delivered by Her Most Gracious Majesty, Queen Elizabeth the Second.

Her devotion to duty, her exemplary conduct, her high principles and her deep concern for the welfare of her people is heartwarming. These wonderful qualities in our Queen justify sincere loyalty from her subjects.

Prince Philip, the Duke of Edinburgh, has shared with Queen Elizabeth her duties and honours throughout the 25 years of her reign. I am sure that we all wish them well for years to come, while expressing our sincere appreciation for their gracious presence at the opening of the Third Session of the Thirtieth Parliament during her Silver Jubilee visit to Canada. I hope that their visit has strengthened the cause of unity in Canada, and has given us the determination to overcome our problems which at present concern us so deeply.

Honourable senators, I am happy to extend my sincere congratulations to Madame le Président du Sénat, the Honourable Renaude Lapointe, on the excellent performance of her duties as Speaker. She has extensive obligations in many other fields as well, both far and near, in which she has shown good judgment and warm hospitality.

We are fortunate to have as Leader of the Government in the Senate, the Honourable Ray Perrault. He debates with vigour and conviction when the occasion presents itself. In no less measure, the same can be said about the Honourable Jacques Flynn, the Leader of the Opposition. With these two senators as our guides, the Senate is well directed.

I join with other senators in congratulating the mover and the seconder of the Address in reply to the Speech from the Throne, Senator Frith and Senator Marchand, respectively. It is gratifying to have two such gifted newly-appointed senators in our chamber.

I should like to congratulate Senator Connolly (Ottawa West) on his superb and scholarly speech tonight. It was most moving, and it was a delight to listen to him.

Hon. Senators: Hear, hear.

Senator Norrie: The three subjects on which I wish to briefly comment are unemployment, industrial policy—chiefly small business—and agriculture. There is no doubt that unemployment causes major hardships and hazards in our society. There is also no doubt that high employment means a healthy economy in our democratic countries. The impression seems to be widespread that our government is not doing much to alleviate the situation. This is quite untrue. It is a bad situation, but the government is doing its utmost to remedy the problem.

An 8 per cent unemployment figure is very high. The government is not shirking its duty. It is endeavouring to pinpoint the trouble and to bring about a reversal of this trend, and has made some very definite moves to help employ more people. Between 1976 and 1977, 209,000 new jobs were created in Canada. In the last four years, one million jobs were created. Between 1970 and 1976, Canada had a higher rate of job creation than any other member nation of the Organization of Economic Co-operation and Development, including the U.S.A. and Japan.

One problem is that while employment opportunities are expanding, the number of people who want work is growing more rapidly. Each year another 200,000 young people enter the job market. The federal government stepped up their job creation effort. The federal budget of March 31 raised the 1977-78 allocation for direct job creation to $450 million. Then, on October 20 the new finance minister directed that an additional $150 million be placed in the job fund. He also

assured the Canadian public that a further $450 million has been set aside for Canada Works and Young Canada Works in 1978 and 1979.

Incentives for improvement in the employment level is a must, and the government is dedicating its utmost efforts to this end. To really boost job creation, we need an expanding economy, price stability, and a high level of demand for Canadian goods and services. The Canadian labour force that manufactures our goods is demanding such high wages that we cannot compete in the world markets with our fine products. We Canadians have to learn to "tighten our belts" and face facts. The British people have been on many an austerity program and they have survived. I am sure we can also, if we will co-operate to save Canada from economic disaster.

Even in the United States, where performance has been good, unemployment has risen again by about 7 per cent, and thus we find ourselves in Canada in the early stages of a national crisis, under dark economic clouds, with very high unemployment, very high inflation, and receding economic growth. Around us is a faltering world economy from which we can expect little stimulus. At least we are not alone, but that is very small comfort.

The outlook in Canada for 1978 is indeed brighter, according to some economists. The Bank of Canada is limiting increases in the money supply. This restraint policy serves the objective of returning the economic growth levels by beating inflation. This policy, some think, tends to keep us below our potential and is thought to be economically unjustifiable and politically imprudent.

Along this more optimistic trend are some suggestions: keep controls for at least one more year, cut down on personal income tax, and expand the expenditure program guidelines.

The importance of small businesses is being emphasized. A good rule of thumb to judge whether a company is lucky to have developed a major management structure is the number of people it employs. One hundred employees or less has been accepted as the standard for this group. One-half of the private sector work force is employed by small business. Twenty-six per cent of the total sales, which is $77 billion, is made up by small business. Twenty per cent, or $38 billion, of the GNP is accounted for by small business. There are 600,000 small businesses in Canada, including 240,000 incorporated firms and 360,000 unincorporated firms. Eighty-eight per cent of Canadian business employs 100 people or less. These people are a breed apart. They have pride in their contribution to our society. They believe in the value of hard work. They are independent and have a "take charge" attitude, and they like their government to stay at arm's length.

● (2100)

A major concern of small business is the availability of finance. The government may analyze the United States concept of a small business investment company which encourages the formation of pools of private risk capital for investment in small firms.

[Senator Norrie.]

Finally, a statistical handbook on small enterprises may be helpful to those interested in small businesses. This is something which our government cannot and will not overlook.

A major tactic is to encourage more Canadian multinationals like the success stories represented by Massey-Ferguson, Avco Industries, Northern Telecom, Noranda, Polysar, McCain Foods, Wajax Industries, Dominion Road Machinery and the Electrolosis Corporation, to name some. In fact, all multinationals reserve their product innovation for the home country, thus giving the parent company a world edge in new products and the weight to influence world market shares for its subsidiaries. These multinationals are important because they do their engineering for product innovation here in Canada.

At this point, honourable senators, I should like to bring to your attention a shocking production by the CBC on the tar sands, on September 12, 1977. The Esso Reporter Bulletin of October 5, 1977, was sent to me, and this is what they say:

> Few events concerning Imperial have aroused as much emotion as the CBC's production of *The Tar Sands* last September 12. The first reaction was sadness and dismay that the company could be vilified in such a manner.
>
> As it turned out, public opinion seemed to be against the program, if newspaper comment is any guide. The Calgary *Herald* called the show "a terrible failure of intellectual honesty" that "ranks just above poisoning wells." The Edmonton *Journal* said the program was "fundamentally misleading" and the *Citizen* said "not even compelling television can justify the unwarranted damaging of reputations." Commenting on the technique of fictionalized journalism used by the CBC, the Lethbridge *Herald* said "it cannot be fair and should not be repeated" and the Toronto *Star* said it was "unfit for a democracy."
>
> Opinion at Imperial is the program was a willful distortion of events, and Jack Armstrong wrote the following letter to the president of the CBC:
>
> Dear Mr. Johnston:
>
> During recent months Canadians have had the opportunity of discussing the ways in which government and industry may cooperate to serve the national interest in developing Canada's energy supply.
>
> All Canadians realize the magnitude of that task. Even in the best circumstances it will command all the resources of mind and will that our people can summon. We need their support.
>
> For this reason it was disappointing to me to see the attitude displayed by the Canadian Broadcasting Corporation in its recent drama, *The Tar Sands*. As you know, the film dealt with the negotiations surrounding Syncrude and attributed statements and attitudes that were utterly fictitious to various persons who were involved.
>
> The role of the CBC in this instance leaves me baffled. How can government and industry rally the

public to the tasks at hand if events are to be willfully distorted and characters vilified by our public broadcasting system?

Anthony Westell, writing on the editorial page of the Toronto *Star* about the program, expressed a very pertinent view: "Democracy is in enough trouble already without the CBC making it even harder for citizens to follow events and make intelligent judgments."

I have said before, and I say again, how can the economy prosper when a crown corporation is allowed to destroy fine industries with events that are willfully distorted and characters vilified, as is being done by our Canadian Broadcasting Corporation? Can such slanderous remarks be allowed in our democratic country such as Canada? There must be a limit beyond which slander and character vilification cannot go.

Agriculture is, of course, most vital to our well-being. At the present time the beef industry is in a depressed state. This three-year depression in beef prices is very detrimental to the economic prosperity of Canada as a whole. Unrestricted imports of beef, veal, and live slaughter cattle were recognized as a real threat to the Canadian industry by beef producers and by the provincial governments.

The Standing Senate Committee on Agriculture established a beef industry inquiry in an attempt to get to the root of the trouble in the industry. The committee heard beef producers voice their suspicions again and again that Canada had a cheap food policy, that once the long awaited price recovery began imports would be permitted to follow freely, and that the beef industry, and agriculture in general, would continue to be traded off in favour of manufacturing in international negotiations. It was these fears that prompted the demand for a beef import act and rejection of supply management.

The Standing Senate Committee on Agriculture considers the demand that Canada should have a long-term import policy for beef, veal, and live slaughter cattle to be a reasonable one, indeed a necessary one. Without such a policy Canada cannot maintain a productive, viable beef industry. The committee has made recommendations which will, if implemented, do much to reduce the negative influence that imports have on the Canadian beef industry.

● (2110)

Another area in the agricultural aspect which concerns me greatly is the indifference with which our governments, both federal and provincial, disregard the insidious harm caused by urban sprawl and the encroachment of highways and industries on our prime agricultural land. This prime agricultural land is gone forever—gone forever from a country which could become a leader in agricultural productivity in a world where the starving millions need large quantities of food.

I quote now from the booklet, *Agriculture and Land Planning* by Norman Pearson, put out by Agriculture Canada. Under the heading "Why Preserve Farmland?", the author writes:

> And yet the question is still posed: why bother to preserve farmland? This is the illusion of the limitless future, an illusion so dangerous because it blinds us to the realities of change. Let us explore this. Canada has a land area second only to China: less than 10 per cent of our 2,272 million acres is farmed, and slightly over half that is in cultivation. Two-thirds of Canada is climatically completely worthless in any practical sense for the commercial agricultural venture. Of the remaining one-third which is climatically favourable, the greater part is also useless because it is rocky, wet or steep. We are left with about 201 million acres of potentially useful arable land: a reserve area of about 27 million acres as yet undeveloped, and a developed area of 174 millions acres . . . Recent expansion has almost entirely been in the western provinces, and farming is in retreat in the eastern provinces. Only about 100 million acres is improved land and it is generally synonymous with the useful land and soils. Of that land perhaps 24 million acres is arable land in climatically favoured areas, and the great bulk of that land lies firmly in the path of urban development. Canada is now urbanizing so rapidly that already more than 76 per cent of the 1972 population lives in cities and towns, and in the period 1966-1972 this figure was augmented by 11.4 per cent. At this new rate, the forecast that shortly after the year 2000 A.D. Canada would be 90 per cent urbanized must now be revised. We will probably reach that situation by 1985.

In an address to the "Resources for Tomorrow" conference, Mr. Crerar further forecasts that if the present urbanization trends continue, by the year 2000 agricultural activity will be almost insignificant in the lower Fraser Valley, in most of southern Ontario and in the St. Lawrence low lands. This is where the bulk of the key 24 million acres of climatically favoured best soils lie. In the broad world spectrum concerning a food policy we are faced with enormous responsibilities to hungry peoples, according to a brief by CUSO. Canada has a responsibility to take a leading role in developing a world system of food reserves. The system should recognize not only need, but must be workable within the world supply and marketing system. This is a period of international concern about the world's ability to adequately feed its growing population.

Food shortages such as those seen in Bangladesh and the Sahel and Sudan regions of Africa cannot be overlooked or disregarded. While many views on world food security tend to focus on forces which are thought to be beyond human control, other more optimistic ones contend that the greater application of modern technology offers a primary solution. Still others consider the curent shortages as largely transitory, easily corrected through a more intelligent reorientation of priorities, and an overhaul by governments of those policies and conditions which influence the distribution and consumption of food.

A broad world food policy would stimulate our agricultural industry and give us a chance to produce food without flooding

the market. It is an enormous field for thought and action, and we need our smartest agriculturists to show us the direction to go, and our economists to co-operate in every way. It must be a united effort in all fields. There is no doubt of the need. Let's get going! Starving people cannot wait long.

I have just a few more words to say. Mr. Lang's announcement of the development of a container pier in Montreal comes as a severe shock to the Halifax and Saint John container port officials, Halifax has been trying to get an additional pier for several years.

It is hard to believe that the pier in Montreal would not have adverse effects on the Halifax pier. According to Atlantic Container Lines, there will be a drop of 6 per cent in the traffic going through Halifax. This will mean a lay-off of men, and fewer freight trains leaving Halifax will mean additional lay-offs. Has Mr. Lang no consideration of our high unemployment rate? The two ports will not be competing for new business, Mr. Blaikie said, because Halifax services container ships en route to the United States, while Montreal attracts smaller ships calling in Canada only.

There is a great amount of bulk traffic moving through the port of Halifax. It is still one of our busiest ports. The need for expansion—that is, another pier—is great and real, so I hope Mr. Lang will move cautiously and not destroy the efficiency and future of the container piers in Halifax and Saint John.

On motion of Senator Choquette, debate adjourned.

AGRICULTURE

MOTION TO AUTHORIZE COMMITTEE TO MAKE STUDY—DEBATE ADJOURNED

Senator Argue, pursuant to notice of Wednesday, November 2, 1977, moved:

> That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine from time to time any aspect of the agricultural industry in Canada; provided that all senators shall be notified of any scheduled meeting of the committee and the purpose thereof and that the committee report the result of any such examination to the Senate;
>
> That the committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination;
>
> That the committee, or any subcommittee so authorized by the committee, may adjourn from place to place for the purposes of any such examination;
>
> That the papers and evidence received and taken on its inquiry into the desirability of long-term stabilization in the Canadian beef industry in the preceding session be referred to the Committee; and
>
> That the committee have power to sit during adjournments of the Senate.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Agreed.

● (2120)

Senator Langlois: No. Explain.

Senator Argue: This is the same motion that the Senate has agreed to for a number of years. It merely gives the committee power to continue the work it has been doing in the past.

Senator Langlois: I move the adjournment of the debate.

Senator Argue: Perhaps I am a little sleepy. I wanted this motion adopted so we could have our meeting tomorrow, and proceed with our work.

Senator Langlois: The debate is adjourned.

Senator Argue: On this motion?

Senator Langlois: Yes.

Senator Argue: Very well.

On motion of Senator Langlois, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, November 9, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

AGRICULTURE

NOTICE OF COMMITTEE MEETING

Senator Langlois moved:

> That the Standing Senate Committee on Agriculture be authorized to meet when the Senate rises today, to hear evidence on the Canadian beef industry.

Motion agreed to.

SPEECH FROM THE THRONE

ADDRESS IN REPLY ADOPTED

The Senate resumed from yesterday consideration of Her Majesty the Queen's Speech at the opening of the Third Session of the Thirtieth Parliament, and the motion of Senator Frith, seconded by Senator Marchand, for an Address in reply thereto.

Hon. Lionel Choquette: Honourable senators, the Throne Speech was sterile and banal, and most of the arguments made by government supporters in its defence have been emaciated and dull. It is my intention this afternoon, therefore, to help alleviate with sustaining insight the intellectual famine which obviously affects several of my friends opposite.

Before I do that, Madam Speaker, I should like to congratulate this administration on its one worthwhile accomplishment since 1974: your appointment as Speaker of this chamber. You have presided over our deliberations with a degree of patience, equity, and resourcefulness that deserves nothing short of our fullest admiration and respect. It ceases not to amaze me, Madam, how a person as perspicacious as you are can remain a government supporter. But then again, I suppose you are as loyal and charitable as you are gifted. I want you to know, however, Madam Speaker, that if ever the embarrassment of your association with this blundering, comic-opera administration becomes more than your integrity and self-respect can bear, we would be pleased to welcome you into that refuge of right and reason known as the Progressive Conservative Party.

Some Hon. Senators: Hear, hear.

Senator Perrault: Some harbour of refuge.

Senator Flynn: This offer does not extend to Senator Perrault.

Senator Choquette: Honourable senators, I could hardly begin my speech today without heartily congratulating our honourable and distinguished colleague, Senator Connolly (Ottawa West), for the gem he delivered yesterday.

Hon. Senators: Hear, hear.

Senator Choquette: We are old classmates at the University of Ottawa and I recall the history that we learnt there in those days, which were years ago. He seems to have not forgotten any part of the history regarding the French régime, and I think his speech should be given all the publicity that it deserves because it is unbelievable that descendants of people who have done so much to help build this great country of ours could think of breaking it apart.

Since November 15, 1976, the question which Canadians throughout the country have been asking themselves concerns the future of this very land. We know that the destiny of peoples is not written in the stars, but is molded by man. It follows, then, that it is up to us to develop solutions, but finding a common denominator among the myriad of ideas, points of view and expressions of feelings which emerge from each of Canada's regions is not an easy matter, especially so when a most important and most dramatic hour is ringing at the clock of our history. This, indeed, commands us to search for solutions, but before defining or exploring solutions which would be acceptable to the immense majority of Canadians, let us try to find out why we are in such a situation today. To use a common expression, let us go briefly to the root of things. Honourable senators, I am asking myself and, indeed, asking my anglophone compatriots, whether the French language and culture need to be observed and developed in all regions of this our beautiful country? I am inclined to speak in the affirmative when considering statements made on this subject by some eminent and important people.

Let us recall that Her Majesty Queen Elizabeth spoke highly of the French language when visiting Quebec City on October 10, 1964. She said, and I quote:

> It is most agreeable for me to think that there exists in our Commonwealth a country where I am able to express myself officially in French—one of the most important languages in our western civilization.

• (1410)

That same year, President de Valera made an official visit to Canada. On June 3, 1964, he delivered a memorable address to the members of the Canadian Club in Ottawa. The next day, the Ottawa *Journal* commented as follows:

> President de Valera, that Celtic sage, told the Canadian Club yesterday that he believed no part of the world had such bright prospects as Canada.

The above quotations are certainly attuned to the testimonies of some of the best Anglo-Canadian historians who wrote on

the same theme. Allow me to refer to *Canada, Nation and Neighbour* by Arthur Lower, formerly head of the Department of History at Queen's University of Kingston. I quote:

> The foundations of French Canada were laid in the seventeenth century, at the proudest period of French history . . . Every French-speaking Canadian retains these racial memories; he is a citizen of no mean city, the scion of the proudest culture and the greatest state in the world.

In another of his works—namely, *Canadians in the Making*—Arthur Lower went further. He said:

> To English Canadians, immersed in their own rich heritage, it rarely occurs to reflect that their French fellow-citizens brought with them the proudest and most distinguished tradition of Europe.

Lastly, when he was Governor General of Canada, Vincent Massey, during a convocation at Carleton University in Ottawa on May 24, 1963, said, and I quote:

> How many English-speaking Canadians fully accept the implications of the fact that in this country we have two different cultures existing side by side. This is embedded in our foundations.

In short, Vincent Massey did not ignore the existence of the two peoples who founded Canada; but neither did he disregard the new Canadians who came from Central Europe and settled in our country. On June 1, 1964, while speaking to the members of the Canadian Club in Charlottetown, he said:

> It must be remembered that more than a quarter of our population comes of neither French nor British stock. We welcome the cultures which these people have brought with them; we value the rich contribution they make to our national life. We, however, have two founding races, French and English in origin, their languages and cultures having a permanent place in the national scene. This is an historical fact, not a political judgment.

Closer to home, on January 17, 1967, Robert Stanfield, then Leader of the Progressive Conservative Party, made a similar statement when addressing the German-Canadian Club of Toronto. The next day, the Ottawa *Journal* wrote that Mr. Stanfield had spoken with wisdom. It added, and I quote:

> Opposition Leader Stanfield followed his promised formula of "straightforward talk and frank consideration," when he told a German-Canadian Club in Toronto that the French language had special rights in Canada. An inheritance of history. There were surely those in his audience who thought German was entitled to rights as well as French and English, but Stanfield gave them no encouragement. His frankness was admirable.

Honourable senators, many fellow-citizens imagine that national unity is being fostered by the unity of language while language diversity is prejudicial to that unity. I must state that such people are mistaken. To demonstrate what I mean, allow me to draw the attention of honourable senators to Willie Moore's writing in *The Clash* on page 302. I quote:

[Senator Choquette.]

> Homogeneity is no assurance against the disruption of the state . . . Our English-speaking Protestant Loyalist ancestors who fought against their English Protestant revolutionary neighbours . . . Nor did homogeneity in language save the United States from civil war in the eighteen-sixties. Protestant fought Protestant and in both armies English words were the words of command. The fact that the Englishman of England and the American of the United States spoke the same language, in 1812, did not prevent them from fighting. We had a domestic clash of arms ourselves twenty-five years later and men did not divide upon their manner of spelling freedom but upon their manner of thinking freedom. No! There is something better than "one school," and "one language": It is harmony in diversity.

And summative ideas of Willie Moore could be condensed, I think, in the following sentence: "If we cannot sing in unison, let us sing in harmony; it is so much nicer."

Taking into account the preceding quotations and remembering what has taken place in the last 50 years, are we not to wonder that English Canada has failed in its mission of also contributing to the survival and development of the French language and culture in Canada? Perhaps we can echo here the complaints penned by Douglas How in *Reader's Digest* on June 17, 1963. I quote:

> A country sinking roots in both of the two greatest cultures and languages man has created would not only be a country distinct; it would be a country of hope and significance far beyond our shores . . . Here, at its best, is possibly the most beautiful language of man (the French language), the key to a magnificent literature and culture, a vital tool of diplomacy. History gave to this country an unusual opportunity to do something with it and we have failed. This failure in Canada to sell, even to come close to marketing properly the most charming language in the world.

During the difficult years which are to follow, let us wish for the union of all Canadians of good will so that our country, strengthened by the lessons of the past, will be up to its remarkable destiny and will be at last able to rest its hope on a future full of promises.

In the course of this debate a lot has been said about the French language, bilingualism and biculturalism, and that the knowledge of French by anglophones would do a lot to foster unity in this country. The question of how French should be taught has not been dealt with at all in this debate.

I am confident that if the French language had been taught properly in English schools in the last 50 years about 75 per cent of the honourable members in this chamber would be bilingual, and I am pretty sure that half of the population would have a working knowledge of the French language.

Hon. Senators: Hear, hear.

● (1420)

Senator Choquette: Unfortunately, although French was a compulsory subject in high schools, I was always amazed that

after taking French for three or four years the anglophone students were unable to carry on a conversation in French.

We might ask ourselves the reason for this situation. The only answer I can find is that the French language was poorly taught. Instead of teaching conversational French, the students were asked to conjugate irregular verbs and memorize intricate rules of grammar and of syntax which we all know are most difficult. Not only that, but the students were told that they would not be understood by French Canadians because the latter did not speak Parisian French but a language made up of part Cree, part Huron and part eighteenth century French. This notion has prevailed for many years and is still prevalent in certain quarters. In other words, honourable senators, French, in the last 30 or 40 years, has been taught as a dead language, just as Latin and Greek were taught, and as long as the graduate knew a few rules of grammar it did not matter whether he could carry on a conversation or not. That should not have been the case, and it will not be the case in the future, because children are starting to speak now at a very early stage, and that is the time to learn.

I should like to tell you an anecdote about something that happened in the thirties when I was studying law. At that time I got acquainted, and rather well acquainted, with some of the famous European French professors who were teaching in the University of Toronto. We used to have dinner together on Bloor Street, or on Yonge Street near Bloor Street. One day one of them said, "How would you like to teach two nights a week at a place called Western Tech, because I've got other things to do that are better paying than that." I said, "Sure, I'll do that for $8.50 per night, two nights a week." In those days it paid my room and board. So he said, "I'll take you to the principal, and I'll introduce you to him." So I went with him and we met the principal. Then, after the introductions, he left on his own. The principal looked at me and said, "Listen, young fellow. This might be a whole lot of nonsense, but you will have to tell these pupils that you are from Paris." I said, "Well, that will sound pretty ridiculous. The farthest east I've been is Montreal, and the farthest west is Toronto, and these people are in their early thirties, or late thirties or forties. They might have been all over Europe. What if they ever talk to me about places in Paris? I would look stupid." He replied, "Well, the next best thing you can do is to tell them your parents came from Paris, that they brought you to this country when you were only 10 years of age and that you don't remember very much about Paris and other places in Europe." He then handed me the grammar, which was child's play for me, and he handed me the text book, with the essays. I gave my lesson. The students were grown-ups, as I say, and right after the class was over they came round to me, and the inevitable question was asked, "Are you from Paris?" I said, "Well, it's like this . . ." and I told them about my parents, and myself at 10 years of age, and they said, "We knew the minute you opened your mouth that you were not a French Canadian."

I then said, "What are you translating just now?" They said that they were translating what is considered a classic, and is still considered a classic, and is taught in universities and high schools, namely, "La Dernière Classe de Français," by Alphonse Daudet, which is a story told by a young Alsatian after France had fallen into the hands of the Prussians around 1871. It happened that I knew it by heart, because the preceding year I had won a gold medal in a contest by reciting it. I said, "I'll tell you what I'll do. We'll complete the translation in a few lessons, and I'll recite it by heart for you."

The word got around, and the night I was to recite the story I had a full house. The professors had heard about it, and those who had been teaching it for years in high schools and universities were present. They came to me afterwards and said, "We never thought it was possible to memorize such a long story, and we're glad." Nobody said, "Did you recite it in Parisian French or Canadian French?" I just said that I had recited it the way it was written by the author.

That, honourable senators, is one of the reasons why people did not want to converse. They were convinced that they had learned Parisian French, and that what was spoken here by the usual Canadian of French origin was what was called a patois.

Senator Bourget: Or "joual".

Senator Choquette: Or "joual." It is difficult to learn another language past the age of 40, and here I should like to open a parenthesis to congratulate Senator Keith Laird and Senator Hastings, who, at their age, learned French and gave us a speech in this house which surprised everybody. Their French was correct and, I would say, flawless. This is concrete proof that with perseverance, hard work and a good professor, French, or any other language for that matter, can be learned.

In conclusion, I wish to say that I was very impressed by the speech delivered in this house by Senator Marchand on October 19 last. This honourable senator knows the situation currently existing in his province. He knows its people, perhaps better than any other Quebec politician, and I admire him for his stamina and courage. I believe him when he says that on November 15 last the voters of Quebec did not vote in favour of separation, and with him I say that we should, all together, try to convince Mr. Lévesque to hold his referendum as soon as possible, so that we may finally know where we stand and shed our poker faces, because we have no indication as to what tomorrow may bring.

Hon. Allister Grosart: Honourable senators, I regard the customary tributes which we normally pay in the debate on the motion for an Address in reply to the Speech from the Throne as something more than mere traditional conventions. They give us an opportunity, once in a session at least, and sometimes oftener, to recognize those whose endeavours do so much to make the work of this chamber as successful as it is.

I refer, first of all, to Her Majesty the Queen, who, on this particular occasion, joined us in this chamber and took part in the activities of the Senate. In a very gracious speech she indicated her satisfaction at having been to Canada seven times in the last decade, and will be here again at the time of the Commonwealth Games in Edmonton next year.

● (1430)

You, Madam Speaker, have once again added further to the prestige of the important office which you hold, and many of us who know of your activities outside the chamber are aware that the presence of the Speaker of the Senate is now regarded as essential at various functions of national and international significance. In addition, you have presided over our meetings here with that mixture of firmness and tolerance which is known as the mark of a great Speaker.

The Government Leader, as we all know, has carried out his very difficult role with unquestionable skill—the skill, of course, being proportionate to the difficulty of the role which we all recognize as being at times anomalous, in that he is a member of the cabinet. Legislation which is brought before us is legislation which he has discussed and, generally speaking, approved. He then has the task of making sure that the approval of the Senate is obtained. He has carried out that difficult role with unusual vigour, a vigour perhaps matched only by the vigour of the Leader of the Opposition.

It is very much in the interests of the Senate that we have leaders on both sides who state their positions with vigour and decisiveness. I have, of course, special reasons for knowing the nature of the heavy load that is carried by the Leader of the Opposition. Many references have been made to the reasons for that difficulty, and I know that the Leader of the Government is aware of them. I believe that all honourable senators are as anxious as we are to see some relief given to the Leader of the Opposition and to the group which supports him.

It is not for me to speak of the great importance of the office of Deputy Leader of the Government, but in Senator Langlois we have one who has given a new importance to the role of deputy leader. He has, in effect—and the Leader of the Government will understand what I mean when I say this—raised that office to that of leader of the house in this place. We all appreciate that he states his positions with vigour, and with more vigour when those of us on this side disagree with him.

The Whips, of course, have an important part to play in the activities of the house. It is not surprising that those who have been chosen for these offices are men of warm personality, and persuasiveness of manner and speech. We on this side think that Senator Petten is too effective at times, and I am quite sure he has earned the eternal gratitude of the Leader of the Government and the government itself for the skill with which he was able to prevent what would have been a sensational defeat of a government measure in this house.

Senator Flynn: You refer to the Inuit?

Senator Grosart: Had it not been for his hard work and his skill on that occasion, the Senate would have gone down in history, and for the first time in years, as taking a firm stand in what not quite a majority of the members of the Senate believed in at that particular time. His skill, however, was noticeable, if regrettable from our side.

The officials in the chamber do their work unobtrusively but well, and we hear few, if any, complaints.

[Senator Grosart.]

The same applies to the staff. I think all senators will agree that we have in the Senate a staff remarkable for its loyalty to individual senators as well as to the Senate itself.

Hon. Senators: Hear, hear.

Senator Grosart: Not all institutions in the world today can boast that kind of loyalty. It is certainly noticeable to me, and I am sure to other honourable senators in their contacts with the staff.

The mover and the seconder of this motion faced a difficult task, but they performed it well. I would say that this may have been the most difficult year in all the history of the Senate for the mover and the seconder to make sense out of some parts of the Speech from the Throne. They tried hard, but I will not say that they succeeded.

I was particularly interested in the speech of the Leader of the Government. He always makes an outstanding speech, and on this occasion he did not fail us.

Quite properly, and quite appropriately, he devoted most of his speech to replying to the excellent speech of Senator Flynn, the Leader of the Opposition. I say "appropriately" because if ever there was a speech made here that needed a reply, it was that searching analysis and exposure of government ineptitude that Senator Flynn made.

Senator Perrault's main complaint, of course, was that Senator Flynn was not optimistic. He found it strange.

Senator Perrault: That is right.

Senator Grosart: He thought Senator Flynn should exude optimism about the work of the government, even about its ineptitude and its mismanagement of the economy. Senator Perrault quoted Senator Flynn on an occasion in May 1958 when he was optimistic about government policy. I think Senator Perrault, who may have been quoting Senator Flynn on the spur of the moment, forgot the circumstances. The circumstances were very similar to the circumstances today because a Liberal government, in office for many years, had recently brought about the worst recession since the depression, the highest unemployment in Canadian history, continuing deficits in trade, and complete contempt for Parliament in the pipeline debate.

Senator Flynn was optimistic because a Conservative government had taken over and was already beginning to remedy those deficiencies in the administration of the Liberal government—so much so, that unemployment immediately began to drop and it continued to drop. That government brought about the first favourable balance of export trade in the decade. It restored confidence in Parliament. Looking forward to that, Senator Flynn was—and properly, I think—optimistic on that occasion. But Senator Flynn is now back to the same kind of pessimism that he had prior to June 1957.

Senator Perrault: Twenty years in the Tory caucus has done that.

Senator Grosart: Twenty years in the Tory caucus and ten magnificent years as Leader of the Opposition in the Senate. A tribute was paid to him last week for his ten years as Leader of

the Opposition in the Senate, and I can only say that there are millions of Canadians who fervently hope that this year will be his last year in that capacity. As a matter of fact, the only grounds for any optimism that Senator Flynn may have is the prospect of that change of government. I, for one, in common with many other senators, expect to see Senator Flynn performing an important and distinguished role in that new government.

I need hardly say that Senator Flynn's pessimism is widely shared in Canada today. Even the Leader of the Government gave us some grounds for pessimism. In his speech he said, for example, and I quote from our *Hansard* of October 25:

● (1440)

> International investors want the best return for their money for the least risk, and for one reason or another they feel that there are certain risks involved in investing extensively in our country at the present time.

Quite true, and not grounds for optimism. He also said:

> How can we become more competitive in the world unless we make a concerted attack on the number one problem—inflation and a high-cost economy, an economy which is 20 per cent less productive than that of the United States but has 7 per cent higher indemnities for workers?

Not grounds for optimism.

As a matter of fact, if Senator Perrault had obtained more up-to-date and correct figures he would have given us even greater grounds for pessimism, because instead of a drop from 23 per cent actual growth in government expenditure, the figures are rather different. However, I was amazed at the suggestion that we should be optimistic, should praise the government for its having reached 23 per cent, which was Senator Perrault's figure. It has now dropped to 9 per cent, and we should now praise that government. We should praise the government which actually, for the first time in history other than in wartime, increased its expenditures by 23 per cent in a year.

But that is not the whole story; the figures are much worse. They make it quite clear that this government reached a top level of year-to-year increase in federal government spending of 28.7 per cent, followed by 22.9 per cent the next year, which was Senator Perrault's figure. The figures also show that in spite of the fact that the government announced restraint in its spending in June 1975, I believe, the growth in government expenditures in 1977 was greater than in 1976. Finally, of course, in the comparison between the growth in expenditures of the various levels of government, the federal government leads the others.

Now, it is often said that anyone can quote figures. Whose figures are they? These are not my figures; they are not from labour, and not from the business community. These are figures from the AIB, the government agency whose function is said to be that of controlling such matters—controlling this kind of spending and these kinds of increases. Perhaps I should read the figures into the record. They will be found at Table 1.1 in the Second Year Report of the Anti-Inflation Board. The percentage changes in federal government expenditures on a national accounts basis for 1972 to 1977 are: 1972, 15.8 per cent; 1973, 11.4 per cent; 1974, 28.7 per cent; 1975, 22.9 per cent; 1976, 9.4 per cent; and 1977, 13.7 per cent. For the current year, the percentage increases in expenditures by other levels of government are: provincial governments, 12.1 per cent; and local governments, 7.4 per cent. Those figures have to be compared with 13.7 per cent for the federal government.

I cite those figures because we have been told often by the Leader of the Government and other government spokesmen that the real culprits are the provinces and the municipalities. That simply is not so. The greatest increase in year-to-year expenditure in 1977 was caused by the federal government.

The Leader of the Government also reminded us of some other causes for pessimism. He recalled double-digit inflation. Of course, he said we do not have it now, only that we had it. He also said that, in his view, there are grounds for optimism because the Auditor General said—and he quoted him as saying it—that the government had "got its own act under control." That may, or may not be so. However, this obviously raises the questions: Who caused these high level problems? Who was responsible for 23 per cent and 29 per cent increases in government expenditures? Who was responsible for bringing about a $9 billion deficit in export trade? Who was responsible for double-digit inflation?

It is quite true that not all the responsibility can be laid at the door of the government. I will admit that in a moment. The international situation has had a great deal to do with it, but the Leader of the Government also told us that we should be optimistic because Canada has tremendous natural resources, which, of course, is true. But, who has diminished the initiative of and the incentive for the private sector in the development of our natural resources? There is only one answer: The present government, by unwise, unsound intervention, restrictions and regulations. The fact of the matter is that, given those great resources, Canada should not have the problems it has. Other countries, which do not have those resources, have weathered this international storm considerably better than we have. I am thinking of much smaller countries than Canada which do not have those resources.

It seemed to me that Senator Perrault was almost suggesting that Senator Flynn should be optimistic about inflation, and what the government is doing to bring it down. Here again the facts, in my opinion, seem to justify Senator Flynn rather than Senator Perrault, because the inflation rate today is 8.4 per cent. Last year it was 6.5 per cent, and the government prediction for this third year of controls was 4 per cent. No one believes that we will even begin to reach that.

Our currency is collapsing. The dollar has dropped below 90 cents U.S., and the Bank of Canada is losing millions of dollars in attempts to support it. One of the finance minister's own officials, Dr. Hood, stated that each percentage point drop in the value of our dollar compared to the American dollar—which itself has been dropping on world markets—will result in approximately one-tenth of one per cent further

inflation in a year, and three-tenths of one per cent in two years. If it continues, it will be a major contributor to further inflation. Again, the nation's deficit account in international trade is the highest in history. The annual deficit in our financial statements is higher than it has been for years, and our public debt, of course, is increasing by leaps and bounds.

With respect to the standard of living of Canadians, when the present government took office we were second in the world, second only to the United States, but every year this government has been in power the standard of living of Canadians has dropped. I am not able to ascertain where we are now because international comparative figures are slow in coming in, but certainly we have dropped to sixth or seventh—

Senator McDonald: Seventh.

Senator Grosart: Senator McDonald says seventh, and I take his word for it. That is bad enough, without suggesting that it may even be lower, but in the period in office of one government, a decade or so, we have dropped from second place in the world in respect of standard of living to seventh place, in spite of the head start we had over all other nations by reason of our natural resources. Is this a ground for optimism? I think not.

There was some suggestion made that the government restraint program in the federal public service should give grounds for optimism. Again, the facts would suggest pessimism. We now have, I am told, 580,000 employees in the federal government and its enterprises, which represents an increase of 13.7 per cent over the figure of a year ago, and it was then that we had all of these assurances that the government was holding the line on the hiring of further government employees.

● (1450)

The curtailment of the free enterprise system by this government is certainly one of the major causes of the current economic mess in which we find ourselves. The *Financial Times* put it well quite recently when it said:

> This country is rich in natural resources and skilled, educated people. The economy is like a great machine which has been badly run and damaged by careless operation.

And so it goes across the country. I have been unable to find any optimism anywhere in the country. I have found no evidence among those with whom I have discussed this, including supporters of the Liberal Party, that they are optimistic about the immediate future of this country under a Liberal government.

Senator Flynn's pessimism is, I think, the mood of the country at the moment. To say, as government spokesmen, including the Prime Minister, have said, it is not the fault of the government, but the fault of the country, the fault of the people; to say that the people should tighten their belts when the government refuses to tighten its own, and so forth, is the worst kind of evasion.

To quote Peter Cook of the *Financial Times*: "The major concern is the Trudeau government's penchant for self-delusion when it comes to economic policy." I think that is probably one of the major grounds for Senator Flynn's pessimism. The government seems to keep on deluding itself into believing that all is well. Senator Perrault has said we should be optimistic, we should be cheering, we should be Pollyannas. Surely a little pessimism as to the immediate future of the country under the present policies of this government is the best thing that could happen to the government. As long as the government continues to be optimistic, it is not going to change its ways or its policies. The government needs a good dose of Senator Flynn's pessimism.

The Montreal *Star* asked, "Can Ottawa expect the rest of the world to believe, without a concentrated effort, that the economic management of the country is in competent hands?" The rest of the world does not believe it. Pessimism is justified on that score. The Winnipeg *Free Press*, referring to the so-called mini-budget, the new directions the government suggests in its policies, said, "More of what doesn't work." And so it goes. This country is pessimistic about its prospects under the present government. We are not at the moment, as Senator Perrault hopes, "a nation of optimists."

In bringing this matter to the attention of the Senate and to the attention of the government, I have tried very hard not to quote partisan sources. I looked for the considered judgment of those who could in no way be accused of a partisan approach. I thought immediately of the C. D. Howe Institute and Carl E. Beigie, who is certainly not a partisan supporter of any party. In a recent speech, looking, hoping for solutions to the problems, and assessing, therefore, the present policies, Carl Beigie made a harsh assessment of the situation. In fairness, he does say that he cannot see how the government can do much to change its present policies. He suggests that the government has trapped itself into a position where it just has to go along with the present policies. In that context, he says:

> Two years ago the federal government embarked on a major new approach to economic policy in Canada. After two years the most visible results of that approach—which has come to be known as "gradualism"—are an unemployment rate of over 8 per cent; an inflation rate of just under 8 per cent; a depreciation of the Canadian dollar of about 10 per cent over the past year in relation to the U.S. dollar, which has itself been declining in relation to a number of other currencies; and an economy that exhibits balanced weakness in all major sectors. With that kind of performance it would be an understatement to say that the policy of gradualism is experiencing some difficulties.

A final comment, again an impartial one, from the Economic Council of Canada. In one chart the ECC shows a comparison of the national productivity of seven countries, the key indicator of our standard of living, and of the seven Canada is at the bottom. Looking to the future, the Economic Council of Canada—surely as impartial a group as any could be—had this to say:

> Even with the set of stimulants introduced by the Minister of Finance in October, the outlook for the next five years,

as we perceive it, is for relatively modest growth, persistent inflation, high unemployment, and very large current account deficits.

Honourable senators, those are some of the reasons why some of us—in fact, most Canadians—are at the present time pessimistic about the economy. We are pessimistic about the immediate future, but not of the future of Canada itself. There are some very hopeful indicators of optimism on the horizon—both the horizon before us and the horizon behind us. One, of course, is that the economy has survived this decade or so of Liberal government ineptness. The economy is sick, but the patient has survived. He is still alive and merely waiting for a new doctor to come along, analyse his symptoms, and restore him to health.

Senator Perrault: We don't want any quacks in there.

Senator Grosart: That was an unfortunate intervention by the Leader of the Government. Talking of quack remedies, I do not suppose any government in the history of this country has ever come forward with more quack remedies than has this government. The government has come along with policy after policy, with high hopes and great predictions—such as a 4 per cent rate of inflation in this third year—none of which have worked. They were all quack remedies.

I think it was an unfortunate intervention on the part of the Leader of the Government. I have considerable sympathy with him inasmuch as he has to live with this quackery and come here so often and defend it—and defend it against some pretty good doctors that we have on this side, such as Senator Sullivan and "Doctor" Flynn.

Senator Perrault: It all amounted to malpractice when the Tories last governed.

Senator Grosart: There is no question that they are out of practice. That is one of the unfortunate happenstances that every country has to put up with.

During my remarks on the record of the last Progressive Conservative government, I expected Senator Greene to ask why it was that it did not stay in office. Unfortunately, Senator Greene is not here today. I merely say that my reply would have been—and this may be something of an indication of the immediate future—that that government was defeated, unfortunately and regrettably, partly because the value of the Canadian dollar dropped to 93 cents. It is now lower than 93 cents, and I believe that public reaction will be the same. Because of that, and because the time may not be too distant, we have some degree of optimism and will accept to that extent the urging of the Leader of the Government that we be optimistic.

● (1500)

Senator Bosa: Will the honourable senator permit a question?

Senator Grosart: Of course.

Senator Bosa: I did not want to interrupt the honourable senator when he was speaking, but he referred to the increased expenditures of this government. However, he did not differentiate with respect to how much of those increased expenditures are attributable to statutory conditions which the government has nothing to do with.

Senator Flynn: On the contrary! They are responsible for those very conditions.

Senator Grosart: I have to say, first of all, that the premise of the honourable senator's question is unacceptable. He said that government expenditures were controlled by statutory provisions which the government had nothing to do with. The fact of the matter is that—

Senator Bosa: I said some of them; not all of them.

Senator Grosart: Some of them or most of them—it doesn't matter. Government expenditures cannot be made unless there are statutory provisions for them. The vast majority of the expenditures are the result of statutory provisions put through Parliament, and by this government, so I do not see why the honourable senator suggests that the government can hide behind the fact that the expenditures are statutory. Of course they are statutory. There are no other kinds of major expenditures permissible under our system.

Senator Smith (Queens-Shelburne): He is referring to statutory items in the estimates. You know what he means.

Senator Grosart: Of course I do.

Senator Flynn: But you don't understand what the reply was.

Senator Grosart: They are statutory items, of course. Why not?

Senator Smith (Queens-Shelburne): The point Senator Bosa was making is that these expenditures, or a large proportion of them, are directly related to statutory items in the estimates.

Senator Flynn: They forced Parliament to pass them.

Senator Smith (Queens-Shelburne): He was referring to statutory expenditures which the government has nothing to do with.

Senator Grosart: Of course it has, because every statute is before Parliament every year. There is nothing to stop the government from saying that the expenditure under a particular statute is more than it should be. The government should be the first to say so.

Senator Flynn: They can repeal the laws, in that case.

Senator Goldenberg: May I ask Senator Grosart a question? Can the government say, "We will not pay the interest due on the debt"? That is the sort of statutory obligation Senator Bosa was talking about.

Senator Grosart: That is far from being a statutory obligation. It is not a statutory obligation at all. The honourable senator is, I think, just guessing with his question. Interest on the debt is one of those expenditures which are not statutory, and it amounts to about 14 per cent of the total federal expenditure in any year. It is not statutory, and there are some others too.

Senator Flynn: Who borrowed the money, anyway? The government did.

Senator Bosa: I wonder if the honourable senator will permit another question. He suggested that the only reason the Conservative government was defeated in 1963—

Senator Flynn: It was one reason.

Senator Bosa: —was because of the devaluation of the dollar. Would the honourable senator not refer also to other matters such as the many resignations from the cabinet and the great dissidence within the cabinet at that time?

Senator Flynn: Not in 1962.

Senator Grosart: As I said, there are great similarities in situations between then and now. There have been some spectacular resignations from the present cabinet. I think the honourable senator is making a very good point.

Motion agreed to, and the Address in reply to the Speech from the Throne adopted.

Senator Perrault: Honourable senators, I move, seconded by the Honourable Senator Flynn:

> That the said Address be engrossed and forwarded to Her Majesty the Queen.

Motion agreed to.

Senator Perrault: Honourable senators, I move, seconded by the Honourable Senator Flynn:

> That an Address be presented to His Excellency the Governor General praying that His Excellency will be pleased to transmit to Her Majesty the Queen an engrossed Address, which the Senate of Canada, in Parliament assembled, adopted in reply to Her Majesty's Speech at the opening of the Third Session of the Thirtieth Parliament.

Motion agreed to.

Senator Perrault: Honourable senators, I move, seconded by the Honourable Senator Flynn:

> That the Address to His Excellency the Governor General, adopted this day, be engrossed and presented to His Excellency the Governor General by the Honourable the Speaker.

Motion agreed to.

THE ECONOMY

STATE OF SECONDARY INDUSTRIES IN CANADA

Senator Paul Desruisseaux rose pursuant to notice of Wednesday, October 26, 1977:

> That he will call the attention of the Senate to the state of secondary industries in Canada.

He said: Honourable senators, if I may be permitted, I will give the address which I had intended to present last June. I have made a few amendments to it since then.

Senator Flynn: You have up-dated it.

[Senator Grosart.]

Senator Desruisseaux: Yes, I have tried to up-date it, but it was difficult to do that because we have to keep in line with the facts.

Many of the views I will be expressing today are supported in an analysis of the condition of the Canadian industry, with special emphasis on its secondary manufacturing, which was made by the Science Council and released by it in October, and I intend to refer to that analysis. As will be noted, the Science Council explores, "solutions to deep-seated industrial problems bearing upon its capacity to innovate, to compete and to prosper economically," and, I also deduce, to give the most employment to the most Canadians.

The Economic Council as of yesterday issued its own assessment of this situation, and although I make no reference to it because I did not have time to look at it as I should have liked, I do hope that you will find time to read its analysis and the statement of concern which it made.

● (1510)

[*Translation*]

Our secondary manufacturing industry is in a terrible state.

In my opinion, Canadian economic advisers made a terrible mistake in evaluating what should have been done to guarantee the best possible growth. Of course it is not by sacrificing our secondary manufacturing industry to importation that we shall meet acceptable short- or long-term economic growth objectives.

Whatever we may say, free trade as we understand it is disastrous for our country if it does not also involve in return the firm guarantee of at least comparable exchange and export reciprocity. If it causes a progressive weakening of important sectors of our manufacturing industry, as is now the case in Canada, it is no longer to our advantage. The theory that we should support a systematic destruction of whole sectors of our manufacturing industry is wrong, irresponsible, damaging and perhaps even fatal for major Canadian sectors. In fact, this destruction was decided without consulting those most concerned. It goes against the best interests of our country and creates major regional disparities which are quite costly to alleviate.

The Economic Council of Canada, which recommended acceptance in the past, unfortunately did so without asking for the participation or the acceptance of the provinces involved and, I believe, without taking into consideration the economic and even the social consequences for the regional sectors concerned. The public servants who then applied this acceptance to the policy that was recommended to the Minister of Industry, Trade and Commerce, did so while knowing very well how this would hurt the economic future of major sectors and without providing a guarantee of equivalent compensating action. They also gave the public a guarantee that jobs that would be lost because of this would be replaced, which promise was never kept.

Moreover, we should certainly not have been represented at GATT by people who may be brilliant, but who belong to this same school of thought and who kept on trying to make us

accept this type of damaging trade without any consideration for the harmful effects of some of their international agreements. The economic philosophy of GATT must be reviewed if we want it to serve our country. The massive admission of imports to gain the favours of certain foreign countries and to open international trade outlets is a direct cause of the deterioration of a large part of our national and regional economy, of our high unemployment, and of the large expenditures that must be added to fight against resulting new unemployment. This was for us a real national economic disaster.

To solve such problems, Australia, which is somewhat similar to our country, is now considering a white paper on relations between manufacturers and the state. This country is looking for an effective method to ensure intelligent relations between the state and its departments on the one hand, and manufacturers on the other, through an active and non-political manufacturing council which would be directly responsible to the trade minister and which would consider and analyze legislation and problems related to tariff protection or the subsidies and concessions to be made because of international agreements.

The Australian white paper also invites Canada to consider a review of its economic approach, studies and methods to develop its manufacturing economy.

The progressive destruction of major sectors of our secondary industry constitutes a serious economic heresy that should be eliminated. It undermines the very base of our economy. Maintaining the strength of our secondary manufacturing industry, as in all other industrial countries, is essential to Canada particularly at this time if we are, as required, to provide the highest employment rate possible for Canadians and to give this country the self-dependence it needs in its international trade. We must redirect and correct immediately the economic formula now used. It causes at present major damages which directly affect and delay our national economic growth. It has never achieved real, productive and good results in the Canadian economy although we were entitled to expect it. It has made its way in providing dreams to Canadians and very costly commercial baits to other countries.

We at the federal level have no right to jeopardize large segments of our economy, with overt lightness quite unjustified by our economic destiny, even under the pretence of assisting foreign countries which are in need. We are also in need and the systematic sacrifice of our secondary manufacturing industry is much too disastrous to accept it.

At any rate, at this important time in our history, the continued application of this theory will not take place without a relentless fight by the provinces concerned and without a deep and important response on the part of hundreds of thousands of Canadian workers. They find themselves on forced leave on a permanent basis, being therefore plunged into some kind of submissiveness or misery and faced with the indignity of being unemployed, under false pretences, such as to argue that we must assist foreign countries in need and that it is now important in this country to allow massive transfers of unemployed people so that they find a job elsewhere, without being concerned with the social and economic effects it will have on those families who live in the affected areas, while creating new economically unproductive and weak regions which the state will have to subsidize and help for ever after.

[*English*]

The economists, the manufacturers, the industrialists and, recently, some of our ministers, are warning us of a possibly much larger collapse of our present national economy. For sure there are reasons presently for streamlining and modernizing our economic philosophy along more realistic and more practical lines, both domestic and international. For sure there is in our economy an urgent and direct need for a much stronger labour-intensive manufacturing sector which can add value to resources and which can create wealth, which is synonymous with productivity. Growth of productivity can improve our national standard of living and fill more quickly the gap in our economy. It will soon be realized that forcing our dollar value down, thus making Canada poorer, is a very expensive and a very uncertain way to make our Canada competitive on the world markets. Productivity is value added, and we know it is highly important in manufacturing. Improvements in national productivity come in large part from goods-producing industries and from manufacturing in particular.

● (1520)

This is the sector that has the greatest ability to apply capital and where the greatest potential for economies of scale and specialization can be found. It is the employment incomes and wealth created by manufacturing and their producing industries that provide most of the support for our vast service industries.

Secondary manufacturing upgrades our natural and other resources into consumable products; it creates much of the employment and incomes upon which the other sectors rest; and it has the best ability to achieve productivity gains and thus improve our standard of living. These are good enough reasons to protect and support secondary manufacturing when needed, but this is not what has been done efficiently nor is it being done efficiently now.

Some 20 per cent—it used to be appreciably more—of Canada's domestic products come from manufacturing. This figure is well below that of most other industrialized countries, and it is certainly below the figure of 32 per cent which is the average of our six major trading partners. Yet, Canadian manufacturing provides for 40 per cent of our total employment in Canada. Our manufacturing has now declined to a 20 per cent share of our gross domestic product, and thus Canada stands tenth among the 12 industrialized nations of the world. Canada created this situation. It is a very bad performance in an area that would yield more jobs, and it results from economic theories that have been unwisely promoted.

No other country permits such a large chunk of its domestic markets to be serviced by imports. Textile imports now consti-

tute 55 per cent of our domestic market, after taking into account the recent restrictive quotas.

Economists point out that other factors contributing to the poor results in our national economy can be listed as follows:

1. Wage and salary escalation
2. Canada's strike record
3. Canada's last year's productivity performance
4. Canada's inflation performance
5. The high cost of governments in Canada at all levels
6. The overvalued exchange rate
7. The import competition
8. The high cost of doing business in Canada
9. All considered, Canada's poor profit performance
10. The prevailing general climate of uncertainty

Honourable senators, we know pretty well what is wrong and we can do something about it in most of these areas at little economic cost. Here are just a few facts explaining the factors adversely affecting the Canadian economy:

1. Wages are reported to be 21 per cent higher here than those in the U.S.

2. In pulp and paper, wages are said to be up to 25 per cent above those in the U.S.

3. In beverage and food industries, wages are some 11 per cent above those in the U.S.

In Canada the average manufacturing employee is 17 per cent less productive than the average U.S. employee, and he is paid 10 per cent more to produce 17 per cent less. Canadian unit labour costs are 27 per cent higher than in the U.S. Labour costs are one-third of total manufacturing costs, and this discrepancy, I am informed, amounts to about a 10 per cent cost disadvantage for a Canadian producer compared to his U.S. counterpart.

Honourable senators, here are some facts on our Canadian strike record: In 1974, 2,600 man-days per thousand Canadian workers were lost in strikes, according to the ILO. We are told it was the world's worst strike record. It compared badly with the strike record of the United States, which lost 1,480 man-days in strikes per thousand employees. Our record was much worse than any of the other industrialized nations we deal with. There were small improvements in 1975 and in 1976, but the record remained bad. This serious unfavourable factor also contributes to our deteriorating productivity performance. This should now be re-examined in the light of the record of the best performing countries, and corrected.

Manufacturing output is hurt by allowing dumpings and damaging low-cost imports away above a reasonable percentage of the total Canadian consumption. Productivity and employment in the manufacturing sector is lowered appreciably. I believe that imports should never be above 25 to 30 per cent of the total national consumption of any product in any field of manufacturing in any country, and in some cases even less. This 25 to 30 per cent limit for imports should be a national policy.

[Senator Desruisseaux.]

We also know that some 60 per cent of the GNP coming out of the service industries, the highest figure in the industrialized world—

[*Translation*]

Senator Deschatelets: Honourable Senator Desruisseaux, would you allow me a question?

Senator Desruisseaux: Of course.

Senator Deschatelets: You have just said that according to you, or the secondary industries, imports should be limited to no more than 25 or 30 per cent.

Could you then tell us what they amount to at this point in time, today, or in this month and for the last six months? You say that imports, according to you, should not exceed 25 to 30 per cent in a given sector, let us say textiles. What would you say they represent at this time in the textile industry?

Senator Desruisseaux: I thank Senator Deschatelets for his question. It is interesting. But, to give a complete answer, I should consult the statistics, the reports which are put out, to know exactly what that percentage is. I know that, with regard to textiles, they now represent 55 per cent. We are told that in the field of footwear, and gloves, it is even worse. But, as far as the most recent figures are concerned, I am afraid I cannot enlighten you completely. The concept I have—

Senator Denis: The quantity does not change the percentage.

Senator Desruisseaux: Not at all.

Senator Denis: It is the percentage that is interesting.

Senator Desruisseaux: That is why I say that if we had a limit of 25 to 30 per cent, which we could allow to develop trade, the problems we now have with unemployment would not exist. If you wish, Senator Deschatelets, I could try to get those percentages again. They exist.

● (1530)

[*English*]

We also know that some 60 per cent of the GNP coming out of the service industries, the highest figure in the industrialized world, affects Canadian productivity averages because it has a slower rate of growth and does not create comparative employment. Yet, it has a very direct effect on our economic future and our national standard of living.

In my opinion, it is not worth sacrificing labour-intensive secondary manufacturing for a Canadian unilateral free trade policy that will hurt both our employment and our economic stability.

[*Translation*]

The textile industry, our most vulnerable industry, which I mentioned earlier, was the first victim of the first stage of the program aimed at its progressive and systematic elimination. As we can see so far, it results in bankruptcies, particularly in the large areas of my province where it was located, in human misery, instability and dissatisfaction among thousands of unemployed. Then there are other industries—footwear, gloves, furniture, rubber, electronics and chemical. Others are

following that trend and are doomed to a future of misery, unemployment, economic instability against which the federal government shall also have to fight at a tremendous cost after having itself somehow created that malaise because of such a wrong economic policy in a young growing country with new economic needs.

[*English*]

Between 1970 and 1976, job creation fell short of requirements by 30 per cent. Such deficiencies, honourable senators, have far-reaching consequences. Moreover, I am informed that there will be a need for at least 180,000 new jobs by 1980. This is no longer a time to be working on an antiquated free trade policy—it is passé—that would actually contribute to a phasing-out of our most labour-intensive industries, and would thereby increase unemployment, costs of welfare, and losses of tax revenues. The benefits would be very small and unstable gains.

Some have advocated another devaluation of the dollar as a correction for the monstrous unfavourable economic setup that had been created for us. I say, however, that devaluation is not a basic or lasting solution. In the opinion of some, it would provide, at most, a short breathing spell, and perhaps give us time to devise better and more lasting solutions. It is a short-term arrangement that would be costly to us.

A few months ago, Mr. A. D. Amery, an economist from Dupont, and Mr. J. E. Newall, Vice-Chairman of the Textile Institute and a manufacturer in his own right, addressed the National Defence College on the importance of manufacturing. They listed the following as better and more permanent solutions for our economic ills:

First, and foremost, total public spending by all levels of government must be rigorously controlled.

Second, improved productivity must be our main concern.

Third, we must follow immediately the tax pattern of the United States, which has a more generous investment tax credit. It is 5 per cent in Canada, and 10 per cent in the United States.

Fourth, we must have a tax system no more onerous than that of the United States.

Fifth, we must make some needed changes in the area of Canada's commercial policy.

Policy changes are needed in such areas as the exchange rate, commercial policy, competition policy, taxes, government regulations, and in the general attitude toward business and profits. It was, and is, very wrong not to consult more with business before making major changes in national policies or programs. More constructive consultation can be carried out by the government without relinquishing any of its responsibilities for final decisions and their implementation. A free trade concept should not be accepted without an assurance of receiving in exchange an immediate and at least equivalent economic compensation in foreign trade.

● (1540)

We should at no time make concessions at the expense of our labour-intensive manufacturing sector, a sector which offers rewards of greater economic growth and more social stability and employment, both of which are necessary for a growing country such as Canada. There is an urgent need for the establishment of a much better working relationship between Canadian manufacturers and the federal authorities. A more realistic economic restructuring must be achieved—this time with the help of industry and labour—in order that we do not miss the coming upswing in the general world economy.

I should like to quote from the conclusions of the Science Council's analysis of the condition of Canadian industry, with emphasis upon secondary industry, as follows:

> 1. Policies which were intended to promote growth through import substitution have at best promoted a superficial, stunted form of industrialization. Worse, such policies were allowed to exist long after their original limited utility was exhausted. For a long time they have achieved the opposite of import substitution—namely, export substitution. Import substitution contributed to a growing economic dependency of Canada on larger centres of power: export substitution is an expression of how that dependency can be exploited once it is firmly established.
>
> 2. . . . It is now clear that the very rapid growth rates in population and labour force . . . obscured the actions of important detrimental forces in Canada's economy; they created an environment of dangerous complacency.
>
> 3. . . . The Canadian manufacturing sector is becoming an arena of surplus production in a period of shrinking markets for the industrial nations.
>
> 4. . . . It is to their economic advantage [speaking of transnationals] to "prune some fat" from their foreign operations sooner and to a greater degree than from their operations in the country of origin. This proclivity may well be strengthened by government policies and initiatives in the countries of the parent organizations.
>
> 5. . . . A poor business climate in Canada can be reduced to one essential ingredient, the perception of a climate less favourable than in the United States . . . Canada cannot [and, if it wants to protect itself, I would say must not] depart far from the conditions and policies that exist in the U.S.

I remain of the opinion that we must now assure better, safer, and more realistic economic decisions for the implementation of better and more rational structures for our long- and short-term national and international economic plans, which are so important for our future.

In the recent very informative submission "Agenda for Action" by the Canadian Manufacturers' Association there are a number of points made which should be mentioned. Time, however, does not permit this, and I shall quote only briefly from that submission, as follows:

> The potential for job creation in manufacturing is very large, although in recent years this potential has not been realized. As to the future, economists are pointing to the growing evidence that the primary extractive service and construction industries will not create a sufficient number of jobs to absorb the growth of the labour force. The estimated 500,000 shortfall in new jobs in the next 10 years must be filled by the manufacturing sector. Manufacturing has this potential—provided our present problems are overcome.

The submission "Agenda for Action" also states:

> Only a cooperative effort by industry, labour and government will bring our costs in line with our major trading partners. Only then will Canadian manufacturers compete and grow and provide their large share of the jobs needed at this time of emergency.

We can ill-afford to waste time debating which party is at fault. The need to "renovate" the institutions and the need to improve our relations is obvious.

Recently, there has been government recognition of the need to review our national economic policies. It is now to be hoped that this reviewing can be done firmly, and that it will rectify the weaknesses of our economic policies so that the interests of all Canadians can be served to their best economic advantage. That should be our highest priority this session. It is a vital goal, and its importance to our nation transcends all other national programs.

● (1550)

[*Translation*]

Hon. Pietro Rizzuto: Honourable senators, I wish to congratulate Senator Desruisseaux for his very important speech, especially in the light of the present situation and the concerns shared by all Canadians today. There is serious talk about improving the economic situation of our secondary industry, and also perhaps of all industries in our field of specialization in Canada.

I believe that the present trend should be reversed precisely in order to avoid ending with an economic disaster and a considerable decline which at that time would lead us to such unemployment rates that it would be difficult in the coming years to reverse the situation. We might then find ourselves in the disastrous predicament which some European countries have experienced already.

Nowadays, unlike during the past years, the demands of our industrial workers are very high and, just as Senator Desruisseaux mentioned, our prices are no longer competitive with those of other countries throughout the world. I for one feel that if we are to succeed we must change the trend and in order to do so today, if a corporation suffers from a slow down in its sales, it may result for instance in some 10 per cent of its employees not having anything to do. Then the government is called to the rescue. It works out agreements to keep everybody working; instead of working some 40 hours, the employees are asked to work only 35 hours so that everybody keeps his job. From a humanistic point of view this may be right but then we must bear in mind that the prices of our products go up, our industries ask for subsidies and some form of government help to remain competitive with other countries. What it all boils down to, is that the government ends up paying, either by subsidizing the industry or by handing out unemployment insurance benefits.

I say that perhaps we should suffer the brunt of such percentages of employees out of work to whom the government must pay benefits so that they can subsist. However, workers who retain their positions within their firm should not be asked to work 35 instead of 40 hours. On the contrary they should perhaps be required to work 45 hours for the same salary they used to get when they were working 40 hours. It is difficult to ask that from people because nobody likes to be asked to work more. Yet it is useless to keep repeating that we must tighten our belts if we do not take the necessary means and start telling Canadians they must work and produce if we really want to produce and sell abroad in order to meet the price requirements of the international market. That is the only way we can get the cost of our goods to go down and make headway in world markets. That is how, finally, we can get back to work the people who have been living off the government temporarily. And talking about living, unemployment insurance is definitely a means that allows workers and the unemployed to live.

As for me, I feel the current unemployment insurance program should be modified so that help is given to people who really need it and not everybody. It is a known fact that some people work seven to ten months a year, earning from $15,000 to $20,000, then claim and get from $2,000 to $4,000 a year in benefits. Everyone pays in of course, and when a worker becomes unemployed he must get benefits from it. He must, just like everyone else. But we should also consider the fact that on the whole Canadian workers earn less than $10,000 a year and that the vast majority of those Canadians work 52 weeks a year.

Personally, I feel there is some imbalance because the great majority of Canadians who work all year long to earn $8,000, $9,000 or $10,000 pay unemployment benefits to people working only seven, eight or ten months each year to earn $15,000, $20,000 or $25,000.

Some people might say that a system to control all this would involve the setting up of a new bureaucracy. My answer is that this could definitely be done along the same system now used for income tax. There is an even schedule and we could take as an illustration a worker who earns $10,000 a year, or even up to $15,000 if he has dependents. If he received unemployment benefits at the beginning of the year, under his income tax return he would have earned more than his range—and I am speaking of someone who may have a number of dependents, with earnings in the $15,000 range—he would have to repay the UIC benefits received at the beginning of the year. Therefore, any claimant who applies for UIC benefits in November or December and who has earned more than the allowable range should not be entitled to benefits and the commission could tell him he would not be entitled to them

before the beginning of the following year. So definitely, in my view, many millions of dollars could be saved. This would put some balance, and the people working all year round would not have to pay for those earning $15,000 to $20,000 a year while working for lesser periods.

I believe we should be less generous now. In our society, we are all afraid of not being considered generous, or humane people. I am the first to wish that all Canadians can have a very good standard of living, that everybody can have everything he wants. But we must be realistic, and in the present circumstances Canadians cannot have everything when we have large annual deficits, which could definitely lead to economic disaster within five or ten years.

[*English*]

The Hon. the Speaker: As no other senator wishes to participate, this inquiry is considered as having been debated.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, November 10, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

[*Translation*]

REMEMBRANCE DAY

Senator Perrault: Honourable senators, as we all know, tomorrow is Remembrance Day, and many of us will be laying floral tributes before cenotaphs throughout the country.

[*English*]

This year's services will be of particular poignancy. We will be remembering men and women who gave their lives for freedom and decency. But this year of all years we should remember that they died for a nation—Canada. For the "Van Doos" did not fight for Quebec, and neither did the troops from Ontario, the west, the Altantic provinces or northern Canada fight for their own particular patch. All of them thought only of Canada as a whole.

So, senators, in those two minutes of silence tomorrow the best tribute we can pay the dead is to reaffirm our dedication to keeping Canada united.

Those we mourn left behind a free and united nation. That was their legacy. Their sacrifice will have been in vain if we do not keep it so.

[*Translation*]

Long live a united Canada.

Senator Flynn: Honourable senators, I should like to echo the feelings expressed by the Leader of the Government who just paid tribute to those who fought for liberty and democracy on behalf of Canada. I believe, as does the Leader of the Government, that we cannot forget them. It reminds me of a verse by Victor Hugo, and I hope I am quoting him accurately:

Ceux qui pieusement sont morts pour la patrie

Ont droit qu'à leur cercueil la foule vienne et prie.

Entre les plus beaux noms leur nom est le plus beau

Toute gloire près d'eux passe et tombe éphémère.

I associate myself with the Leader of the Government under the circumstances.

[*English*]

DOCUMENTS TABLED

Senator Perrault tabled:

Supplementary Estimates (A) for the fiscal year ending March 31, 1978.

THE ESTIMATES

SUPPLEMENTARY ESTIMATES (A) REFERRED TO NATIONAL FINANCE COMMITTEE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on National Finance be authorized to examine and report upon the expenditures set out in the supplementary estimates (A) laid before Parliament for the fiscal year ending the 31st March, 1978.

Motion agreed to.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday next, November 15, 1977, at 8 o'clock in the evening.

Honourable senators, as has become the practice, before the question on the adjournment motion is put, I shall inform you as well as I can at this time what we should expect in the Senate next week.

Second reading of Bill C-3, respecting the reorganization of Air Canada, and Bill S-2, to amend the Canada Business Corporations Act, will be moved today and the debate on these bills will continue next week. It is most likely that both bills will be referred to committee sometime during the coming week. I have been informed that we shall have another bill for introduction in the Senate in the first instance on Tuesday evening.

In addition, Honourable Senator Lamontagne will call the attention of the Senate to Volume 4 of the Report of the Special Committee on Science Policy. Senator McDonald will call the attention of the Senate to the 23rd Annual Session of the North Atlantic Assembly, held in Paris, France, in September last, and Senator Croll will proceed with his motion for the appointment of a special committee of the Senate to examine and report upon the existing retirement age policies affecting workers in both the public and private sectors and other matters relating thereto.

On Wednesday the Standing Senate Committee on Banking, Trade and Commerce will meet at 9.30 a.m. to continue its study of the budget resolutions respecting income tax, and when the Senate rises there will be a meeting of the Standing Senate Committee on National Finance to consider supplementary estimates (A) which were tabled today and referred

to that committee. The National Finance Committee will meet again on Thursday morning at 9.30 on these estimates.

Motion agreed to.

AIR CANADA BILL, 1977

SECOND READING—DEBATE ADJOURNED

Hon. Charles McElman moved the second reading of Bill C-3, respecting the reorganization of Air Canada.

He said: Honourable senators, you may recall that the proposed Air Canada Act, 1977, was considered in the other place during the last session as Bill C-17. Although it did not then pass through all stages in that house, it was the subject of extended study and debate, and by unanimous consent was carried forward to the current session at the report stage.

I mention this only by way of explanation as to how a bill of such great interest to parliamentarians has cleared that house and reached the Senate so expeditiously in this session.

The title of Bill C-3, "An Act respecting the reorganization of Air Canada," is properly descriptive. The reorganization in question is long overdue. For years members of the other place, the Senate, the management of Air Canada, and spokesmen in the business and financial communities, have advocated that Air Canada be removed from its subsidiary relationship to Canadian National Railways and permitted to "fly" on its own. This bill, if enacted, will accomplish that purpose.

The general objectives of the bill are, first, to create a financial basis for Air Canada similar to that of other airlines; secondly, to place Air Canada on an operational basis which will allow it to engage in those activities in which other major competing airlines are engaged, while at the same time maintaining effective government control over its activities without interfering in the day-to-day management of the corporation; and, thirdly, to ensure that Air Canada, as a crown corporation, can be required to play a part in the implementation of a national transportation policy without affecting the corporation's commercial objective of profitable operations.

Most Canadians are aware that Air Canada, initially known as Trans-Canada Air Lines, is now celebrating its fortieth anniversary. In its early years as TCA it carried some 20,000-plus passengers annually and employed about 500 persons. By 1975 it had grown from a small domestic airline to become one of the world's 10 largest, serving a broad network of domestic and international routes. During that latter year, Air Canada carried 10.4 million revenue passengers and employed some 20,000 persons.

Now that Air Canada has grown up, it is intended to enable it to operate more efficiently and effectively as a world-scale airline, and on a footing similar to that of the other major airlines with which it must compete.

Let me deal briefly with some of the more important aspects of Bill C-3. Currently, all issued shares of Air Canada are held by the CNR. It is proposed that these would be cancelled. All such shares would in future be held directly by the Minister of Transport on behalf of the Government of Canada. At present the authorized equity capital has a maximum limit of $25 million, although the actual issued capital totals only $5 million. It is difficult to relate that to the fact that the corporation's current balance sheet lists total assets in excess of $1 billion.

The current financing arrangement through the CNR has forced Air Canada to obtain most of its financing in the form of long-term debt. The result is an extreme debt-equity ratio of 97 to 3, which makes it most awkward to compare Air Canada's performance with that of its competitors. The average debt-equity ratio of other major airlines is 60/40.

Since such a debt overload by Air Canada carries an extraordinary liability for fixed interest payments against current operations, it can swing very quickly from a profit to a loss situation, depending upon variations in market and operating conditions.

Lenders in the long-term debt market are understandably cautious of such a debt-equity ratio, unless backed by government guarantees. Since it is intended that Air Canada become a more commercially oriented corporation, it is important that its debt-equity ratio be brought into a more realistic balance. Consequently, under Bill C-3 the authorized capital would be $750 million, and direct government loans or government guaranteed loans in the market would have a ceiling of an additional $750 million. The corporation would also have the authority to borrow in the market without statutory limit on its own credit in addition to the $1.5 billion provided for.

Longer term debt in excess of 18 months would require prior approval by the Minister of Finance. Short-term cash needs could be borrowed without such prior approval.

All of this will enable Air Canada to act with flexibility in arranging its necessary financing in accordance with the markets and in the highly competitive world of air travel.

It has been suggested by the Minister of Transport that some of the corporation's debt to the government and to the CNR will be converted to equity; but a ceiling of $600 million has been placed upon such conversion to ensure that it is possible to bring desirable balance to the debt equity ratio of Air Canada. If the corporation's indebtedness to the CNR were so converted to equity capital, the latter's indebtedness to the government would be adjusted accordingly.

Under this bill the new board of directors would be increased from nine to 15, to be appointed over a period of time by the Governor in Council. The chairman and the president will be appointed by order in council, following consultation with the board. Provision is also made for the establishment of an executive committee and the board will be empowered to delegate duties to it.

A wide range of activities in which Air Canada may engage is set forth specifically in the bill. However, since it is not possible to foresee, even into the near future, what developments will occur in the highly competitive airline business, provision is made for the corporation to engage in additional activities, if it has prior approval from the Governor in Coun-

cil. I am sure honourable senators will agree that that is a desirable element of government control.

Although it is not the intention that the government should be involved in the day-to-day operations of the corporation, this bill provides that the Governor in Council may issue directives of a general nature to ensure that Air Canada will play its role in national transportation policy. In this latter connection, when Air Canada, as a crown corporation, is required by the Governor in Council to provide services that result in a loss, it is provided that subsidies will be paid to it from the Treasury rather than being borne by the users of the airline.

Currently, the appointed auditors of the Canadian National Railways are also the auditors of Air Canada. That arrangement will cease. This bill makes detailed provision for audit of the corporation's accounts in terms similar to those imposed on all companies incorporated under the Canada Business Corporations Act. The auditor is to be appointed each year by the Governor in Council.

As honourable senators are aware, Air Canada has enjoyed, during its growing-up period, a privileged or protected position under the Air Canada contract and related provisions of the Aeronautics Act. That protection will disappear. Henceforth, if this bill is approved, Air Canada will be required to operate on two basic criteria: good business practice in open competition and with a clear eye to profitability.

Although no change is immediately planned in those routes which it is currently licensed to operate, the acquiring of other routes in future will require that Air Canada compete with other interested carriers by application to the Canadian Transport Commission. Air Canada really came of age some years ago, and it is proposed by this bill that it now do so in legislative terms as a separate crown corporation. If and when the Senate approves second reading, it will be my intention to move that it be referred to the Standing Senate Committee on Transport and Communications. In that committee its complex provisions can be scrutinized carefully and appropriate witnesses, such as the Minister of Transport and the President of Air Canada, may be called for questioning.

● (1420)

Honourable senators, I commend Bill C-3 for your approval.

On motion of Senator Smith (Colchester), debate adjourned.

CANADA BUSINESS CORPORATIONS ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. Daniel A. Lang moved the second reading of Bill S-2, to amend the Canada Business Corporations Act.

He said: Honourable senators, initially I would like to say a few words by way of background. What I have to say is interesting because it reflects favourably upon the performance of this chamber and its committees.

It will be recalled that on February 4, 1975 Senator Hayden moved the second reading of Bill C-29, the Canada Business Corporations Bill. At that time he described the provisions of the bill with his usual exactitude and clarity. If honourable senators wish to refresh their memory as to the nature and extent of that legislation, I can do no better than refer them to Senator Hayden's remarks, which are to be found in volume I of the *Debates of the Senate,* First Session, Thirtieth Parliament, at page 489. I cannot, nor will I try to, emulate Senator Hayden in the dissertation which he gave at that time. He described the bill as an excellent one, and one which marked a notable advance in the position of federally incorporated business corporations.

Of particular interest is the fact that on that same day, Bill C-29 received second reading and was referred to the Standing Senate Committee on Banking, Trade and Commerce. On March 19, 1975, following lengthy study, the bill was reported to the Senate with 27 amendments. The report was adopted, and the bill, including the 27 amendments, received third reading and was referred back to the House of Commons. I am pleased to remind honourable senators that on March 24, 1975, just four days after the bill received third reading in the Senate, Madam Speaker informed the chamber that the House of Commons had agreed to the Senate amendments without further amendment.

That, in my view, is a prime example of the effective work done by this house and its committees, and the minister responsible for the legislation, the Minister of Consumer and Corporate Affairs, and his officials, were most satisfied with what was done here.

It is well over two years since the Canada Business Corporation Act was passed, and experience has now been gained with regard to its administration and effectiveness. By and large there have been few administrative complications. The statute has been well received both by lawyers and accountants who have to deal with it, and also by businessmen. That is really not a self-serving statement, and as evidence I should mention that the number of federal incorporations has increased from 1,800 annually in 1971, under the preceding legislation, to 5,000 annually in 1976 under the statute now in force. In other words, the number has tripled. Nothing could be more concrete proof of the worth of this piece of legislation.

It is also a real pleasure to report that the streamlined procedures made possible by that act of 1975, and the elimination of many anachronistic formalities that so many lawyers were familiar with under the old act, combined with a computerization of the search system, has enabled the corporations branch to deal with approximately three times its previous workload, with shorter delays and, what is indeed good news, no substantial increases in resources. Indeed, it is a very refreshing draft in these times of bureaucratic overkill and mounting costs in our public service. Some provincial governments are now copying the provisions of the Canada Business Corporations Act, and the mechanisms that are embodied in it. The objectives of modernizing our federal corporate law, and of creating a model piece of legislation to increase the uniformity of laws across Canada, are being achieved through that act.

I will come now, if I may, to Bill S-2 itself. Notwithstanding what I have said, it is to be expected that such a completely new act as that of 1975 would require some amending after two years, to eliminate unforeseen conflicts between sections, and also to fill logical gaps in the system that have become apparent during the administrative period of the last two years.

What Bill S-2 does is propose some 78 amendments which are purely technical changes, suitable, really, only for study in committee, and not amenable to a long, explanatory process in this house on second reading. I should say, however, that I have been through these clauses, and I find them all most sensible, objective and reasonable, and I might, in addition, say that they are untainted by the oppressive zeal, the latent paternalism, that has all too often characterized so much of the legislation presented here recently, and, indeed, some of the legislation that has emanated from the self-same department, the Department of Consumer and Corporate Affairs.

I know that many honourable senators must have cringed when they first picked up Bill S-2 with its almost 200 pages, but I would like to relieve your minds immediately by observing that all of the bill is contained in the first 33 pages of this large volume. The remainder, and by far the bulk of it, is a new French version that is not, as heretofore, a mere translation of the English version, but, to the greatest extent possible, is a statement of the law in French that employs the language and concepts that are familiar to members of the Quebec Bar.

Senator Flynn: Not only of the Quebec Bar.

Senator Lang: Well, any other Bar that uses the French language.

● (1430)

This new French version is as a result of an undertaking given by the Department of Justice and the Department of Consumer and Corporate Affairs at the time of the passage of Bill C-29 in 1975. Lawyers in the Legislation Section who have worked on this for the last two years, deserve our heartiest commendation. They went through numerous screenings of the draft with experts in both the legal and accounting fields. Any lawyer who has at least a nodding acquaintance with the distinctions between the common law and the civil law systems of this country will acknowledge that their task was an arduous one, and I want to thank them on behalf of you all for their accomplishment.

Senator Flynn: May I put a question to the honourable senator?

Senator Lang: Please do.

Senator Flynn: Will this French version have a retroactive effect?

Senator Lang: I am presuming that there will be no legal distinction between the French version that heretofore existed and the one we are now considering, but I would like to leave that to one who is far more learned than I am in this bill as expressed in his native language.

Senator Connolly (Ottawa West): May I ask a question of Senator Lang?

Very often, in the interpretation of statutes like this, if there is a conflict between the English and the French version, the courts try to resolve it by seeing that the accommodation can be made. Will it be possible to obtain assurance from the officials, for example, that there really is, in their view, no conflict between the French version and the English version of the bill? In other words, we do not want to have two laws on the statute books on the same point.

Senator Lang: I am afraid I can make no commitment that such assurance will be forthcoming. I think the question will have to be put to those officials who are fimiliar with both the French version and the English version when they appear before the committee. That is quite beyond my limited unilingual legal expertise.

At the same time that the bill was going through the House of Commons in 1975, the Legal Affairs Committee of that house exacted another undertaking from the Department of Consumer and Corporate Affairs. They asked that the act be brought back before the legislature within a reasonably short time because of concern that the very sweeping changes being effected would likely bring about problems for lawyers, businessmen and auditors. They felt that any such problems should be dealt with at the earliest possible opportunity.

This undertaking has been observed by the introduction of Bill S-2, and I am pleased to say that there have been no major substantive objections to the provisions of the 1975 act which have caused any dislocation in our legal business or accounting processes.

The Commons committee was also quite concerned over the broad powers of regulation, granted by the act at that time under section 187, with respect to stock exchange takeover bids. This was a controversial policy issue at the time, and I assume it still is today. However, the government recommends that control in this area continue to be exercised by regulation and, at this time, considers that that is the only practicable way of maintaining the maximum possible uniformity between our federal laws, our provincial security laws, and the by-laws of the various stock exchanges involved.

● (1440)

I recognize that members of both this and the other chamber will be pleased that no substantial problems have arisen under the act of 1975. However, there is one that should be mentioned. One problem is dealt with by Bill S-2, and I suppose this amendment to the 1975 act could be termed a major substantive change. It has to do with the reintroduction in this bill of what was known under the old company law as the "arrangement concept", and which, prior to 1970 or 1968, most lawyers in Ontario and in other provinces were quite familiar with.

This arrangement concept was deliberately omitted from the 1975 act. It was omitted, first, because the departmental officials felt that it was unnecessary and that all major corporate changes could be effected under the provisions of the

act—those provisions that dealt with amendments, amalgamations, continuances and dissolutions—and that these should be sufficient.

Secondly, they felt that the sections dealing with the old arrangement technique could possibly be used by some corporations to circumvent the interests of minority shareholders. However, I would say that experience has shown that the ephemeral complexities of the corporate fiction will forever defy the ingenuity of legislative draftsmen to pin them down, define them, or contain them. Ever since the famous case—one that all lawyers know by heart—of *Solomon vs. Solomon* of some 100 years ago, nobody has ever seen, felt, heard, or touched a corporation, but half the efforts of legislators and taxgatherers today is spent in trying to catch and confine that animal, or extract money from that beast. The notion is so firmly embedded in our communal conscience that we forget that a corporation is merely the aggregate of rules governing the conduct of people engaged in a common pursuit.

In Bill S-2 the arrangement concept is brought back into legislation by the proposed new section 185.1, subsection (3) of which reads:

> Where it is not practicable for a corporation that is not insolvent to effect a fundamental change in the nature of an arrangement under any other provision of this Act, the corporation may apply to a court for an order approving an arrangement proposed by the corporation.

So, alas, when our ingenuity runs out, we have to put the problems before our poor judges.

As far as it is possible to protect dissident shareholders under an arrangement technique, this bill does so. It provides that the applicant to the court must prove that no other technique under the act is available to him, and that the dissenting shareholder can maintain his dissent notwithstanding such an application.

Honourable senators, I shall mention only by reference, and just by example, some of the more minor substantive changes.

● (1450)

There is a provision reintroducing restriction on voting rights for certain classes of shares and the power to impose them.

It provides for the continuing reference to par value shares—par value shares that were created before the act of 1975.

It limits the right of a director to indemnity in the case where he incurs costs defending himself and is successful in defending himself, but where that success depended purely upon a technical defence, such as the statute of limitations or some other technical defence of that nature, his absolute right to indemnity disappears.

There is a deletion or a removing of the limitation placed on the courts in evaluating a minority shareholder's interest. That limitation, as it exists at present, is found in the law relating to the expropriation of land, namely, the value of the land being expropriated cannot be enhanced by virtue of the act of expropriation itself. That provision is in the present corporate law, eliminating that part of the evaluation, so that the actual resolution or the act of expropriation of a minority interest cannot be considered in evaluating the amount to be paid to the expropriated shareholder. This change is in conformity with some recent court decisions under provincial acts, and consequently by the elimination of this restriction there is a move toward total uniformity across Canada.

Under the present act there is a power in directors to impose any kind of restriction on the transfer of shares. That has been found to be impractical, so a limitation has been placed upon that power of the directors, and they can now only limit the transferability of shares to comply with nationality restriction of ownership, such as with a broadcasting company or with respect to other ordinances or laws of the country that require such a restriction.

Honourable senators, I must say that there are 73 other amendments in addition to the five I have mentioned, and I do not intend to refer to them this afternoon. It is certainly the task of a committee to look at them. However, like those that I have referred to, they all appear to me to be most reasonable and necessary, and I think the members of this house and the committee will agree with me, by and large, when they have had an opportunity to study them.

In conclusion, I should like to draw your attention to a paper on the amendments contained in this bill which was delivered to our desks yesterday. It is a very useful reference work for honourable senators when dealing with the bill itself. The table of concordance has three minor errors, which I will not detail. If you find it ends up with 75 and not 78 clauses, you will realize that three are missing. The important part is the summary of the amendments, which comprises the bulk of the paper, and which I commend to your attention for study before the committee hearings.

If this bill receives second reading, honourable senators, I intend to move that it be referred to the Standing Senate Committee on Banking, Trade and Commerce, which, of course, is the committee that, back in 1975, dealt with the act this bill is amending.

Senator Grosart: I wonder if the honourable senator would indicate the exact nature of the errors he has found in the document he referred to.

Senator Lang: After the reference to clause 4 there should be a reference to section 12(3); after clause 14 there should be a reference to section 41(1); after clause 66 there should be a reference to section 235(4).

On motion of Senator Grosart, for Senator Flynn, debate adjourned.

The Senate adjourned until Tuesday, November 15, at 8 p.m.

THE SENATE

Tuesday, November 15, 1977

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

Prayers.

CANADA NON-PROFIT CORPORATIONS BILL

FIRST READING

Senator Langlois presented Bill S-3, respecting Canadian non-profit corporations.

Bill read first time.

Senator Langlois moved that the bill be placed on the Orders of the Day for second reading on Thursday next.

Motion agreed to.

DOCUMENTS TABLED

Senator Langlois tabled:

Copies of the Report of the Anti-Inflation Board, dated October 26, 1977, to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of proposed changes in compensation plan between Carleton University and its Security Group employees.

Report by the Tariff Board respecting Fresh and Processed Fruits and Vegetables, Volume 1, Part II, Commodity Reports: Fresh Vegetables, Reference No. 152, pursuant to section 6 of the Tariff Board Act, Chapter T-1, R.S.C., 1970.

Revised Capital Budget of Air Canada for the year ending December 31, 1977, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1977-3077, dated October 27, 1977, approving same.

Report of the Administrator of the Maritime Pollution Claims Fund for the fiscal year ended March 31, 1977, pursuant to section 747 of the Canada Shipping Act, Chapter S-9, as amended by Chapter 27 (2nd Supplement), R.S.C., 1970.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between the Health Labour Relations Association of British Columbia, Vancouver, British Columbia, and the group of its operating and maintenance engineers, represented by the International Union of Operating Engineers, Local 882. Order dated November 8, 1977.

Reports of the Department of Veterans Affairs and of the Canadian Pension Commission for the fiscal year ended March 31, 1977, pursuant to section 8 of the *Department of Veterans Affairs Act*, Chapter V-1, and section 4(2) of the Pension Act, Chapter P-7, R.S.C., 1970, including reports of the Pension Review Board, the War Veterans Allowance Board and the Bureau of Pensions Advocates for the same period.

AGRICULTURE

REPORT OF COMMITTEE EXPENSES TABLED

Senator Argue, Chairman of the Standing Senate Committee on Agriculture, which was authorized by the Senate on November 16, 1976 to examine from time to time any aspect of the agricultural industry in Canada and to incur special expenses in connection with any such examination, tabled, pursuant to rule 84, the expenses incurred by the committee in connection therewith during the Second Session of the Thirtieth Parliament.

BANKING, TRADE AND COMMERCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Standing Senate Committee on Banking, Trade and Commerce have power to sit while the Senate is sitting tomorrow, Wednesday, November 16, 1977, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

• (2010)

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

STANDING JOINT COMMITTEE—CHANGE IN SENATE MEMBERSHIP

Senator Petten, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the name of the Honourable Senator McDonald be substituted for that of the Honourable Senator Ewasew on the list of senators serving on the Standing Joint Committee on Regulations and other Statutory Instruments; and

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

Motion agreed to.

AIR CANADA BILL, 1977

SECOND READING—ORDER STANDS UNTIL LATER THIS DAY

On the Order:

Resuming the debate on the motion of the Honourable Senator McElman, seconded by the Honourable Senator Bosa, for the second reading of the Bill C-3, intituled: "An Act respecting the reorganization of Air Canada".—(*Honourable Senator Smith (Colchester)*).

Senator Flynn: Stand until later this day.

Order stands.

CANADA BUSINESS CORPORATIONS ACT

BILL TO AMEND—SECOND READING

The Senate resumed from Thursday, November 10, the debate on the motion of Senator Lang for second reading of Bill S-2, to amend the Canada Business Corporations Act.

Hon. Jacques Flynn: Honourable senators, there is very little that I can add to what the sponsor of the bill has said with respect to Bill S-2. I listened to most of his speech but had to leave a few minutes before he concluded. However, I read through his entire speech today and I am entirely satisfied that this is the type of legislation which should be dealt with in committee. He reminded us that the act had come into force a little more than two years ago and that now we are dealing with amendments meant to solve some of the problems which have arisen since then. This is entirely normal because the Canada Business Corporations Act was quite a departure from what we had been used to prior to the date of its coming into effect. It is the wish to bring back a few provisions and to correct a few others. These are very technical problems which do not lend themselves to debate, but rather to questioning in committee. Therefore, beyond congratulating Senator Lang for a very able presentation, I do not believe that I can add much at this time before the committee has dealt with the specific problems presented to us by the bill. I would therefore be very happy to see this bill receive second reading now and be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Langlois moved that the bill be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to.

AIR CANADA BILL, 1977

SECOND READING

The Senate resumed from Thursday, November 10, the debate on the motion of Senator McElman for second reading of Bill C-3, respecting the reorganization of Air Canada.

Hon. George I. Smith: Honourable senators, I thank you for your kindness and indulgence in allowing me to speak now, after my late arrival this evening. My only explanation—and it certainly is not an excuse, because there is no excuse for not arriving when one should—is that I was absorbed in a discussion with the Ambassador of the United States to Canada, and did not realize that time was passing by so quickly.

When I arrived I noticed, much to my surprise, that some of my colleagues who played important parts at that meeting had managed to note the time better than I had. In any event, I offer my apologies and I thank you for your indulgence in allowing me to speak now.

Honourable senators, I have a few remarks to make with respect to the Air Canada bill. In fact, I feel rather strongly about some of them, but perhaps it would be better to speak to some of the other points first.

Senator McElman certainly gave a clear explanation of the bill when he moved its second reading. I congratulate him on it. He made no attempt, in any way, to divert our attention from the essential provisions of the bill, even though he knew some of us, such as myself, might find parts of it somewhat objectionable. I assure you, honourable senators, that I am not going to object very strongly, and I shall not detain you an inordinate length of time on this.

I am certainly in complete agreement with what might be classified as the main objective of the bill—that is, to get Air Canada out from under the umbrella of Canadian National Railways. In fact, I am of the opinion that it should have been done a long time ago. Although it was probably a logical arrangement in the 1940s, I believe it has inhibited the activities and, indeed, the growth of Air Canada—I do not mean growth in a physical sense, but growth in being its own corporate self—for some years.

● (2020)

I welcome that particular provision. I think it is a good thing. I must confess that I had not thought of doing it myself sooner. Perhaps it should have been done many years ago. Whatever one might say about a corporation such as Air Canada, it seems to me that any enterprise so large and so important to the country should not be under the direction of another corporation. Air Canada itself means so much to Canadians and to the economy of our country that surely it is entitled to operate completely in its own right, subject only to Parliament. If this bill is passed—and I confidently expect it will—that will be accomplished.

While I am in favour of this provision, I do have to draw the attention of honourable senators to the fact that clause 6 will allow the corporation to engage in a much broader scope of activities than is currently the case. It does not require a careful reading of clause 6 to realize that, if passed, it would allow the corporation to extend its operations over a much greater area.

Clause 6(1)(a) authorizes the corporation to "establish and operate the business of an air carrier." The clause, however, rapidly goes on to extend the operations of the corporation into

many fields, some of which encompass a very high degree of risk, such as that of operating hotels. There are only a few organizations in the world which are able to operate hotels on a profitable basis. With that in mind, I am not at all sure that we would be well advised to encourage Air Canada to get into the hotel business. I do not know of any business in which one can lose more money more quickly than the hotel business. Although it may be desirable to have Air Canada given this authority—and I am doubtful about that—I should think it would take the most careful consideration by the board of directors before any such authority is exercised.

The establishment of travel agencies, I suppose, falls somewhat naturally under the umbrella of the operations of an organization so wide flung and so vigorous—and I use the word "vigorous" intentionally—as Air Canada.

But I find it very difficult to see the justification for the powers given under subparagraph (g). Clause 6 is headed "Capacities and activities of the Corporation". Subparagraph (g) states:

> —acquire and hold shares or debt obligations of any other body corporate carrying on activities similar or incidental to those of the Corporation and sell or otherwise deal with such shares or debt obligations;—

While the draftsmen may know what limitations are to be placed on that power, I do not. It seems to me that subparagraph (g) gives to Air Canada a wide power which is not subject to parliamentary control. It may be that if we want to make it a completely free corporation to allow it to compete with private corporations, it should have that power. But I have some grave doubts about that power, and we should be careful in committee to make sure that we understand what it means and what it can allow Air Canada to do. In view of what I shall have to say later about some of the other powers given to Air Canada, and if I am right about those other things, then this is more important than you or I might recognize at first glance.

I am sure honourable senators will not be at all surprised if I take some issue with the powers given to the Governor in Council in this statute. I would direct attention particularly to what I think is the extraordinary power given by clause 6(2) on page 3 of the bill:

> The Governor in Council may, by order, authorize the Corporation to engage in or carry on any activities not otherwise authorized by this Act.

Let me read it again, honourable senators:

> The Governor in Council may, by order, authorize the Corporation to engage in or carry on any activities not otherwise authorized by this Act.

Now that, to me, honourable senators, means one thing, that there is no scope of activities which one can envisage which the Governor in Council cannot give to Air Canada, notwithstanding the fact that this legislation is supposed to deal with Air Canada and is supposed to set out its powers, its obligations and its duties.

I may have seen such a provision somewhere else in the substantial number of years during which I have been reading statutes, but I cannot recall one where the power given was so broad. Let me read it again, a third time, because I want to drive it home. I want to make the point, and it is a point that I realize may be refuted later, because I may be wrong, as to what I believe this subclause does:

> The Governor in Council may, by order, authorize the Corporation to engage in or carry on any activities not otherwise authorized by this Act.

To me, honourable senators, that simply means that one day the Governor in Council can say, "Let me see now, Air Canada should be running some railways. The CNR is not doing very well or perhaps CPR or VIA are not doing very well, so let us get Air Canada running the railroads." Or perhaps it might say, "The shipping on the Great Lakes is not what it ought to be so let us authorize Air Canada to run that." Or, "We are not satisfied with the way the wheat is being brought down from the Lakehead, so Air Canada should be concerned in that." I have looked at this with such modest care as I am able to give to it myself, and I cannot think of any activity that you or I can envisage that the Governor in Council cannot authorize Air Canada to engage in under this act, and I cannot think of any provisions more contrary to the principles of parliamentary authority and responsibility to Parliament than those contained in this kind of legislation.

I am sure you realize the particular difficulty it gives me to say this, but it seems to me that the committee to which this bill is referred ought to devote a great deal of its consideration to this very point, with a view to seeing whether the suggestions I make as to the power given by this subclause are correct. It seems to me that any chamber of sober, second thought ought to look with a great deal of askance at it. It has always been my opinion in considering legislation and, in reference to any particular piece of legislation, the power given to the Governor in Council to do things, that that power has to be related to the incidental things necessary to carry out the administration of the legislation. It is foreign to all concepts of powers given to a Governor in Council to allow him to legislate—which is what this amounts to—on subjects which bear no relation to the act and which have the effect of broadening immeasurably and almost without limit the powers of the Governor in Council.

● (2030)

Another comment I should like to make has to do with a question not nearly so fundamental as this but definitely worthy of consideration, and that is the question of appointing the directors. It may well be that the Governor in Council in exercising its powers to appoint directors will make sure of regional representation. To some extent that is true today, although perhaps not to the extent that some of us would like. But it seems to me that the statute should provide that the 15 directors authorized by this act will be selected in such a way as to give regional representation so that all regions of Canada have at least some say in the way Air Canada is and should be

operated. I see nothing in this act, nor to my knowledge is there anything in the present act, that makes that mandatory.

Being in some respects a pretty strongly regional person myself, perhaps this means more to me than it does to some others, but I do take the liberty of saying that I understand one of the functions of the Senate to be that senators should represent their regions. I should therefore like to make sure that all regions of Canada—including the one from which I come, which I think has some reason to complain about some things not done by Air Canada—are fully represented on the board of directors. As I have said, I do not see that anywhere in the bill.

If I may just revert to a subject I just left a moment ago, one of the powers given to Air Canada by clause 6(1)(g) is the entitlement to buy shares or lend money to other corporations of like kind. I should have mentioned this when I spoke of what I thought were the unduly wide powers given to the Governor in Council, but having omitted it then I should like to draw it to your attention now.

It seems to me that in the desire to free Air Canada from control of the Canadian National Railways and to let it try its own wings, if I may use such a term, the draftsmen have given it many more powers than it should be given, and that the question of these wide powers, as I have said before, should be carefully reviewed.

One of the fundamental sections of the bill is a good one if considered by itself, but it may not be so good when one looks at the overall picture. I refer to clause 7(1.1) which reads:

> In discharging its responsibilities under this Act, the Board—

Meaning the board of directors.

> shall have due regard to sound business principles, and in particular the contemplation of profit.

I have no objection whatever in seeing—in fact, I have the strongest desire to see—crown corporations having regard to sound business principles and looking at profit as something reasonable to achieve and not as something reprehensible, but there is something that I do not find specifically mentioned here and which, in my opinion, should go along with such a provision. I am of the opinion that in a country like ours, with its tremendous size, all methods of long-range transportation should embrace not only the contemplation of profit but also the contemplation of the development of the country and the service rendered to its various regions.

I know there is a clause in the bill which it might be argued will take care of the latter problem, but I should like honourable senators to ask themselves whether those two principles appear to be dealt with in the bill in such a way as to give overwhelming precedence to sound business principles and profit.

Let me say again that I am in favour of sound business principles in crown corporations, and I suppose that I have raised more objection to those things that seem to me to be not in keeping with that idea than have most people; but when it comes to the question of binding the country together I have great difficulty in placing sound business principles and the contemplation of profit at a higher place in my list of priorities than the use of this transportation system as a development instrument as well as an actual service to the people of Canada. I find myself somewhat unhappy that sound business principles and the contemplation of profit are made mandatory by the bill, while the duties of Air Canada in respect of development and the provision of good service are not mentioned.

[Senator Smith (Colchester).]

● (2040)

I recognize that clauses 8 and 9, which are to be found at the top of page 6 of the bill, may be said to deal with the problem I have raised. However, I see there no obligation whatever on the Governor in Council to give any directions which will ensure that the question of development and the question of service are kept high in the priorities of Air Canada. In fact, so far as I can tell, neither the concept of development nor the concept of service is so much as mentioned in the bill, nor does any guidance seem to be given to the Governor in Council as to the principles upon which he shall give the directions to Air Canada which are authorized by clause 8. Certainly there is no guidance to the public as to what directions might reasonably be expected to be given by the Governor in Council, or what directions might reasonably be requested of the government. In fact, it seems to me, honourable senators, that taking into account the powers given to the Governor in Council under clause 6(2), which you will find on page 3 of the bill, and the powers given under clause 8—and I will read clause 8 in a moment—the Governor in Council may put the corporation into any kind of activity whatever, no matter how far removed it is from the business of running an airline, and no matter how far removed it is from the concept of development and service.

Clause 8 reads as follows:

> The Corporation shall, in the exercise of its capacities and the carrying out of its activities, comply with directions of a general nature given to it in writing by the Governor in Council.

There is, however, nothing there that says what those directions shall deal with, either in principle or in detail, or what anybody may reasonably expect those directions to provide, and no restrictions whatever on what they may provide. As far as this clause is concerned, the Governor in Council may direct Air Canada to do anything that one may conceivably contemplate, and Air Canada will have to do it with no redress to anyone.

Honourable senators, I have taken a considerable amount of your time, and you have been very patient with me. I do not feel that the idea of the bill in itself is wrong—that is, I agree with setting Air Canada reasonably free to compete with other airlines in the world. In my view, Air Canada is a good airline, although I must say that when it comes to the service it provides in some parts of the Atlantic region I agree completely with Senator Graham's comment—and I am sorry he is not here—about the inadequacy of that service, and the lack of

coordination with the regional carrier, Eastern Provincial Airways.

Without getting into that, however, as I say, I am glad to see Air Canada set free to compete on its own. I am glad to see conferred on it the powers contained in this bill, but I am extremely unhappy at the power of the Governor in Council to simply give this corporation carte blanche to do anything it likes. I am opposed to this for two reasons. One reason is that I do not think Parliament should delegate to anybody the right to give powers to a corporation that are not contemplated in its own legislation. The other reason is that it seems to me that this is an outgrowth of what some of us have been talking about for some time. I refer to the growing determination of draftsmen, obeying the directions of their superiors, to take power from Parliament and give it to the Governor in Council, whoever he may be. Even if—as I suspect may be the case in the near future—he is someone who is very friendly to my way of thinking, I would not like him to have that power. I hear some dissent, but honourable senators who have such confidence in their invincibility have only to reflect on the course of history to know how rudely they may be awakened. However, I do not need to give much attention to that today because I am sure, after mentioning it, everyone will recognize instantly how true the observation is.

The other objection I have is that the combination of the powers in this bill—powers given directly to Air Canada and the power given to the Governor in Council to increase them; that is, to widen its scope of activity—may very well take the corporation into fields which are not appropriate for it.

Senator Greene: Will the honourable senator permit a question?

Senator Smith (Colchester): I say to my honourable friend that I am always delighted to receive questions from him because they are always so useful.

Senator Greene: The honourable senator indicated that in the present act there is no specific mandatory provision for regional representation on the board. Despite that lack of specific provision there was, in fact, no matter what government was in office, regional representation on the board. Does he have any reason to believe that the same situation will not prevail despite the lack of specific provision in this bill. I know, from his public career, that he does not tilt at windmills, but he is a pragmatist. Will not the same situation prevail despite the lack of specific wording in the present bill?

Senator Smith (Colchester): Honourable senators, as I said, I always like to hear from the honourable senator because I know he will make a useful speech in the guise of a question.

Senator Flynn: Useful, but going too far.

Senator Smith (Colchester): It is useful because it gives me the opportunity to say I do not really trust any Governor in Council to do anything right.

An Hon. Senator: You have not answered the question.

Senator Smith: If I have not answered the question effectively, I will say to my honourable friend that I am not at all satisfied that one should entrust to any body of men and women, however well-intentioned they may be, something that ought to be the prerogative of Parliament, namely, ensuring that the selection of the board of directors of such an important institution as Air Canada is, in fact, made by a certain formula.

Hon. Senators: Hear, hear.

Senator Grosart: Honourable senators, it is my intention to move that the debate be adjourned, particularly in view of this notorious clause . . . As Senator Smith (Colchester) has indicated, we are faced now with this provision:

● (2050)

> The Governor in Council may, by order, authorize the Corporation to engage in or carry on any activities not otherwise authorized by this Act.

I am reasonably sure that we have never been faced with a bill containing a clause giving this kind of power. It means that Air Canada can go into the porno business; it can violate all of our international obligations. It is the most absurd thing I have ever seen in a bill. This requires the very careful consideration of the Senate, and I hope we will take a long time in considering and discussing the effect of this kind of clause, which is one that could be put into any bill. It could be put into a bill affecting, for example, the Atomic Energy Commission, giving it power to do anything it wants to do.

Senator Flynn: Air Canada could become Atomic Energy.

Senator Grosart: Under this provision, they could go into the manufacture of atomic weapons. It is as clear as it could possibly be.

As I say, I intend to move the adjournment of the debate so that honourable senators will have an opportunity to read provision, to reflect on it and to discuss it, before the bill is referred to committee.

Senator Lang: May I direct one question to Senator Smith (Colchester) with respect to clause 6(2)?

I notice the wording is, "The Governor in Council may, by order, authorize the Corporation . . .", rather than the more usual wording, "by Order in Council authorize the Corporation . . .". Does the honourable senator attach any significance to that distinction?

Senator Flynn: You should know.

Senator Smith (Colchester): I wondered about that myself. I concluded that I would have to wait until committee stage to find out. But I do consider it a departure from the usual nomenclature, and I am very much interested in finding out whether it was intentional or simply a misprint. I suspect—being suspicious of the worst—that there is something to it that one does not readily see.

Senator Flynn: "By Order" is less than "order in council". It means it can be done by telephone.

On motion of Senator Grosart, debate adjourned.

RETIREMENT AGE POLICIES

MOTION TO APPOINT SPECIAL COMMITTEE—DEBATE ADJOURNED

Hon. David A. Croll moved, pursuant to notice of Tuesday, October 25, 1977:

> That a special committee of the Senate be appointed to examine and report upon the existing retirement age policies affecting workers in both the public and private sectors; the social and economic implications of mandatory retirement based on age alone; the feasibility of enabling workers, especially elderly citizens, to continue to make a worthwhile contribution to our society through flexible voluntary retirement plans to the extent of their ability and motivation; the protection for those over sixty-five against age discrimination in all employment areas; and the need for the maximum cooperation of all levels of governments, labour unions, business and the public;
>
> That the committee have power to engage the services of such technical, clerical and other personnel as may be necessary for the purpose of the inquiry; and
>
> That the committee have power to send for persons, papers and records, to examine witnesses, to report from time to time, to print such papers and evidence from day to day as may be ordered by the committee, to sit during sittings and adjournments of the Senate, and to adjourn from place to place.

He said: Honourable senators, the Law Clerk and Parliamentary Counsel of the Senate suggested that in the interests of clarity I should change the format of my motion. Therefore, with leave of the Senate and pursuant to rule 23, I would ask that my motion be modified to read as follows:

> That a special committee of the Senate be appointed to examine and report upon
>
> (a) the existing retirement age policies affecting workers in both the public and private sectors;
>
> (b) the social and economic implications of mandatory retirement based on age alone;
>
> (c) the feasibility of enabling workers, especially elderly citizens, to continue to make a worthwhile contribution to our society through flexible voluntary retirement plans to the extent of their ability and motivation;
>
> (d) the protection for those over sixty-five against age discrimination in all employment areas; and
>
> (e) the need for the maximum co-operation of all levels of government, labour unions, business and the public in respect of existing and future retirement age policies and retirement plans;
>
> That the committee have power to engage the services of such technical, clerical and other personnel as may be necessary for the purpose of the inquiry; and
>
> That the committee have power to send for persons, papers and records, to examine witnesses, to report from time to time, to print such papers and evidence from day to day as may be ordered by the committee, to sit during sittings and adjournments of the Senate, and to adjourn from place to place.

The Hon. the Speaker: Honourable senators, is it agreed?

Hon. Senators: Agreed.

Senator Croll: Honourable senators, the concern about retirement is a modern problem. At the turn of the century, few people were able to retire, and most people did not live long enough to worry about it. In those days, only two out of every 10 persons lived to be 65. Today the ratio is 7 out of ten. A man retiring at the age of 65 can expect to live another 13 years, and a woman can expect to live another 17 years, so a sixth of his or her life may be spent in retirement.

I hope women's lib will forgive me if I keep talking about "he." I mean "she" as well.

Many workers have sharp fears about retirement. They are appalled at the forthcoming shift from a regulated life to one of freedom, from a responsible job to a new role without duties, and from an environment filled with daily friendly contact to one of possible loneliness and seclusion. After a lifetime of useful, constructive activity, the thought of entering a purposeless existence is frightening. Many are fearful of aging, and they see retirement as the sudden onset of old age.

The resolution, in the main, deals with retirement age policies, and the social and economic implications of mandatory retirement based on age alone. It should be made clear that this committee is not a crusade of the old for the old. There are two sides to this coin, and there is much at stake in this for the young. It is also well to let the public know that only 56 per cent of the members of the Senate draw old age security. It is a much younger Senate than most people give it credit for.

The most persuasive arguments in favour of compulsory retirement pertain to the scarcity of jobs available and to the frustrations of younger people who are seeking advancement. Well, what brings it on? It is longer life span, inadequate pensions and high inflation. We hear voices from one end of the land to the other—clear voices—saying that the right to work to the extent of one's capacity is a fundamental human right at any age.

• (2100)

To indicate to you the importance of this subject I placed the motion on the order paper on October 25. Then I deliberately waited a little while. I had to do some research to find out a great deal more than I knew about it at the time, and I thought it would be a good thing if some honourable senators also had an opportunity to look into the matter. However, there were some people in the other place who nosed it out; it seemed to be of value to their constituents. On October 28 notice was given, and on November 7, in the private members' hour, a member of the other place, the Honourable Marcel Lambert (Edmonton West), placed the following resolution on the order paper:

> That in the opinion of this House, the government should consider the advisability of enacting legislative proposals to raise the compulsory retirement age from 65 to 70 for any person aged 65 or more who does not so

wish to retire and is prepared to give up his/her private pension plan or annuity.

There was a very good debate in the other place, in which all parties participated. They all approved of it. The NDP was a bit vague about the matter, as they are on some of these things. However, the others were well prepared for the debate and, in the main, Mr. Lambert and some of his supporters asked for a committee to be appointed to study the matter. You will find this at page 649 of the Commons *Hansard* of November 7. Of course, the hour expired and the motion was talked out. The reason I call this to your attention is to show the importance and timeliness of the problem.

I found, on examining the House of Commons private bills, a pretty large number of which they have the opportunity to put on the order paper, that eleven of them had to do with the question of the aged. I could not find out exactly what they had in mind because the bills were not ready, but the four that I was able to locate dealt with the question of age, and they will be presented in the other place in due course.

Senator Choquette: What is the average age of retirement?

Senator Croll: I will come to that in a little while.

I have outlined the problem, and one of the important things I wanted to get across to people was that we in this Senate are best suited to make such an inquiry. I could not locate any government inquiries on this subject. The only one I could find was by the Canadian Council of Social Development, which was made recently and was very useful.

I suggest, as forcibly as I can, that we in this house have a track record, and a good track record. It was in 1963, 14 years ago, that the Special Committee of the Senate on Aging, consisting of 20 members, eight of whom are still members of the Senate, made the first investigatory study in depth. So, honourable senators, the very first inquiry was made by the Senate. We heard from federal and provincial representatives, and from every sort of organization; and we had briefs from people who could not appear.

In 1966, three years later, we presented the report. It was a very good report, and a very lucky report. It fell into the mood of the time and responded to the needs. You don't turn your nose up at the opportunity to be lucky as well as good at the same time. We made 92 realistic recommendations.

In what respect was the report lucky? It was lucky in that we had at that time at the head of the Department of National Health and Welfare the Honourable Allan MacEachen. He understood what the needs of the elderly were. He came from a part of the country that was rich in culture and humanity, but always a little short of money; they were born poor and they died poor, yet they lived rich lives. We recommended that the pension age be reduced from 70 to 65, and that the pensions be augmented. Mr. MacEachen accepted that.

We were additionally lucky because the government had money in the till. The government did two things when it had money in the till recently. One was, of course, to raise the family allowance. The other was to give assistance and augment old age security. Both those things were highly commendable.

However, there was another benefit. The hearings, which extended over a period of three years and were well covered by the press, had an educational effect on the public. Canadians became more and more aware of the aging problem, and all parties joined in and, in the main, welcomed what was recommended.

On Tuesday, October 22, 1974, eight years later, I spoke to an inquiry. I remember it particularly tickled my friend sitting across the way, as he will recall. I called the attention of the Senate to "the anatomy of a special Senate committee report, and in particular to (a) its evaluation, (b) its beneficial results, and (c) as a follow-up, to a suggested future course of action for the Senate." I indicated that the report had been very successful. Much had been done on it. I had researchers in the Library ascertain what had been done on each one of the recommendations, and this is what I said as reported at page 147 of Senate *Hansard* of October 22, 1974:

● (2110)

> Let me give you the box score—and I shall put it in the parlance of baseball rather than hockey, which is kind of dangerous around this place. In any event, it will be understood. It is as follows: Ninety-two recommendations—92 times at bat; 25 home runs; 54 singles, doubles or triples. Thirteen times struck out, but swinging.

Senator Langlois was smartening up that day, and asked, "How many stolen bases?" I could not answer that one. However, I am endeavouring to tell you that we know something about this problem. Allow me to read to you from the report for a while, and I shall have to do so rather extensively in order to make out the case. This appears at page vi of the Foreword:

> Aging is a normal process that goes hand in hand with living. It is not a disease; neither is it an inborn handicap. What we see as problems of aging are the difficulties more likely to be encountered by people who have passed their 65th birthday. For those who are seeking work, we are convinced that, generally speaking problems related to age descend into the forties.

I quote another observation made at page 4 of the report:

> *Old people are not nearly as distinct and homogeneous a group as is sometimes imagined.* Many of their needs and interests are very like those of other members of society, while in such obvious respects as income, health, cultural activities and social behaviour they vary widely among themselves. Even in the matter of age gerontologists are coming to distinguish between the young-old, the middle-aged old, and the old-old, and to recognize that these categories cannot be defined altogether in terms of years, but must take account of psychological and sociological factors.

Now, I believe that there is contained within my motion the next great social issue in this country for which, in my opinion, we should all prepare. The issue is a very clear one; what we

lack is answers. Should we do away with compulsory retirement, which is now fixed at age 65? Should it be raised to age 70? Should it be flexible? Should it be voluntary? Should it be based on age and, if based on age, is that not discriminatory? Should it not be based on ability and capacity?

We in the Senate normally take a second sober look. In this instance we take the first sober look, because no one in this country has dealt with this problem up to the present time. The Government of the United States has recently done away with compulsory retirement in the federal service, with some reservation for private enterprise, particularly in the educational field. The State of California has done away with it entirely. We must bear in mind that those aged over 65 years comprise our largest single minority group, and it is growing. It is now nearly 10 per cent of the population, and society has declared that its members are old at 65. I believe that old people should have a choice, not to fill time but to use time before they die. People are not born equal, they do not act equal and they do not die equal. The immediate transition from usefulness to uselessness, from activity to a statistic, is much too much for human capacity to accept.

I remind you that during the sixties there was a revolt of the young against work. They wanted to do their own thing, so they said. Today—and we must face up to it—we are facing a revolt of the old for work, and they may even popularize the work ethic.

In recent times in this country we have been vigilant in attempting to stamp out discrimination and, in my opinion, we have had some success. Much has been done at various levels of government to ensure that certain basic rights are respected. By and large, this legislation has worked well, thanks to the common sense and goodwill of the vast majority of Canadians. The thrust of early human rights legislation was to protect against discrimination based on race and creed. More recently we have seen efforts being made to outlaw sex discrimination. That aspect of the human rights movement is still in the process of evolution, and a good deal remains to be done. The last great area awaiting to be tackled is discrimination based on age, and that is what we are dealing with today. Here we have hardly begun to move and this is the area which, in my opinion, most merits our attention today.

This is the opening gun of an idea of which the time has come, because the fact is that for a very long time age discrimination has been built into our society in many ways. One of these—and this is the main object of my motion—is the mandatory retirement age as applied to workers in both the public and private sectors. I should like permission to include in the record as an appendix the following tables: Table 1, "Retirement Age in Selected Countries"; Table 2, "Life Expectancy at Birth in Selected Countries"; and Table 3, "Flexibility of Retirement Age."

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

(For tables see appendix, pp. 131-132.)

Senator McIlraith: What are the sources of the tables?

[Senator Croll.]

Senator Croll: They are all from authorized agencies, and are not my own figures. The tables indicate from where I obtained them.

Senator Grosart: Would the honourable senator indicate the sources of these tables?

Senator Croll: Table 1, "Retirement Age in Selected Countries," is adopted from "The Retirement Test—an International Study," *Social Security Bulletin* (July 1974). Table 2, "Life Expectancy at Birth in Selected Countries," comes from the *11th Annual Review* of the Economic Council of Canada. Table 3, "Flexibility of Retirement Age," has as its source the Organization for Economic Co-operation and Development. These sources are recognized as authorities on the subject.

The issue is not a simple one, because we are dealing with human beings in all their variety of ability and motivation. Some people look forward to retirement; others cannot wait and take early retirement; and still others are not ready to retire at any given age.

• (2120)

I should, perhaps, declare my own interest at this point. I am in the latter category, for, as long as I can make a useful contribution, I shall continue to work. I sincerely respect the views and rights of those in the other two categories, and would not wish to see those rights abrogated or abridged to the slightest degree. Clearly, what is required is some freedom of choice for the people who reach retirement age. At the present time the law states that you must retire at such and such an age. I should like to see some flexible arrangement which would take into account the differences between people.

The problem is not a simple one. We cannot turn our backs on it. The problem is there, and it is causing hardship and anxiety to many older people. They are entitled to have someone look into the problem to attempt to come up with some answers. It should be our function to look into the matter and attempt to arrive at some useful conclusions. Labour unions, businesses and social agencies should also look into these matters. Finally, the people themselves should be asked for their views.

Compulsory retirement goes back to the days of Bismarck. Perhaps it meant something then, but it is about time we had a look at it. To give an example, a person's life expectancy is far greater today than it was when compulsory retirement was first written into the law books. Then it was 49 years of age; today it is 71 years of age. Life expectancy has increased by 22 years, and we are still stuck with compulsory retirement at age 65. I would imagine that in those days the age of 65 was looked upon as a very advanced age; however, today it is not. If one looks at life expectancy tables—and I have filed them—it is clear that men and women at the age of 65 have many years ahead of them. We just cannot automatically write them off at age 65. I know there is a great deal of dissatisfaction with the idea of forced retirement, so I suggest that we look into the problem.

For some time now demographers have been telling us that the population is aging. We Canadians are, presumably, a

little grey at the temples. This fact entails social and economic consequences of considerable magnitude. It affects the whole range of social programs from education to old age pension. It also affects the labour force, pension plans and the very structure of our society. This country will have to respond in a meaningful way to the growing age of its population. Those aged 65 and over constitute the largest minority in the country; they comprise almost 10 per cent of the population.

I am well aware that the question of retirement age policies is only a small corner of a much larger social problem, but I think this is where we should begin. Let us take a look at this problem which will, sooner or later, affect the lives of the majority of Canadians. Some facts require putting on the record so that people will know what we are talking about.

Three-quarters of the Canadian population living today will still be here in the year 2000, the actuaries tell us, and 40 per cent will be here in the year 2025. Meanwhile, the birth rate is declining, continuing the trend that began in the 1960s after being at a high of more than 28 per thousand for more than 20 years. By 1970 it was down to 17.5, and it has declined each year from then to 15.4 in 1974.

What this tells us is that the proportion of those under age 65 available to support those over age 65, through public or private pensions, will become dangerously lower as the years march on. One of the most logical ways of easing these economic pressures is to abandon the concept of retirement at age 65 and adopt more flexible arrangements.

One of the most serious though often overlooked objections to the fixed retirement age of 65 is that it lays heavy psychological burdens on people attaining that age, irrespective of their physical and mental capacities. It has for so long been regarded as the gateway to old age, that for many people the 65th birthday is a traumatic event, and its aftermath is a crippling of the will and motivation of an otherwise healthy and capable adult who suddenly feels old.

What is increasingly clear is that the rigidities of any fixed retirement age may become an undesirable burden for both governments and individuals. We need to know more about the present and future impact of changing retirement age policies. Along with the developing trends toward enlightened human rights legislation in this country, we must address ourselves to the problem of ending the ultimate form of discrimination—that is, discrimination by age. I already indicated that the United States has dealt with this problem.

Through a system of enforced retirement at age 65, we tend to reinforce two major fallacies, those being that work is undesirable and something to flee from, and that after the age of 65 people are incapable of useful contributions to the economy and should, therefore, be removed to a quiet place where they can draw a pension until they die. Both viewpoints are absurd in human and economic terms.

We must recognize that there are those who can no longer run against time, but the question is: How many? I attempted to find out how many people would be affected. You must accept my figures on this. They are the best I can come up with. Last year 60,000 men and 20,000 women reached the age of 65 and were, presumably, out of the labour force. What we do not know is how many of those people wanted to continue working. Was it 5 per cent, 10 per cent, 15 per cent or 25 per cent? In this regard, one must bear in mind that 50 per cent of those aged 65 are heads of families living below the poverty line, and they have to work. There are many questions, and we don't know where to turn to for the answers. There is the question of what effect this will have on pensions, what effect this will have on the young. Pensions will become more expensive. Would there be a reduction in jobs available? Would the upward mobility of the young be slowed down? These are the types of questions with which we are faced.

• (2130)

Mandatory retirement has become a human rights issue. Retired people are slipping into a lower and lower standard of living. They are frustrated; they are lonely; they have feelings of uselessness. Society has declared that age 65 is the gateway to old age. Shouldn't that view be examined in the light of modern times and longevity?

It is far too complicated an issue to rely on common wisdom. People do get old eventually, but we need to know more about their needs and desires as they get older. It is hard to argue convincingly that some people magically lose all competence at a given chronological age while others, like ourselves, are almost ageless. There are many who feel no automatic loss of ability or capacity at the age of 65.

Gordon Fairweather, head of the new Canadian Human Rights Commission, stated, and I quote:

> From now on a lot of people who profess to believe in human rights are going to be put to the test.

The Ontario Human Rights Commission has recommended that mandatory retirement ages be outlawed by the province, and the Manitoba Human Rights Commission has made a similar recommendation. One or two other provinces are dealing with the question. The Quebec Pension Plan allows contributors to claim full retirement benefits at age 65 even if they continue working. Until that change, a pensioner who earned more than a stipulated amount lost a portion of the retirement benefits, and that is currently the case in Ontario, and in every other region of the country.

The questions are many, and the answers simply are not there as yet. We have to ask ourselves the following questions: Will raising or doing away entirely with mandatory retirement ages limit or hurt employment or promotion opportunities for those entering the job market and, if so, will that in turn stifle an individual's creativeness and initiative?

If change and progress are usually indicated by the up-and-coming young workers, will the abolition of mandatory retirement ages stifle our academic and scientific communities, and government, and how will that affect future generations?

What kinds of benefits will be derived by individuals and society if the mandatory retirement age is raised or done away with completely?

I need not tell honourable senators that there is no preface to old age. We are ill-prepared. There is no manual of instructions, no guidelines. Old age happens to someone else.

We need to know how many will be affected. We need to inform ourselves as to the social and economic effects of such a step. As politicians we should be in the forefront, dealing with subjects and ideas which have not yet fully registered with a sufficient portion of the population to make them problems. Before this becomes a greater problem, there is an opportunity for the Senate to involve itself. It is not too late. We have some time. We can use it. From my point of view—and I hope it is a point of view endorsed by the Senate—this committee, if established, will be a challenging commiteee, an interesting committee. It will provide us with a vehicle by which to help those people in need of our help—people who, by themselves, are helpless. They are not a very vocal group; they are not a very powerful group. But they are people who provided their services to their country in the best way they knew how. They played it according to the rules, and the rules, they now feel, are letting them down, and I think they are right. I ask the Senate to undertake this very important study and to continue to devote itself to people, as it has in the past, letting the public know that we in the Senate are not only prepared to render a service but actually do so.

On motion of Senator Inman, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

APPENDIX

(*See p. 128*)

TABLE 1

RETIREMENT AGE IN SELECTED COUNTRIES

Country	Normal Retirement Age 1974 [1]	Country	Normal Retirement Age 1974 [1]
Australia	65 (60)	Israel	65 (60)
Austria	65 (60)	Italy	60 (55)
Belgium	65 (60)	Japan	60 (55)
Bulgaria	60 (55)	Luxembourg	65 (60)
Canada	65[2]	Netherlands	65
Czechoslovakia	60 (53-57)	New Zealand	60 or 65
Denmark	67 (62)	Norway	67[2]
Finland	65	Poland	65 (60)
France	60	Portugal	65 (62)
Germany D.R. of	65 (60)	Rumania	60 (55)[3]
Germany F.R. of	65 (60)	Spain	65
Great Britain	65 (60)	Sweden	67
Greece	62 (57)	Switzerland	65 (62)
Hungary	60 (55)	U.S.A.	65
Iceland	67	U.S.S.R.	60 (55)
Ireland	65[2]	Yugoslavia	60 (55)

SOURCE: Adapted from E. K. Kirkpatrick, "The Retirement Test—an International Study, "*Social Security Bulletin* (July 1974), and from Pilcher, Ramsey and Swihard, "Some Correlates of Normal Pensionable Age," *International Social Security Review* 21 (March 1968): 409.

[1] Figures in brackets show female retirement age where this is different.

[2] Reduced since 1966 from aged 70.

[3] Reduced since 1966 from aged 72.

TABLE 2

LIFE EXPECTANCY AT BIRTH IN SELECTED COUNTRIES [a]

	Year	Life Expectancy at Birth	
		Males	Females
Sweden	1967	71.9	76.5
Norway	1966-70	71.1	76.8
Iceland	1961-65	70.8	76.2
Netherlands	1970	70.7	76.5
Denmark	1969-70	70.8	75.7
	1958-63	68.7	74.1
Canada	1971	69.3	76.4
	(1966)	(68.8)	(75.2)
France	1970	68.6	76.1
Japan	1968	69.1	74.3
England and Wales	1968-70	68.6	74.9
Australia	1960-62	67.9	74.2
United States	1971	67.4	74.9
Federal Republic of Germany	1968-70	67.2	73.4

SOURCE: Economic Council of Canada, *11th Annual Review* (Ottawa, 1974), p. 91, Tables 4-10.

[a] Accidental and violent deaths are included; data are for the most recent years.

TABLE 3

FLEXIBILITY OF RETIREMENT AGE

I—PENSION SYSTEMS IN MEMBER COUNTRIES, BY TYPE, COVERAGE, NORMAL AGE WHEN BENEFITS PAID AND EARLY RETIREMENT QUALIFICATIONS

	Type			Coverage			Normal Age when Benefits Paid		Early Retirement Qualifications				
					Gainfully Occupied								
Country	Universal Pension	Social Insurance	Both	Residents	Social Insurance	Separate Systems	Male	Female	Long Period of Insurance	Unemployment for One Year	Tiring of Unhealthy Employment	Prolonged Illness	Voluntary Choice with Reduced Pensions (Period of Anticipation)
Austria		x				x	65	60	x	x		x	
Belgium		x				x	65	60					5 years
Canada			x	x			65[1]	65[1]					
Denmark			x	x			67	62				x	
France		x				x	60	60					
Germany		x				x	65	65		x			
Greece		x			x		62	57			x		2 years
Iceland	x			x			67	67					
Ireland		x		x	x		70	70					
Italy		x				x	60	55	x		x		
Japan		x		x			60	55					
Luxembourg		x				x	65	65	x				
Netherlands		x		x			65	65					
Norway			x	x			70	70					
Portugal		x			x		65	65					
Spain		x			x		66	65			x		
Sweden			x	x			67	65					4 years
Switzerland		x		x			66	65					
Turkey		x			x		60	55				x	
United Kingdom		x		x			65	60					
United States		x			x		65	65					3 years

1970

II—REQUIREMENT TO RETIRE TO QUALIFY FOR PENSION

Country	M	Age[1]	F	Requirement to retire	Where requirement substantial
Austria	65		60	substantial	Pensions reduced by concurrent wages over 1,000 Schillings a month.
Belgium	65		60	substantial	Only a small amount of concurrent wages allowed.
Canada					
Universal	65	(1970)	65	none	
Social insurance	65		65	substantial	Pensions reduced by concurrent wages over $1,500 per year, and by 50% of wages between $900 and $1,500 a year, up to age 70.
Denmark					
Universal	67		62	none	Since universal pensions, apart from the minimum rate, until 1970
Social insurance	67		62	none	are payable subject to an income test, retirement is at present—and will be until 1970—necessary for their receipt.
France	60		60	none	
Germany	65		65	none	
Greece	62		57	substantial	Pension suspended entirely if concurrent wages reach twice the amount of benefit.
Iceland	67		67	none	
Ireland	70		70	none	
Italy	60		55	none	
Japan	60		55	substantial	Pension reduced by one-fifth for persons not retiring.
Luxembourg	65		65	none	
Netherlands	65		65	none	
Norway	70		70	none	
Portugal	65		65	mandatory to age 70	
Spain	65		65	mandatory	
Sweden	67		67	none	Benefits under universal scheme reduced if pensioner has other income.
Switzerland	65		62	none	
Turkey	60		55	mandatory (from insured employment)	
United Kingdom	65		60	substantial	Pensions reduced concurrent earnings over £7.10s. a week up to age 70 for men and 65 for women.
United States	65		65	substantial	Pensions reduced by concurrent earnings over $2,880 a year, and by 50% of earnings between $1,680 and $2,880 up to age 72.

1. Age at which pension benefits normally begin.

Source: Organization for Economic Cooperation and Development.

THE SENATE

Wednesday, November 16, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

STANDING JOINT COMMITTEE—CHANGE IN SENATE MEMBERSHIP

Senator Macdonald, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the name of the Honourable Senator Bélisle be substituted for that of the Honourable Senator Yuzyk on the list of senators serving on the Standing Joint Committee on Regulations and other Statutory Instruments; and

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

Motion agreed to.

TRANSPORT AND COMMUNICATIONS

COMMITTEE AUTHORIZED TO ENGAGE SERVICES

Senator Smith (Colchester): Honourable senators, I guess things move along here without very much initiative from individuals sometimes. I see on my desk a motion which, I suppose, is placed before me because of the honour you did me in electing me Chairman of the Standing Senate Committee on Transport and Communications, an honour which I greatly appreciate and for which I express my thanks and appreciation, but which I have not yet learned to carry out properly. I guess this is part of my initiation.

I gather it is now my duty to move, seconded by the Honourable Senator Macdonald (Cape Breton), with leave of the Senate and notwithstanding rule 45(1)(e):

That the Standing Senate Committee on Transport and Communications be empowered to engage the services of such counsel and technical, clerical and other personnel as may be necessary for the purposes of its examination and consideration of such legislation and other matters as may be referred to it.

Motion agreed to.

ALASKA HIGHWAY PIPELINE

INTERPRETATION OF AGREEMENT—QUESTIONS

Senator Olson: Honourable senators, I should like to ask a question of the Leader of the Government along somewhat similar lines to the question I raised a few days ago about the Alaska Highway pipeline. I raise this matter again because of additional manifestations of disagreement as to the interpretation in Canada and in the United States of the AlCan agreement, the most recent manifestation being the assertion by Teamsters in Alaska that they ought to be involved in the construction of the pipeline in Canada.

I would ask the leader whether any negotiations or consultations are taking place between Canada and the United States respecting the interpretation of certain clauses in the construction agreement, so that Canadians generally, and Canadian suppliers in particular, can have a clear understanding as to what to be prepared for.

Senator Perrault: Honourable senators, while I am in no position to provide information additional to that provided the other day when I answered the honourable senator's earlier question, inevitably the process of developing this Arctic natural gas pipeline will involve continuing negotiations between the two countries on various details of the construction agreement. However, I will take the question as notice and attempt to provide further information as soon as possible.

Senator Olson: When he researches the answer, I wonder if the honourable leader would also bear in mind that the application made to the National Energy Board in Canada, which was approved, contains a certain percentage of Canadian content. If that content is not met, will that approval still be valid?

Senator Perrault: As I say, I will attempt to provide more detailed information over the next few days. However, honourable senators may be aware of reports which appeared in the media only this week that the Canadian content is expected to be substantially higher than originally anticipated when the agreement was signed. This is certainly good news to all Canadian provinces if, in fact, this is the situation.

Senator Greene: Another supplementary, honourable senators, if I may be permitted. There are reports emanating from Washington to the effect that Canadian pipemakers are not capable of manufacturing the size and structure of pipe that would be most effective in the construction of the pipeline. Would the honourable leader look into the matter of whether this allegation is true or whether, in fact, Canadian pipemakers are perfectly competent to manufacture the size and type of pipe that might be best used in the construction of the pipeline?

Senator Perrault: Honourable senators, whether the reports have any validity or not, Canadian companies are able to match the expertise to be found in any other nation in the world when it comes to building pipelines.

Hon. Senators: Hear, hear.

Senator Perrault: It is the intention of the government to make sure that the highly competent and able Canadian companies which have earned a rightful world reputation for quality will be given a full opportunity to provide their products for this huge project.

Senator van Roggen: Honourable senators, I have another supplementary for the Leader of the Government. Would the leader, in preparing his reply to the questions that have been put to him in connection with the Alaska Highway pipeline, also direct himself to the question of pipe specifications? It will only be when these specifications have been established that we can start discussing when the pipeline will be built and what bids can be put forward. I will not go into details now, but I think the leader's statement should include as much information as possible on the specifications being discussed by the two groups negotiating on behalf of the two governments.

AIR CANADA BILL, 1977

SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the debate on the motion of Senator McElman for second reading of Bill C-3, respecting the reorganization of Air Canada.

Senator Grosart: Honourable senators, it is my intention to move further adjournment of the debate on this bill. Perhaps I should explain the reason. It is that, among other things, some of us on this side have been seeking a legal opinion as to the effect of clause 6(2) and clause 8, to verify our concern, the concern expressed here yesterday, about the possible effect of these clauses if they remain in the bill. I therefore move the adjournment of the debate.

• (1410)

On motion of Senator Grosart, debate adjourned.

SCIENCE POLICY

VOLUME 4 OF REPORT OF COMMITTEE—DEBATE ADJOURNED

Hon. Maurice Lamontagne rose pursuant to notice of Tuesday, October 25, 1977:

> That he will call the attention of the Senate to the Report of the Special Committee of the Senate on Science Policy, appointed in the last session of Parliament and authorized in that session to consider and report on Canadian government and other expenditures on scientific activities and matters related thereto, entitled: *A Science Policy for Canada*, Volume 4, *Progress and Unfinished Business*, tabled in the Senate on Tuesday, 25th October, 1977.

He said: Honourable senators, the Special Committee of the Senate on Science Policy has ceased to exist, so that in a sense my speech will be a *post-mortem* examination.

On this occasion I should like to express my deep gratitude to the vice-chairman of the committee, Senator Cameron; to the chairman of the steering committee, Senator Grosart, and to those other members of the committee who have actively participated in its activity since 1968 or during the last few years.

Hon. Senators: Hear, hear.

Senator Lamontagne: I should also like to express my gratitude to the committee staff, more particularly to Mr. Philip Pocock and Mr. Jacques Ostiguy, for their dedication and discretion throughout those years.

I cannot pay better homage to my colleagues and to the staff than that offered by two ministers at the beginning and at the end of our second, more recent inquiry. In December 1975 when we began that inquiry, Mr. Drury, then Minister of State for Science and Technology, made the following statement which is included in our report:

> I have been most impressed by the record of performance of your committee . . . No one can doubt the thoroughness with which you approached your task. I think it is fair to say that no other investigation of science policy anywhere in the world has equalled that carried out by your committee. Your report has constituted a significant background to all discussions of science policy matters, and its influence will continue to be felt not only in Canada but, I suspect, also internationally.

In April 1977, at the end of our inquiry, Mr. Faulkner, who then succeeded Mr. Drury as Minister of State for Science and Technology, made the following statement:

> This is my first meeting with the committee which, if I may say so, has been one of the outstanding success stories of parliamentary committees. I do not say that gratuitiously. I happen to believe that not only has the committee made a profound impact on the development of science policy with the government . . . but outside . . . I think it has been viewed . . . as a landmark of political awareness . . . of the role of science and technology in Canada.

I should now like to present a summary of our fourth and last volume, which was tabled at the beginning of this session.

[*Translation*]

Honourable senators, this document entitled *Progress and Unfinished Business* is the fourth and last volume of the Report of the Special Committee of the Senate on Science Policy.

To understand its object and content, one must go back to the time when the committee started its activities. The findings of our first inquiry are found in Volume I, published in 1970. At that time, we came to realize that, compared with other industrialized countries, the efforts Canada made towards research and development were quite inadequate. We came to realize also that the sharing of these efforts had given Canada a unique pattern which lacked realism. Contrary to the situation in most other industrialized countries, Canada's efforts were concentrated in government laboratories, cut off from the real world and not likely to foster much innovation.

On the other hand, the industry's contribution remained quite marginal, which explained the poor record of the Canadian economy when it came to innovations. Moreover, we discovered that the science policy of the Canadian government was in fact determined by circumstances, the result of isolated and inconsistent decisions by various departments and agencies, their outlooks often much too clouded by their own missions to give the necessary attention to these complex decisions. In other words, we found a mess in a political sector which the government later described as greatly affecting the welfare of the Canadian public and the future of the Canadian society as a whole.

Volumes 2 and 3 published by the committee in 1972 and 1973 contained a whole series of specific recommendations and general suggestions which could have remedied the situation had they been implemented energetically and quickly.

The committee was quite pleased with the first reaction of the government to its proposals. After 1970, much more reliable statistics were compiled and published on Canadian science efforts. We had deplored the weakness or even the absence of central bodies entrusted with the care of formulating and evaluating an overall science policy. In 1968 the Science Council became a crown corporation, empowered to hire its own staff. Our first inquiry had proved that the scientific and engineering community was broken up into about a hundred various associations throughout Canada, and that those solitudes made dialogue on the science policy almost impossible. At our suggestion, in January 1970 the Association of the Scientific, Engineering and Technical Community of Canada was founded, now commonly known as the SCITEC. In June of 1971, the government announced the setting up of a Ministry of State in charge of Science and Technology, with a very limited mandate as a first step towards filling the gap at the top echelon.

In Volume 2 we had recommended that the government transfer contractually to industry whatever intramural research and development programs were in progress, and the new ones whenever possible. In February 1972, shortly after publication of that volume, the government announced its policy of assignment, and though it was limited to new programs, nevertheless it was taking a step in the right direction.

Volume 3 was published in September 1973. In February 1974 the Honourable Jeanne Sauvé announced that the government had decided to implement several of the major recommendations made by the committee.

● (1420)

[*English*]

The statement made by Mrs. Sauvé in February 1974, in her capacity as Minister of State for Science and Technology, promised substantial improvements in the formulation of science policy and its priorities, a meaningful central machinery for the review and assessment of proposed science expenditures, and a visible science budget. With this solid basis we then anticipated that MOSST would become a dynamic agent of change and that action on our other recommendations would soon follow.

However, a year and a half later—that is, in the summer of 1975—it became obvious that most of the promises made by Mrs. Sauvé had not yet been fulfilled by her successor. Moreover, a quick look at the size and distribution of the national R&D effort showed that the major deficiencies which the committee had detected in 1970 still existed.

In July 1975, we decided to seek authority to inquire into that situation and to ask why there had been no improvement over all those years. Was it because the committee's recommendations had been rejected by the government, or because they had been implemented badly or too late?

Departments and other government agencies were invited to prepare briefs, and in December 1975 the committee launched its second, more specific, inquiry. It was probably the first time in our parliamentary history that a committee was authorized to go back to the scene of its first investigation to ascertain in a detailed and systematic way to what extent and how its initial recommendations had been implemented. We now recognize that this second assault on bureaucratic resistance has already proved most useful.

The statistical tables presented in chapter 1 of the last volume of our report show that in real terms no significant improvement has taken place since 1970 in the size and distribution of the national and government research and development effort. Canadian R&D intensity continues to lag far behind that of most other industrialized countries. This stagnation, coupled with the lack of mobility of researchers, is creating an imminent crisis in the government and university sectors that is seriously threatening our national research capability. In fact, we may lose a whole new generation of researchers in Canada. This emerging crisis is reviewed in chapter 2 of the fourth volume of our report.

The data also reveal that government laboratories continue to dominate the Canadian scientific scene, that changes in departmental and agency R&D budgets seem to be guided by the wrong priorities, and that the basic weakness of the industrial sector still persists in terms of its research and development effort and its innovative performance.

As a result, the Canadian technological gap that we had deplored in 1970 is widening. This weakness is particularly evident in the manufacturing sector and it constitutes an important factor accounting for the dramatic rise in our trade deficit in end products from $3.6 billion in 1971 to $10.2 billion in 1976. This persistent weakness of the industrial sector in terms of research and development effort is described in chapter 3.

As the committee launched its second inquiry, the government initiated a new period of activity and implemented other corrective measures inspired by our earlier recommendations. However, the impact of those decisions has not yet been felt.

Most of the promises made by Mrs. Sauvé in February, 1974 have now been fulfilled. A special budgetary procedure for the approval of proposed science expenditures by depart-

ments and other government agencies has been developed, and MOSST has been given the responsibility for reviewing and assessing those proposals before they are finally approved. For the first time, a separate and visible science budget has been published for the fiscal year 1977-78. Although this document is still imperfect, the ministry has promised to improve it next year.

In June 1977, Parliament approved the creation of two new granting councils, one for the physical sciences and engineering and one for the social sciences and the humanities, along the lines we had recommended back in 1972. Other proposals made in 1972 were also implemented recently. Twenty industrial task forces were created in 1976 by the Department of Industry, Trade and Commerce and were asked to prepare plans designed to improve the technological performance and the innovative capacity of specific sectors of manufacturing industries. Unfortunately, those plans are not yet available.

In the spring of 1977, the following measures were initiated: the make-or-buy policy was extended to all government intramural scientific activities, thus providing substantial additional support to industry and universities. A detailed study was launched to develop a program to increase the mobility of scientific personnel and to encourage older researchers to take other jobs in the Public Service or in the private sector. A similar study has been undertaken by the Science Council in the academic sector.

The various grants programs designed to encourage industrial R&D have been integrated into a more flexible and less confusing multi-purpose program. The government is financing a special program of futures studies which is being carried out by the Institute for Research on Public Policy, and has established mechanisms to plan and coordinate such studies within the Public Service.

Other less important recommendations have also been implemented recently. Those recent decisions, probably prompted by our second inquiry, are also described in our report as delayed progress. When their full impact is felt, the Canadian situation with respect to science, technology and innovation will improve significantly.

It is regrettable that five years had to elapse—the wasted years, as we call them—and that another inquiry had to be launched before the government decided to act on a broad front. But there is still important unfinished business, which is described in this volume and summed up at the end of each chapter in 15 specific recommendations. For those who have not yet had the time or the opportunity to read that volume, I will list the specific recommendations as follows:

● (1430)

1. Government departments and agencies with a sufficient science budget should have a science adviser acting as liaison between top management and research services as well as between the department or agency and the Ministry of State for Science and Technology.

2. A government directive should be issued requesting departments and agencies to submit their science expenditure proposals directly to MOSST at a date which permits examination and analysis by the ministry prior to their submission to the Treasury Board.

[Senator Lamontagne.]

3. The Ministry of State for Science and Technology should improve its annual publication, entitled *Federal Science Programs,* to provide more detailed information about the distribution and the rationale of the science budget, the highlights of current success stories and of new scientific programs being launched.

4. The ministry should prepare a science policy framework, as promised in 1974, including a five-year plan to serve as a basis for the annual review and assessment of the science budget. This plan should include priorities and a target of 1.5 per cent of gross national product for the national science effort to be attained by 1982.

5. The budget of the granting councils should increase by 12 per cent annually during the next five years, as it did in the fiscal year 1977-1978, to compensate for inflation and to support a greater research effort in the university sector.

6. R&D grants to universities should include the indirect cost of projects.

7. The extended make-or-buy policy, especially in the area of basic and applied research, should apply to the university sector as quickly as possible. NRC, the National Research Council, should be transformed into a multi-purpose national academy where most of the government intramural basic research and long-term applied research activities would be concentrated.

8. The Interdepartmental Committee on Industrial Policies and Strategies, chaired by the Department of Industry, Trade and Commerce, should be asked, as a matter of high priority, to report regularly to cabinet on the negative implications of decisions and policies of departments and agencies on the innovative process and the industrial R&D effort.

9. Great importance must be attached to the industrial task forces or study groups being asked to develop sectoral strategies for manufacturing industries, including reorganization plans to improve R&D and innovative capacity, and the Department of Industry, Trade and Commerce should set up an office of Industrial Reorganization to coordinate and support the work of these groups and to implement their proposals.

10. The new and broader make-or-buy policy must be applied quickly, and the Department of Industry, Trade and Commerce should be given a meaningful role in its implementation. In the awarding of R&D contracts, provincial research organizations should be given the same priority as other agents of the service sector, such as engineering firms.

11. The intramural scientific activities remaining within the government, and designed to serve manufacturing industries, should be consolidated into a single complex of laboratories with strong industrial representation on its board and committees and responsible to the Department of Industry, Trade and Commerce.

12. R&D contracts to industry should not be seen as substitutes for grants and tax incentives, and, in consequence, the real value of direct financial assistance offered by the government in 1972 should be restored quickly, both in the form of grants and appropriate tax deductions for increased R&D expenditures over a base period.

13. The role of Canada Patents and Development Limited should be extended to include assistance to the private inventor, and a series of awards for Canadian innovators and inventors should be instituted.

14. A Canadian Innovation Bank should be created by the Department of Industry, Trade and Commerce as a lending and investing institution to support the launching of technological innovations, especially in new or existing small or medium-sized firms.

15. To accomplish all these important tasks effectively, the industrial mission and the commercial mission of the Department of Industry, Trade and Commerce should be separated. A deputy minister of industry should be appointed, and the department should be given much greater internal stability at the ministerial and top management level than it has had in recent years.

Finally, I would like to raise two points that are very important in relation to the future development of a coherent science policy for Canada. The first is related to the internal stability of the two ministries most directly concerned with that policy, namely, the Ministry of State for Science and Technology and the Department of Industry, Trade and Commerce. The second point is related to the future involvement of parliamentarians with science policy.

The Ministry of State for Science and Technology was set up in the fall of 1971, and quite naturally several months were required to get it organized; but then, in May 1975, a major reorganization was undertaken that lasted until March 1976. Moreover, in the last five years that ministry has had five ministers, three secretaries or deputy ministers, and a rapid turnover at other levels of top management, and cannot be expected to accomplish its complex and delicate mission with such a degree of internal instability. The recent appointment of a part-time minister, who is also Minister of Public Works, will not improve this situation.

Similarly, the Department of Industry, Trade and Commerce has gone through a major reorganization, begun in 1973 but still unfinished in 1976 when we heard the representatives of that department. Since 1972, the Department of Industry, Trade and Commerce has had five ministers, four deputy ministers, and also, like MOSST, a rapid turnover at other levels of top management.

It is not surprising that we are still waiting for the industrial strategy that Mr. Pépin had promised in 1972. Without a greater internal departmental stability it will be impossible to develop effective policies designed to promote technological development and innovations, and to strengthen our manufacturing industries.

The continuing involvement of parliamentarians with science technology and innovations has become imperative. In recent years, the Senate special committee, with its limited means, has proved to be most useful. Moreover, our second inquiry has shown the great value of a continuing operation. We fear, however, that the time has come for us to cease to operate as a special committee. In recent years attempts have been made in the House of Commons to establish a standing committee on science policy, but they have not been successful. Eventually, perhaps, we could have a joint committee of both houses. For now, however, we recommend that the Senate establish its own standing committee. Over the years the Senate has received a great deal of credit for providing a public forum on issues raised by science and technology, and for contributing to the development of a more coherent science policy.

● (1440)

This task, in our view, must now be organized on a continuing basis; otherwise, Canada will become one of the few countries in the western world where parliamentarians will not be directly and systematically involved on a continuing basis with the vital issues of science policy.

It is with a very detached attitude that I support this unanimous recommendation of the special committee for a standing committee on science policy. If the Senate accepts that recommendation, I shall be quite ready to serve as a member of that committee, but I think my usefulness as chairman of any future committee dealing with science policy is over.

[*Translation*]

Senator Greene: Would the honourable senator allow me a question?

Senator Lamontagne: Of course.

Senator Greene: When you speak of federal research under the National Research Council, do you talk only of industrial research? I am thinking of departments such as agriculture which is mainly devoted to research. Are you saying that agricultural research would be better if conducted by the National Research Council, or that a department such as the Department of Agriculture, which is mainly a department of research in agriculture, should continue to do research?

Senator Lamontagne: We certainly favour that applied research continue to be conducted in the Department of Agriculture, since it is directly related to it. What we recommend now is that pure or fundamental research being done in various departments—very often making them forget their proper political mission—be concentrated within the National Research Council. In this way, various departments would achieve their useful purpose and accomplish their mission more efficiently than in the past.

[*English*]

On motion of Senator Cameron, debate adjourned.

NORTH ATLANTIC ASSEMBLY

TWENTY-THIRD ANNUAL SESSION, PARIS, FRANCE—
DEBATE ADJOURNED

Hon. A. Hamilton McDonald rose pursuant to notice of Wednesday, November 9, 1977:

> That he will call the attention of the Senate to the Twenty-third Annual Session of the North Atlantic Assembly, held in Paris, France, from 18th to 24th September, 1977, and in particular to the discussions and proceedings of the Session and the participation therein of the delegation from Canada.

He said: Honourable senators, the inquiry I am speaking to today is similar to those that I have have had many opportunities to speak to on previous occasions.

As this is the first opportunity I have had to address the house since this new session began, I too should like to extend my congratulations to you, Madam Speaker, for the charming and efficient way that you have presided over this chamber, and for the leadership you have shown in the diplomatic community of Ottawa. Your work has been appreciated by all of us here and by our visiting friends from many countries.

All of us here realize that the Leader of the Government and the Leader of the Opposition have formidable loads to carry. The responsibilities of the Leader of the Government in the Senate are onerous and difficult, but in my view the Leader of the Opposition has an even more onerous and difficult job. Most senators are familiar with my views on the division of manpower in this chamber. I know of no body, elected or appointed, that can operate as efficiently as it ought to without strong representation on both sides of a question. How that can be accomplished with the present membership of the official opposition is beyond me.

I know it is most difficult for any Prime Minister, regardless of his political party, to appoint members from an opposition party to this place. However, this difficulty could be overcome by amending our Constitution in such a way that the membership of the official opposition in the Senate would never drop below a certain percentage point. I don't know what that would be, but I repeat that the opposition should be strengthened if it is to carry out its responsibilities.

Honourable senators, I want to say a word of thanks to the staff of the Senate. We have a good staff, and I am pleased to note today that one of our *Hansard* reporters is a young woman. If my memory is correct, she is the first lady reporter to serve on *Hansard*. I welcome her to the Senate, and I hope there will be others who follow her.

Honourable senators, I only want to say a few words about Canada's participation in the Twenty-third Annual Session of the North Atlantic Assembly, which was held in Paris, France, from September 18 to 24 of this year.

There were 17 Canadian delegates, but Canada is entitled to only 12 votes in the Assembly. This number is based on our population and our contribution to NATO. Normally we would send 12 delegates, but we can send additional representatives if the North Atlantic Assembly has elected them to positions on one of its standing committees. Several Canadians now serve as chairman of committees or rapporteurs of committees or subcommittees. So I am pleased to note that our total delegation is up to 17, and I am even more pleased to note that we have now arrived at a target I had set several years ago in the Senate, that of having five senators attend these annual meetings. This has been accomplished not by increasing our allotment in the division between the Commons and the Senate, but we still continue to have three delegates from the Senate, and we have two people in positions of rapporteurs of committees, Senator Yuzyk and myself.

● (1450)

Hon. Senators: Hear, hear.

Senator McDonald: Of course, there is another Canadian who travels with us. I refer to Paul Langlois from the other place, who is the Treasurer of the North Atlantic Assembly, and he goes as a member of the staff of the North Atlantic Assembly from Brussels.

Over the last several years we have had Colonel Bowie as our secretary, and I take this opportunity to thank him for the excellent job he has done. I can think of no one who performs his allotted tasks and responsibilities better than Colonel Bowie. I know of no one who has travelled with Colonel Bowie, either abroad or in Canada, who has ever complained of his activities and work. He deserves the thanks of us all.

Honourable senators, I would like now to review with you what has happened in central Europe, and I shall confine my remarks to NATO in central Europe only. I know we have other responsibilities on the northern flank and the southern flank, but it is not possible to deal with all of these areas in one speech.

So, what has happened in the past year on the central front in Europe? There have been improvements, and I will refer to some of them on both sides—that is, the NATO side and the Warsaw Pact side—but I am afraid that I have to say that the situation that prevails today in Europe, as far as NATO is concerned, is far from satisfactory. In my view, the majority of the member nations of NATO are not making as large a contribution as they can and as they must if we are going to maintain peace, at least in that part of the world.

I am sure that all of us were pleased when last spring the defence ministers, at a meeting in Brussels, agreed to increase their defence spending by three per cent during the next five years. But I have great doubts whether several nations who are members of NATO can or will meet this increased expense, but without it, and without other changes which I will refer to later in my remarks, I cannot see the position of NATO improving in the immediate future.

One of the main problems that we in the western world face is the fact that many of our military forces today are volunteer forces, and when you have a volunteer armed force you have to compete with the industrial wage of your nation for manpower. This means that many countries, including Canada, spend over 80 per cent of their defence budget on pensions and salaries, and less than 20 per cent is left for research, develop-

ment and procurement of new arms. This is not a problem to our potential adversary. Our potential adversary has conscription, and its total share of the defence budget spent on manpower is not over 80 per cent; it is less than 20 per cent.

Senator Flynn: They pay less.

Senator McDonald: Even if we spent roughly the same percentage of our gross national product on defence, how can we hope to match a situation where 80 per cent, or more than 80 per cent, of our defence budget goes in salaries and pensions, while less than 20 per cent of the enemy's defence budget goes in salaries and wages? These are facts.

I mentioned a moment ago that I believed the member nations of NATO must make larger contributions. Despite the fact that in the last few years Canada has improved her position substantially—and I am not going to relate those improvements because we are well aware of the new equipment that has been purchased, ordered, or is about to be ordered for the Canadian armed forces—I do want to point out that there is only one country in the North Atlantic Assembly that spends less of its gross national product on defence than Canada, and that is Luxembourg. When you compare defence expenditures by percentages of gross national product you are really not using a fair measurement, because we know that the gross national product of some NATO members is next to nil, and any percentage of nil is still nil. On the other hand, some members of NATO are among the more wealthy nations in the world, Canada being one of them, and 2.4 per cent of Canada's gross national product is a considerable amount of money. But when we compare our gross national product to that of Portugal, we can easily see that 2.4 per cent of our gross national product means one thing while 6.4 per cent of Portugal's gross national product means another. So, I do not believe that this formula for calculating a nation's effort is a fair one, but it is the one that is used in discussions in the North Atlantic Assembly, and it is sometimes difficult for Canadians to get the credit to which I believe we are entitled. I also believe that we can afford to spend more than 2.4 per cent of our gross national product, not to fight a war but to create conditions under which war is very unlikely.

There have been some improvements on both sides—in NATO and in the Warsaw Pact—and I would like to refer to some of those that we can see. I think we have to classify them as short-term improvements and long-term improvements, especially as far as NATO is concerned.

At a meeting of the Defence Planning Committee last spring, the defence ministers felt that for the short term we needed immediate improvement in anti-armour. The reason for this is the fact that there are in the neighbourhood of 23,000 or 24,000 Russian-Warsaw Pact tanks sitting across that imaginary line between East and West. On our side of that line there are about 9,000 tanks, and 24 to 9 is not very good odds. It is obvious that in the immediate future our anti-armour must be improved. I shall be saying more about that later on.

● (1500)

We must improve our readiness, simply because we are convinced that the Soviet Union could launch an attack on Western Europe with little or no warning. If they are going to launch a major attack worldwide there is bound to be a longer warning period, because we would be aware of where their navies are, and what has happened to their shipping. However, I suggest to you—and many Europeans are convinced of this—that the Soviet Union could make a major ground strike into Western Europe with little or no warning, so our ability to project what is going on behind the border between East and West must be improved, and improved rapidly.

There is another improvement that must be made almost immediately. The suggestion is made that our stocks and re-supply facilities are not sufficient, and that the transportation to move those supplies into the battle area is not sufficient. Again there are proposals to rectify this, and it is my hope that the Defence Planning Committee will at its next meeting, which will be held next month, adopt the proposals I have just referred to, and I have every reason to believe that it will.

Those are the proposals that have been made to deal with the short-term problems. What about the long-term problems? Not only do we need to improve our anti-armour position today, but there must be a long-range program. There are new weapons in the planning stage that could offset this disparity between 24,000 and 9,000 tanks, and I will refer to those later.

With respect to reinforcements, we have to improve on the time element in moving troops from their homeland to the front. It is much easier for our adversaries to move their reinforcements, even from the heartland of the Soviet Union into East Germany, than it is to take reserves from North America to Europe. Surely the experience of those exercises during which we have moved very large numbers of men from North America into Europe has taught us that the time lag is too great, that the numbers of aircraft needed are great, and that we do not have nearly enough. There has been a proposal that our civilian aircraft ought to be modified so that in times of war they can be used to transport men and materials across the Atlantic.

We know now that, because of the tremendous strides in the build-up of the Russian navy, our marine posture in the Western World has to be strengthened. Some of us are aware of Canada's proposals for strengthening her marine posture. We know now that our aircraft in Europe have to be replaced with new aircraft, and we are making a move in that direction, as are many other countries within NATO.

Communications are dreadful. Many of our forces from one country cannot talk to their neighbouring forces fighting the same enemy; one country cannot talk to another. Surely we should have learned in the last World War that any conflict today involves the land, sea and air, yet not only are our communications lacking in that regard but, as I said a moment ago, our communications are lacking between one country and another.

Developments in electronic warfare make it imperative that we have new radar systems almost immediately. I will refer to that later on.

It is now thought that consumer logistics available in Europe from civilian sources must be mobilized, and there must be a plan so that they can be mobilized to deliver men and materials to the front. We must have new methods and new procedures to mobilize reserves. I would like to see my own country with a far stronger militia than it has today.

The new advances in the theatre of nuclear warfare may in the long-run determine whether we have peace or war. I mentioned earlier some of the developments that can offset this disparity between the numbers of tanks in the East and the West, the number of artillery in the East and the West and the numbers of aircraft in the East and the West. They are all out of balance. But we do have some tricks up our sleeve, although some people are hesitant to support the development of some of these new weapons. I have said over and over again, and I say it again today, that I believe the more weapons you have in your arsenal, the more prepared you are to fight if you have to, and the less chance there is that you will have to. I repeat, NATO does not want to fight a war; NATO wants to maintain peace.

You know, it reminds me of that advertisement on television by an oil filter company, Fram, in which a mechanic takes an oil filter in his hand and says, "You can pay me now or pay me later," meaning, "You either buy a new filter for $3 now, or you don't buy it and pay me $500 for a new motor later." That is what I believe NATO is attempting to do, and must do. We must buy new oil filters, and buy a lot of them. If we fail to do so we will pay the price of war, and we won't be able to measure that by any percentage of our gross national product.

What are some of these new weapons? There is the neutron weapon. Some people call it the neutron bomb, but that is a misnomer. The neutron weapon can be used as a bomb; it can be fired from a tank gun; it can be fired from artillery; it could be rocketed off from an aircraft; it could be a ground-to-ground missile. What is a neutron weapon? A neutron weapon is a dud nuclear weapon. When I say "dud," let me explain that the neutron weapon does not explode as a nuclear weapon does; consequently, it does not have destructive power over the huge area that a nuclear weapon does. However, it has the killing power of a nuclear weapon in a smaller area. The radiation from a neutron weapon dissipates in hours, whereas from a nuclear weapon, as we all know, it takes weeks, months or God knows how long. I believe that the neutron weapon should be developed by the United States and deployed in Europe. A Russian, I am sure, would scratch his head a long time before he advanced into the mouth of a neutron weapon.

● (1510)

We also have the cruise missile, potentially one of the greatest weapons that man has ever developped. The cruise missile has a range of from 2,000 to 3,000 kilometers, it flies at a subsonic speed of 600 or 700 miles an hour, it flies at a low level of about 100 feet, and it is accurate to within 30 feet of its target at 3,000 kilometers. It is small, being about 200 inches long and 21 inches wide. There is no known defence against a cruise missile. I believe that if cruise missiles are developed—and they are going to be developed—and are deployed in Europe—and I hope they will be deployed in Europe—they will be part of our answer to those 24,000 tanks I was talking about.

I do not believe that Westerners, whether they live in North America or Europe, are prepared to pay the cost in tax dollars to match tank for tank, airplane for airplane, ship for ship or gun for gun, with the Soviet Union, but I am convinced that we have the technology on the North American continent to develop these other weapons for much less money, place them in the field, and maintain a deterrent that will prevent war.

There are other developments that have happened in the past year which are helpful to NATO. The fact that the Portuguese have brought considerable stability to their country in the last year has helped a great deal. A year ago, it will be recalled, we were all very concerned about where Portugal would end up. I believe she is in the process of ending up with a democratic government favourable to the West, and as she is now out of Africa she will have more men and money to share with her NATO partners in the defence of Western Europe.

I believe that the activities in Spain toward developing a democratic government are encouraging. I hope the day will come in the near future when the process of political evolvement in Spain will make it possible for her to become a member of NATO. My main reason for so hoping is that it will increase the area in which we can manoeuvre if called upon to defend ourselves. The growth in Congressional support in the United States for interoperability and standardization is positive, but it has some weakness which I will refer to later.

What about the Warsaw Pact? What have they been doing in the past year? During the past year they have continued their program of switching virtually all their military forces from a defensive force to an offensive force. There are virtually no land, sea or air weapons in the Soviet Union's arsenal today which could be considered strictly defensive weapons. They are weapons of attack, and it necessitates changes on our side when a potential enemy moves from a defensive to an offensive posture.

Soviet operational doctrine today envisages that the Warsaw Pact nations could advance into Western Europe, a distance of 30 kilometers, in the first 24 hours if they used conventional weapons only. If they used strategic nuclear weapons, they believe they can advance 50 kilometers in the first 24 hours. Their strategy is to have eight or 10 break-throughs on the line dividing East from West, and they believe they can make an advance of 600 kilometers in the first 10 or 14 days.

The reason for saying this is their strategy is that, as I pointed out a moment ago, they have moved from a defensive posture to an offensive posture, and one need only look at some of the new weapons that are in their arsenal. There is the new Russian tank, the T-74, which is, without doubt, one of the finest tanks in the world. When we look at its capability and speed alone, we do not wonder that they talk about advancing

30 kilometers in the first 24 hours. Their progress in the aircraft industry has been phenomenal, as it has been in respect of missiles.

Senator Rowe: Would the honourable senator permit a question in regard to tanks? He mentioned that the Russians have 24,000 tanks deployed within easy access of Western Europe, against 9,000 tanks of the NATO forces. How would the honourable senator equate those? I realize that some of the 24,000 are new tanks, such as the T-74 that he mentioned, but I take it that a lot of them are of the old standard type. How would the 24,000 tanks equate in performance with our 9,000?

Senator McDonald: To put it bluntly, too damn well. The Soviet Union has the capacity today to produce about 3,000 tanks a year. In eight years they could build 24,000. I suggest that there is nothing on the Western front, or that could be used on the Western front in the event of attack, that is less than eight years old. The Russian tanks are good, modern weapons. That is true also of their aircraft and artillery. They have a modern, up-to-date army, equipped with some of the most sophisticated weapons in the world.

However, these facts which I have related bring up two questions. The first is that NATO does not want to fight a war. NATO wants to be in a position where she is strong enough that potential enemies will not take her on. This is our ambition. That is why I am a great advocate of the neutron weapon and the cruise missile. That is why I do not believe we should try to match them tank for tank or gun for gun, as I mentioned earlier, but that we should have these modern weapons, the product of our superior technology, which I believe can prevent a war in Europe.

There have also been some developments in the last year that are in favour of the Warsaw Pact nations. What are they? The friction between Greece and Turkey is as great today as it was a year ago. There is no solution in sight. When we have two members of NATO hating one another probably more than anyone else, that is a detriment to us and a plus factor for the Soviet Union. I believe that the United States arms embargo on Turkey has hurt Turkey's potential to defend herself or to help the rest of us in the Western World.

● (1520)

The developments in southern Africa have attracted much of our attention away from this great problem in central Europe. I referred earlier to the expansion of the Soviet merchant marine. They have a merchant fleet now in every ocean of the world.

Another potential help to the Warsaw Pact has been the flow of western technology into the Soviet Union because of our trade policies. Undoubtedly we have been helpful to them because of this trade.

The second question that comes to my mind, when I review what has happened in the past year, is: Do we have the strategy, or have we developed the strategy, to meet this military force, which is the most powerful, outside of the Western World, that the world has ever known? A lot of us recall, or have read, of the strategies used in the First World War. Some of our allies never learned a damn thing between the First and Second World Wars, and that is why we got chased out of Europe in ten days in 1940. We were fighting a 1916 war, and the aggressor was fighting a 1940 war, and he trimmed the hell out of us. Sometimes I wonder if we are not trying to develop our forces today to do the things we did from 1939 to 1945. I wonder if our strategy has improved or been developed to the point where we can meet these 24,000 tanks, for example, and deal with them. We must recall that when the Germans moved from their own border to the English Channel they did not have 24,000 tanks; they had 400 tanks, that moved at about 15 miles per hour. We are now facing 24,000 tanks that will move at 45 or 50 miles per hour. So our strategies must be changed.

I sometimes think that it is possible to strangle Western Europe without ever firing a shot. Where does the life blood of Western Europe come from? We can talk about oil alone, for example. There is a 90-day supply of oil in Western Europe. That oil must come out of the Middle East, through the Indian Ocean into the Atlantic Ocean, and thence into Western Europe. Where do their minerals come from that supply their industrial plants? By and large, they come out of southern Africa. The British, because of economic conditions, have had to withdraw their navy from those areas of the world. Of course, the United States has a fleet in that area, but in my view NATO should have a fleet there also. What is the sense of having all of this equipment sitting in Europe if somebody shuts off the oil, or shuts off the materials needed to keep industry going? The Indian Ocean is 4,000 miles square, and we have little or no defensive forces in that area.

I have another concern. No power can successfully advance into another country unless it controls the air. The last World War taught us that. Unless you have control of the air, your armies and navies can go nowhere. But what is the situation we face? Certainly we have a lot of airplanes in Western Europe, but they fly off great masses of concrete miles long. No one can tell me that there is an air base in Western Europe that is not targeted now by the Soviet Union and her Warsaw Pact friends. It seems to me that if they are going to advance into Western Europe, every air base in Western Europe capable of handling those modern aircraft will be obliterated in seconds. You would not even get the aircraft off the ground, let alone back on.

This means that we have to move into an entirely different concept with regard to our air forces. The British have designed the only vertical take-off aircraft in our arsenal, the Harrier. The United States Marines have bought some of them. Now they are building an advanced version of the Harrier at McDonnell-Douglas in California. But knowing these facts, or these possibilities, it seems to me that until such time as we can land an airplane in an area the size of this chamber, and run it around behind a bush, we are not going to keep it very long. Further, have we developed a strategy to deal with these problems? I doubt it.

One of the answers to all of the problems confronting us is interoperability and standardization, about which I could talk

for days. If we spent less of this money in research and development, and more on purchasing modern arms we would be so much better off. But we have made virtually no progress in this regard. There have been hundreds of speeches made, but we are still in the same situation we were in a year ago, and that is that for every dollar's worth of equipment North America purchases in Europe, Europe purchases ten dollars worth in North America. This is one of the reasons why the Europeans cannot defend themselves, and until such time as their industrial output is comparable to, and compatible with, that of North America this imbalance will continue.

The problem at the moment is that in Western Europe there is no organization that has the power to unite defence industries there to the extent that they are united in North America, and until such time as that happens I have serious doubts that we can proceed to any length with interoperability and standardization.

There is just one example of this that I want to go over with you. When the Germans commenced designing the new Leopard II tank, many people thought that this was to be tank of the future for the allied forces, but it was not very long after the Germans commenced designing this new tank that the Americans started a project called the XM-1, which was to build a new American tank. The next decision was that the Germans would go ahead and design the Leopard in Europe, and the Americans would go ahead and design the XM-1 in the United States, and there would be a sort of shoot-off with the winner taking all. I do not like to criticize the United States, because we have no better friend on earth, but in this area I think they are wrong.

● (1530)

What happened when they brought the Leopard tank to the United States and put it through its tests? The United States Department of Defence refused to make the test results available. They have never been published, but two conflicting reports have leaked out. One is to the effect that the Leopard tank is far better than the XM-1, and the other is to the effect that the XM-1 is far better. I don't know which report to believe. In any event, we are going to have both tanks. In November of 1976 the Chrysler Corporation was given the contract to go ahead with the production of the XM-1.

Some hope was expressed that there might be interoperability between the XM-1 and the Leopard II. For instance, why couldn't they use the same fuel, the same guns, the same ammunition, the same tracks, and the same power plants? But this hope went up the chimney because the Leopard has a diesel engine and burns diesel fuel, and the XM-1 has a turbine engine and burns aviation fuel. Furthermore, the American XM-1 will have a 105-millimetre gun, and the Leopard II will have a 120-millimetre gun. So the ammunition requirements are different.

The end result is that we are not only going to have these two tanks by the late eighties and nineties, but we will have six different types of tanks in our arsenal in Western Europe. There will be the XM-1 with a 105-millimetre gun and a gas turbine engine; the Leopard II with a 120-millimetre gun with smooth bore and diesel engine; the Leopard I with the 105-millimetre gun and a diesel engine; the Chieftan, which is a British tank, with a 120-millimetre, rifle bore, gun and a diesel engine; and the French AMX30 with a 105-millimetre gun and a diesel engine. This is not what we are going to have tomorrow; this is what we are going to have 10 years from now. We are still going to be facing this problem.

I can go on and talk about the Roland missile, which is a surface-to-air missile developed by France and Germany, and purchased by the United States. But the United States just did not purchase it. After they signed that contract with France and Germany, the Americans then spent $256 million re-engineering the Roland missile. This indicates how much it costs today to develop armaments. The Americans say, "Well, sure we spent $256 million redesigning our French-German missile, but we still saved $400 to $600 million," because their estimate of taking it from concept to production would have cost $800 million. Why should the Americans be spending $800 million to do something that the French and the Germans are doing, and probably Britain also.

We have come to the stage where we must say, "You operate in that area, and you operate in that area. We will get more bang for our buck, and we can defend ourselves without increasing defence expenditures beyond what the taxpayer is prepared to pay."

I have talked for too long, but I want to wind up by saying that NATO spends about $27 billion per year on conventional weapons development, production and procurement. I emphasize that amount—it is $27 billion. It seems to me that with proper co-operation between all the member nations of NATO the results of the expenditure of $27 billion could scare the hell out of most of our potential enemies, if not all of them, but when some of it is being wasted indiscriminately, as I think it has been on the Roland missile, then it is not effective.

When the nuclear capability of the West far exceeded that of the East we did not really have to worry about war, but since there has been virtually the same nuclear capability on both sides, and the Soviet Union and her satellites started this build-up of conventional weapons, we have been out of bounds. We have always wanted to cross the river. We have convinced ourselves that we had the same capabilities as they had, and that we could turn them back or convince them never to commence a war. It is as if we have been trying to cross a river that is a mile wide, and nations, either independently or through bilateral or little ad hoc arrangements, have built a dozen bridges out into that river, but not one of them has reached the other side. The structures were washed away because the resources of the individual or co-operating countries were not great enough to complete them. I am convinced that if we pool our efforts, and co-operate with each other in joint ventures, we can build that mile-long bridge and so reach the other side.

On motion of Senator Godfrey, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, November 17, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DISTINGUISHED VISITOR IN GALLERY

DR. NOEL MURPHY—MAYOR OF CORNERBROOK, NEWFOUNDLAND

Senator Rowe: Honourable senators, before we begin our regular business I should like to call the attention of the Senate to the presence in the visitors' gallery of a very distinguished Canadian, the Mayor of the City of Cornerbrook, Newfoundland, Dr. Noel Murphy.

Dr. Murphy, while being an outstanding medical specialist, has also had a multi-faceted career in a number of activities of one kind and another, including being, for a number of years, the Leader of Her Majesty's Opposition in the House of Assembly in Newfoundland.

I am sure that all honourable senators will be happy to welcome Dr. Murphy, who was last week re-elected mayor of the second city of Newfoundland, and who served as mayor of that city for some years four or five years ago.

Dr. Murphy is accompanied by Mrs. Murphy, whom we are all happy to see here.

Hon. Senators: Hear, hear.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Report of the Anti-Inflation Board, dated November 4, 1977, to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of proposed changes in compensation plan between Philips Electronics Limited and the employees represented by the United Auto Workers, Local 27.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, regarding the reference on Dominion Dairies Limited, Toronto, Ontario and proposed price increase, dated November 7, 1977.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

REPORT OF COMMITTEE EXPENSES TABLED

Senator Lafond, Acting Joint Chairman of the Standing Joint Committee of the Senate and House of Commons on Regulations and other Statutory Instruments, which was authorized by the Senate on November 3, 1976 to incur special expenses in connection with its permanent reference relating to the review and scrutiny of statutory instruments, tabled, pursuant to rule 84, a report of the said expenses incurred during the Second Session of the Thirtieth Parliament.

FIRST REPORT OF COMMITTEE PRESENTED

Senator Lafond, Acting Joint Chairman of the Standing Joint Committee of the Senate and House of Commons on Regulations and other Statutory Instruments, presented the following report:

Thursday, November 17, 1977

The Standing Joint Committee of the Senate and House of Commons on Regulations and other Statutory Instruments presents its first report, as follows:

Your committee recommends that its quorum be fixed at seven (7) members, provided that both houses are represented whenever a vote, resolution or other decision is taken, and that the joint chairmen be authorized to hold meetings and receive evidence so long as four (4) members are present, provided that both houses are represented;

That the committee have power to engage the services of such expert staff and such stenographic and clerical staff as may be required; and

Your committee further recommends that it be empowered to sit during sittings and adjournments of the Senate.

Respectfully submitted,
Paul C. Lafond
Acting Joint Chairman

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Lafond: With leave of the Senate and notwithstanding rule 45(1)(f), I move that the report be adopted now.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to and report adopted.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when

the Senate adjourns today it do stand adjourned until Tuesday, November 22, 1977, at 8 o'clock in the evening.

• (1410)

Honourable senators, before the question is put, I should like to indicate briefly what we can expect for next week.

In the Senate we shall continue the second reading debate on Bill C-3, respecting the reorganization of Air Canada, and Bill S-3, respecting Canadian non-profit corporations. It is most likely that both bills will go to committee next week. In addition, as honourable senators are aware, there are a number of other items on the order paper with which we shall have to deal next week.

The Standing Senate Committee on Banking, Trade and Commerce will meet at 9.30 a.m. on Wednesday to continue its study of the budget resolutions respecting income tax. That committee will probably also meet next week on Bill S-2, to amend the Canada Business Corporations Act, but the date and time have yet to be decided.

I am informed that the Standing Senate Committee on Health, Welfare and Science will hold a meeting some time next week to hear evidence respecting its study into such experiences in prenatal life and early childhood as may cause personality disorders or criminal behaviour in later life. Other committee meetings will be scheduled as additional items are referred to committee.

Motion agreed to.

NUCLEAR SAFEGUARDS

CANADA-UNITED STATES AGREEMENT—QUESTION

Senator Lafond: Honourable senators, I should like to inquire of the Leader of the Government whether it is possible to have tabled in the Senate the text of the agreement signed yesterday, or the day before, between Canada and the United States on nuclear safeguards?

Senator Perrault: Honourable senators, I shall ascertain whether copies of the agreement are available, and, if so, I will be pleased to table the text.

WEST COAST OIL PORTS

SUSPENSION OF INQUIRY—QUESTION

Senator Austin: Honourable senators, I should like to ask the government leader whether it is true that the federal government has suspended the work of Dr. Andrew Thompson's west coast oil ports inquiry, and, if so, for what reason, in view of the fact that there is a great deal left to know about the environmental risks of landing oil from large oil tankers either at Kitimat or in the Vancouver harbour area?

Senator Perrault: Honourable senators, I will take that question as notice. At the same time, I can confirm that the work of the committee of inquiry has been adjourned until a possible later date.

[Senator Langlois.]

AIR CANADA BILL, 1977

SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the debate on the motion of Senator McElman for the second reading of Bill C-3, respecting the reorganization of Air Canada.

Hon. Allister Grosart: Honourable senators, I moved the adjournment of the debate on two successive days for the particular purpose of allowing myself, and perhaps others, some additional time for that sober second thought which is said to be characteristic of the Senate.

I did so, quite frankly, because I was shocked by the information given to us by Senator Smith (Colchester) in his interpretation of certain provisions of the bill now before us, and by the implications which he suggested might be in the wording of two clauses, and perhaps more than two. For that reason I spent some time during the past two or three days trying to find out whether there was some possible explanation of or justification for the extraordinary powers asked for in this bill. I consulted with legal experts. There has also been a computer search for precedents. Unfortunately, the distinguished government computer broke down yesterday afternoon and again this morning. Therefore, I am unable to say with certainty that there are no precedents. The computer did not turn up any applicable precedents for the wording which Senator Smith (Colchester) brought to our attention the other day.

Surely, I said to myself, there must be some explanation, there must be a justification, there must be something somewhere that would explain Senator Smith's interpretation of this provision. I thought that it might be in some ministerial statement, but I have been unable to find justification in that respect. I thought that it might be in the Interpretation Act or in the general rules governing the interpretation of statutes, but I was unable to determine that. I thought it might be explained by some other clause in the bill, but again I was unable to determine that.

I was unable to find any possible justification for this extraordinary and unprecedented attempt—and I hope it is only an attempt—to extend the powers of the Executive and its intrusion upon the rights and privileges of Parliament. The more I read the bill, the more convinced I became that this is once again a golden opportunity for the Senate to take a stand on a matter of great public importance.

I say that not in a partisan way. Regardless of the political stripe of the government seeking these powers, I would oppose them. I do not say that this intrusion, as I have called it, on the rights and privileges of Parliament is intentional. The evidence appears to be that it may have been unintentional. It may have been bad draftsmanship, or it may have been a last-minute thought parachuted into the bill.

Whatever the causality is, it seems certain to me that this appears to be an occasion on which the Senate has a glorious opportunity to amend and improve a bad bill, which is one of the functions on which we so often pride ourselves in the Senate.

This bill deals with the reorganization of Air Canada. I agree wholeheartedly with Senator Smith that the reorganization of Air Canada is long overdue, and I am sure most senators will agree with that. The degree of independence this will give—particularly from Canadian National Railways' management—is in the public interest. I commend the government on their decision to continue Air Canada as a profit-oriented organization, which it has always been. I am sure those in authority in Air Canada are equally happy that this reorganization bill is before us.

In the recent past Air Canada has had some problems. There have been allegations—some would say more than allegations—of an inadvertent venture into operations that, if not illegal, were certainly said to have been beyond the authority given to the corporation under the enabling statute.

We may find that there is a possible excuse for some of the excessive provisions in the bill in that they are a genuine and honest attempt to keep Air Canada out of that kind of trouble. I think the most amazing near attempt at justification of these extraordinary powers, without specific reference to clause 6(2), which is the one to which I take main objection, is in the minister's words; "Well, Air Canada has had this problem of getting into illegal operations, and we think it is absolutely necessary now that the ministry, by order in council, be given the authority to say to Air Canada, 'Now, if you want to go into any operation or activity—' " which is the word generally used in the bill, " '—and you think it is illegal, come and see us and we will make it legal.' " That, I think, is a fair interpretation of the intent of this clause.

● (1420)

I am sure that honourable senators will have noticed that, leaving aside the earlier clauses of the bill, which are the usual ones, clause 6, first of all, deals with the capacities and activities of the corporation, and this is more or less in the usual form that we would expect in the case of the authority given to a crown corporation, or the incorporation of a private company. The corporation may—and I will run through these quickly—establish and operate the business of an air carrier; go into the hotel business; go into the business of operating surface vehicles; operate and maintain aircraft; organize and conduct tours; operate computer and teleprocessing systems; make provision for pension plans, insurance plans, and so on; and, of course, it has the usual investment authority.

The final paragraph in clause 6(1) reads:

> (i) do such other things as are necessary or incidental to the carrying out of its activities.

Again, that is a normal authority given to a company, particularly one in the public service area. It has the power to do such things as are necessary or incidental to the carrying out of its activities, and I make no objection to that.

I am going to skip subclause (2) for the moment.

Subclause (3) constitutes the corporation for certain purposes as a natural person.

Clause 4 is a negative clause. It prohibits the corporation from entering into certain activities without ministerial approval, and I have no objection to that.

Then we return to clause 6(2), and there we find the extraordinary statement which Senator Smith (Colchester) read to us, and which I think I repeated on the same day. Clause 6(2) says:

> (2) The Governor in Council may, by order, authorize the Corporation to engage in or carry on any activities not otherwise authorized by this Act.

The very phrase "not otherwise authorized by this Act" is most unusual. I have found two previous examples of the use of that phrase, but they were very incidental and not in this context. Surely in this context here this can only mean that Air Canada may, with cabinet or ministerial approval, by order in council, enter into any activity whatsoever that the minister approves. Some might say, "What is wrong with that?" Well, of course, there are many businesses and many individuals who would be greatly concerned if they did not know, and they would most certainly want to know, what business activities, other than those authorized by the bill if it becomes an act, might be engaged in by this very rich and very successful crown corporation.

One of the extraordinary things about it is that this clause actually authorizes the minister to authorize the corporation to go into activities that are unnecessary for and not incidental to its objects, although they are not called objects in the bill. Surely this must be an error in draftsmanship. Perhaps it was parachuted in at the last minute to make sure that the minister, in the event that Air Canada became involved in illegal activities, would be able to make such activities legal.

Having given Air Canada the authorization to do whatever is necessary and incidental to the carrying out of its activities, it then says that the minister may go beyond that, that the minister may take the position that Parliament intended such-and-such to be a description of the activities of Air Canada.

Having laid down the activities that Air Canada can engage in, the bill then says that the minister may allow it to engage in other activities, even if they are not necessary. This paragraph must mean that the minister may also give Air Canada the authority to do what is *not* necessary and what is in no way incidental to the carrying out of its activities.

Whether this is a drafting error, an over-reach of good intentions, or whatever it may be, surely it represents an example of the type of tidying up which should be carried out by the Senate. To my mind this provides an excellent opportunity for the Senate to demonstrate its usefulness and determination to correct these types of errors.

There was very little discussion on this particular point in the other place. The discussion seemed to circle around it, concentrating on other authorizations which seemed, to some, objectionable. There was no direct attack on this particular subclause. I can only suggest as the reason the fact that there was a good deal of concentration on such aspects of the bill as profitability of the corporation, and so forth.

An Hon. Senator: Do you mean to say that Joe was asleep?

Senator Grosart: Perhaps he was having a midsummer night's dream of being on the government side. That is a possibility. Certainly, Senator Smith (Colchester) was not asleep, and I think all of us in the Senate should be grateful to him for bringing this to our attention.

I wish to make a brief mention of clause 8, the other clause to which Senator Smith takes considerable objection. It has the same impact as clause 6. It states:

> The Corporation shall, in the exercise of its capacities and the carrying out of its activities, comply with directions of a general nature given to it in writing by the Governor in Council.

The best excuse I can offer for that is that it must, again, be a drafting error. Who is going to define what constitutes "directions of a general nature" and what constitutes directions of an ungeneral nature?

I would not have been surprised if the wording had been "comply with directions of a specific nature." It merely says, "of a general nature."

We are told that the intent of this is to put the government in a position to insist that Air Canada, in spite of its requirement to operate as a profitable corporation, run feeder lines that are not in themselves commercially viable. If that is so, surely there are better ways of achieving that desirable objective than this omnibus type of negative requirement. Here we have a corporation set up as a crown corporation under the Financial Administration Act now being given, more or less, the status of its competitors, and the enabling legislation then says that, in the carrying out of its activities, it must "comply with directions of a general nature given to it in writing by the Governor in Council."

• (1430)

In other words, the minister may not only say that he will give permission to do things that are absolutely unnecessary to Air Canada's function, but he may also give directions to do things that may be unnecessary.

I am not objecting to the purpose that this may be designed to achieve. I am objecting to the clumsy way it is done and the implications on the relations in the future between Air Canada and the Government of Canada. I suggest that this is a matter that should have careful consideration in the Senate. I hope it will be consideration of a non-partisan nature. It so happens that the issue has been raised on this side, but I think that no honourable senator will allow his judgment, in whatever final decision the Senate may make, to be biased by that fact. We had evidence in the last session that that kind of bias does not exist here, and I am sure it will not exist when we come to deal in an operational way with this bill.

Hon. Senators: Hear, hear.

Senator Benidickson: Honourable senators, may I ask Senator Grosart a question? I happened to listen to his interview on CTV this morning at seven o'clock.

Senator Grosart: Thank you for mentioning the time.

[Senator Grosart.]

Senator Benidickson: I congratulate him for it. I thought he was generous in saying that while faulty, particularly in respect of clause 6(2), this bill might be subject to change by the government itself seeing better light. I was very curious on hearing him say that the opposition had made a computer search for precedents for this type of legislation—that is, clause 6(2). I have to reply on 32 years of parliamentary experience.

I am sympathetic to his criticism of clause 6(2), and I think this is an opportunity for the Senate and one of its committees to consider this matter very carefully. Do we have the ability now to search legislation mechanically, so that we do not have to rely on our memories, to ascertain whether the Governor in Council in the past has ever been given this type of authority?

Senator Grosart: I did not name the specific computer that was used in this case. I merely say that the Senate is fortunate in having an excellent Law Clerk, to whom we are prefectly entitled to refer questions such as this. I can ask the Law Clerk if there are any precedents for this, and if there are he will find them. That is, I am quite sure honourable senators will agree, part of his function here.

Senator Benidickson: My impression was that you referred this specific clause to a computer.

Senator Grosart: Yes, I asked the Law Clerk specifically if he could find any precedent for the use of this particular phrase, and he did find two, but there was agreement that they are not relevant here. I was looking for precedents. There are two precedents—and, if I may say so before directly answering the question, they are both bad precedents—for this very wide extension of the power of ministerial discretion. One is in the Canadian National Railways Act and the other is in the Petro-Canada Act, but in both cases the extension of ministerial discretion related to powers to which those corporations were already confined. That is why this particular use of that clause is unprecedented.

As to the computer, our Law Clerk reported to me that he had, in the course of his research, referred the question to a computer within the government service.

Senator Benidickson: Our Law Clerk?

Senator Grosart: Yes, our Law Clerk. I might say that if Senator Benidickson has not referred matters to him, he has missed a golden opportunity to obtain very valuable assistance, if he needed it, from time to time.

The Law Clerk told me that part of his research concerned this computer input. It entailed putting this wording into the computer, and he reported to me, in general terms, the results. I would not want to say that what I have said about its being unprecedented should be in any way attributed to him. That is my interpretation of the report he gave to me on his researches to date.

Senator Benidickson: Honourable senators, I thought that this clause was rather remarkable and without many precedents, but I did not know that there was any such computer that I heard my honourable friend refer to on television this

morning. He made it rather clear that the opposition had engaged the services of a computer and had found that this wording was unprecedented. I, myself, have to rely on what is sometimes a very poor memory, but it goes back over 32 years in Parliament.

Senator van Roggen: Honourable senators, if Senator Grosart will accept another question I will ask him if, in his investigations in preparing himself for his remarks today, he considered the use of the words that head clause 6: "Capacities and Activities of the Corporation." I do not recall encountering those particular words before in a description of the objects of a corporation. Are they normally used now in legislation? Why are they substituted for a term such as "Objects"?

My second question is: If those words are to be so used should not the word "activities" in clause 6(1)(*i*) have a capital "A", because it refers to the activities authorized? Otherwise, even clause 6(1)(*i*) becomes objectionable in that it will empower the corporation to "do such other things as are necessary or incidental to the carrying out of its activities," whether those activities be authorized or not.

I am just wondering whether the honourable senator had addressed his mind to these two questions.

Senator Grosart: I can say to Senator van Roggen that I was surprised at that heading. I thought it more important to research other things than the use of that particular heading, but it did throw up the question as to why there are no objects given to the corporation. I do not know the answer. Normally, a corporation, particularly a crown corporation, is given objects. There have been cases where we have had a preliminary philosophical discussion on what the government expected from a corporation, but I do not recall the use of that phrase, "Capacities and Activities of the Corporation." I think it is just another indication that the overreaching of this bill comes from a set of specific circumstances that the government felt was important to deal with. They have overreached in doing so, and that is the case we are making.

I am not quite clear as to the honourable senator's second question.

Senator van Roggen: My point is that if "activities" is to be a defined term, such as "objects" would be, then "activities," as used in clause 6(1)(*i*), should have a capital "A" so that the corporation is confined to those particular activities, and not just any activities it may be engaging in, whether authorized or unauthorized.

Senator Grosart: I take it, Senator van Roggen, that you are referring to the marginal note, "Capacities and activities of the Corporation." I am not an authority on drafting, and any answer I give might add to the bad draftsmanship we already have before us.

Senator Goldenberg: Will Senator Grosart allow me a question—and I preface it by saying that I sympathize with the question he has raised?

● (1440)

In the earlier part of his remarks, Senator Grosart said—and I do not think he intended to convey the meaning that I took from it—that Air Canada had engaged in illegal operations. Did the honourable senator not mean unauthorized operations rather than illegal operations? I suppose if Air Canada engaged in promoting gambling or, as Senator Grosart mentioned the other day, porno, it would be illegal.

Senator Flynn: Not necessarily.

Senator Goldenberg: I am asking Senator Grosart whether he would not say "unauthorized" rather than "illegal", in fairness to Air Canada.

Senator Flynn: You did not mean that yourself.

Senator Benidickson: Let Senator Grosart speak.

Senator Grosart: If I were as good a lawyer as Senator Goldenberg I might be able to answer that question. As a layman, I assume that anything outside the law is illegal. I may be wrong in that. If it is unauthorized by a statute it is, therefore, beyond the legal authority, the legal power, given a corporation by that statute. As a layman, I would say any action contrary to a statute prohibiting, either by implication or otherwise, a certain act is what I would call illegal. If "unauthorized" is a better word I would agree with it, but that rather points up the argument I was making, because "authorized" is the word used in the bill. In discussing this the minister used the word "illegal," and my criticism was that the minister is now put in a position to authorize illegal acvitities.

Senator Langlois: Honourable senators, I rise at this point, not to address myself specifically to the merits or demerits of the point of view raised by my honourable friend, Senator Grosart, but to say that, although the point may be well taken, I think it has been prematurely raised at this stage, because we are now on second reading when we are called upon to consider the principle of the bill.

When my honourable friend refers to possible errors in draftsmanship, I think he will agree with me that this is neither the time nor the place to endeavour to correct, or even to consider, such possible errors. There is a time and place for that, and that is in committee when this bill is referred to a committee, which I understand the sponsor (Senator McElman) intends to do.

I think that fact was recognized by Senator Grosart when he limited his remarks to that aspect instead of moving a motion in amendment, which I am sure he knows would be out of order at this stage. I do not have to cite precedents. In this case, my intuition told me that such an amendment was to be expected at this stage. That was after Senator Grosart's remarks on Tuesday night and his further remarks yesterday, when he said he was asking for a further adjournment of the debate because he wanted legal counsel's advice. That was a clear indication that he was going to oppose clauses 6 and 8 as presently drafted. That is why I think that we on this side, at any rate as far as I am concerned, were right in assuming that such an amendment would be moved at this stage.

However, even though such an amendment has not been moved, I think it is opportune to draw the attention of honourable senators to the fact that now is not the time or

place to consider such a motion. I believe it would be unfair to honourable senators to ask them, at this point in time, to give an opinion on draftsmanship before they have had a chance to hear those who drafted the bill, and to hear witnesses and find out whether or not there is any justification for this drafting of the bill.

I do not say that in opposition to the point of view expressed by Senator Grosart. It is a point of view that might well be taken, but I would not dare to make up my mind until I have heard evidence from the experts who are called upon to prepare legislation such as this.

That is all I wish to say at this stage. I leave it to honourable senators to consider the argument of Senator Grosart at the proper time and place, which is when the bill is before the Standing Senate Committee on Transport and Communications.

Senator Grosart: Honourable senators, I believe I am entitled to speak again on a matter on which I think I may have been misinterpreted.

My quick answer to the Deputy Leader of the Government is that I never said anything about an amendment at this stage. It is a pipe dream of his. He is tilting at windmills.

Senator Langlois: I never said you had such an intention.

Senator Grosart: Of course you did.

Senator Langlois: I said we expected it from what you said the other day.

Senator Grosart: It may be another case of great expectations.

I assure honourable senators that I have not made up my mind whether anybody should proceed in this, that or some other manner. I am not saying I might not be convinced that that is the proper way to proceed. I do not know at this time. Others will make that decision. Presumably the decision will be largely that of the Leader of the Opposition, but I do not know at this moment. I have not the faintest idea what his decision might be.

On motion of Senator Macdonald, for Senator Flynn, debate adjourned.

CANADA NON-PROFIT CORPORATIONS BILL

SECOND READING—DEBATE ADJOURNED

Hon. George J. McIlraith moved the second reading of Bill S-3, respecting Canadian non-profit corporations.

He said: Honourable senators, there are some 15,000 non-profit organizations carrying on business in Canada. Of that number, some 3,000 are federal non-profit corporations; and of those 3,000, approximately 2,000 are incorporated under the Canada Corporations Act or its predecessor act, the Companies Act; 1,000 are incorporated under the Boards of Trade Act; and a couple of dozen are incorporated under special acts of Parliament.

A bill to amend the Canada Business Corporations Act is now before the Senate, and in his introduction of that bill Senator Lang drew our attention to the Canada Business Corporations Act as passed in 1975, to the amending clauses in the bill he was presenting—dealing mainly with administrative changes and changes in the light of experience with that excellent act rather than with major points of principle—and also to a new French language version of that act and the need for it. I do not propose to repeat anything he said in his excellent speech on that occasion. However, I would like to take a few moments in which to give some of the background of the legislation which brings about the present bill.

● (1450)

As honourable senators know, the Canada Corporations Act was the usual vehicle for incorporation of what were called non-share-capital companies. In 1970 proposals were brought forward for the Canada Business Corporations Act, and that was done by way of a draft bill, which was circulated, discussed and so on, and that led to the introduction of the bill on which such good work was done by the Senate committee which examined it, and which resulted in the legislation. However, at that time it was pointed out by those preparing those proposals, and the proposals themselves indicated, that there would be two acts replacing the Canada Corporations Act. One would be the Canada Business Corporations Act, which is now the law, and the other would be legislation dealing with the non-share-capital corporations.

In consequence of that, Professor Peter Cumming of Osgoode Hall Law School was retained to prepare proposals for the legislation that is now before us. Although his proposals were presented in 1973, before the Canada Business Corporations Act was passed, it was the intention to present the bill now before us immediately after that act became law. That was not done because of the general dissatisfaction that was expressed with the French language version of the Canada Business Corporations Act as it was passed, which version is being replaced by the amending bill, Bill S-2, now before the Senate. In consequence of that, it is now possible to bring forward this non-profit corporations legislation with the French language version having received similar treatment to that of the Canada Business Corporations Act.

This bill does not revolutionize the federal law relating to non-profit corporations but, like the Canada Business Corporations Act, it does attempt to clear away a great many conceptual myths, to eliminate unnecessary formalities, and render compliance with and administration of the law more efficient. For example, it presupposes incorporation as of right, rather than as a matter of grace from the crown, as was inherent in the old letters patent method of incorporation.

The new legislation does many things by way of improving, or, indeed, providing and improving, legislative provisions concerning disclosure, in the case of charitable corporations, to the public or, in the case of membership corporations, to the members. It proceeds, of course, on the new conceptual basis of referring to these corporations as non-profit corporations instead of non-share-capital corporations, and it divides them into two categories, one category being the non-profit charitable corporations, the other being the membership corpora-

tions. The distinction is important, because when we come to matters such as accountability, distribution of any assets on windup, or similar provisions, it will be seen that the charitable corporations, in many cases, derive part of their funds, or are funded in one way or another, from the public treasury as well as from private sources, and there is answerability to the public for them, whereas membership corporations embody the activities of the members of the corporations and, really, are not to the same extent the concern of the public at large, but are to a greater extent the concern of the members only. For that reason, the bill proceeds in this way.

This measure attempts to create a system that assures that public contributors will be treated fairly, that permits members to participate effectively in the administration of a corporation's affairs and, equally important, enables corporate managers to achieve the purposes of such corporations effectively. Thus, like the Canada Business Corporations Act, this bill, although quite lengthy, is, in my opinion, more clear, comprehensive and practical than the present legislation.

The third major change is that the proposed law is made to apply to all federal non-profit corporations, including those incorporated under the existing Canada Corporations Act, all non-profit special act corporations, and all corporations subject to the Boards of Trade Act. There are many of the latter type of corporations. Bill S-3 parallels in all its substantive provisions very closely the Canada Business Corporations Act, and any departure from the provisions in that act is only to the extent necessary to fulfil the objectives of the non-profit corporations. In other words, there is no departure in principle anywhere other than is made necessary by reason of the nature of the corporation.

Perhaps I can sum it up by saying that this bill attempts to create a system that enables the non-profit corporations to operate in a way consistent with their different objectives and purposes, and consistent with the Canada Business Corporations Act. It is, I believe, a wholly desirable improvement, and the timing of it is very fortunate indeed.

If and when the bill receives second reading, I shall move that it be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Honourable senators, I commend this bill to your favourable consideration.

Senator Connolly (Ottawa West): Honourable senators, could the sponsor of the bill tell us if hereafter non-profit corporations will be precluded from seeking a charter from Parliament? There are non-profit corporations which have such charters. Owners think they are of special value because they are parliamentary charters. I think it should always be the right of the citizen to come to Parliament for a charter, but will that be difficult when application can be made for letters patent?

● (1500)

Senator McIlraith: In reply to the honourable senator's question, it is always the right of any group to apply to Parliament for any legislation. I cannot speak for Parliament by saying what Parliament will or will not do in the event of such applications. Perhaps it would be relevant if I drew the attention of honourable senators to one or two provisions of the bill.

The bill presupposes that all non-profit corporations incorporated under the existing legislation must apply within five years to continue under the new act. If they fail to apply, they are deemed to be dissolved.

There is provision with respect to those corporations incorporated under the Boards of Trade Act, because there always arises the problem that they cover a geographical area and there is a delineation of territory involved. That is now transferred to the director administering the act. Interestingly enough, there is a very good provision, which seems to occur throughout the bill, regarding an appeal from that discretionary exercise, or from another discretionary exercise, to the courts.

With respect to corporations incorporated by special statute, there is not the corresponding provision that they are deemed to be dissolved if they fail to apply. They may apply. There is, however, a provision that the Governor in Council may exempt any of such existing corporations from the need to apply, or the consequences in that respect.

Perhaps it might be useful if I placed on record clause 241 of the bill, which reads:

> After this Act comes into force no body corporate may be incorporated or its incorporation continued under Part II of the Canada Corporations Act or under the Boards of Trade Act.

That does not, of course, answer the honourable senator's question, but it does deal with the other two points. I have mentioned the manner in which statutory corporations are dealt with.

On motion of Senator Macdonald, for Senator Flynn, debate adjourned.

The Senate adjourned until Tuesday, November 22, at 8 p.m.

THE SENATE

Tuesday, November 22, 1977

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

Prayers.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that messages had been received from the House of Commons to acquaint the Senate that the names of Messrs. Murta, Corriveau, Loiselle (Saint-Henri) and Langlois had been substituted for those of Messrs. Baldwin, Gauthier (Ottawa-Vanier), Leblanc (Laurier) and Pinard, and that the names of Messrs. Gauthier (Ottawa-Vanier), Leblanc (Laurier) and Pinard had been substituted for those of Messrs. Corriveau, Loiselle (Saint-Henri) and Langlois on the list of members appointed to serve on the Standing Joint Committee on Regulations and other Statutory Instruments.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Canadian Saltfish Corporation, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 32 of the Saltfish Act, Chapter 37 (1st Supplement), and section 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Statement showing Classification of Loans in Canadian Currency of the Chartered Banks of Canada as at September 30, 1977, pursuant to section 119(1) of the Bank Act, Chapter B-1, R.S.C., 1970.

Report of the Northern Canada Power Commission, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 24 of the Northern Canada Power Commission Act, Chapter N-21, and section 75(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans, as follows:

1. Carleton University, Ottawa, Ontario and the group of its employees represented by Graphic Arts International Union, Local 224. Order dated November 16, 1977.

2. Treasury Board of Canada, Ottawa, Ontario and the group of its firefighters, represented by the Public Service Alliance of Canada. Order dated November 17, 1977.

Report of the Tax Review Board for the year ended December 31, 1976, pursuant to section 17 of the Tax Review Board Act, Chapter 11, Statutes of Canada, 1970-71-72.

Copies of contracts, pursuant to section 20(3) of the Royal Canadian Mounted Police Act, Chapter R-9, R.S.C., 1970, entered into between the Government of Canada and

1. The Government of the Province of Alberta (English Text).

2. The Municipalities of Stony Plain and Fort Saskatchewan, in the Province of Alberta (English Text).

3. The Municipality of Kelowna, in the Province of British Columbia (English Text).

BANKING, TRADE AND COMMERCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Standing Senate Committee on Banking, Trade and Commerce have power to sit while the Senate is sitting tomorrow, Wednesday, November 23, 1977, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

FOREIGN AFFAIRS

COMMENDATION OF INITIATIVE TAKEN BY PRESIDENT OF EGYPT AND PRIME MINISTER OF ISRAEL

Senator Bonnell: Honourable senators, with leave of the Senate, I move, seconded by the Honourable Senator Buckwold:

That this House commend the President of Egypt and the Prime Minister of Israel for their efforts toward establishing a friendly relationship between their two countries and express the hope that this initiative will lead to a lasting peace in the Middle East.

Hon. Senators: Hear, hear.

The Hon. the Speaker: Honourable senators, is it your pleasure to adopt the motion?

Motion agreed to.

ALASKA HIGHWAY PIPELINE

INTERPRETATION OF AGREEMENT—QUESTIONS ANSWERED

Senator Perrault: Honourable senators, on Wednesday, November 16 questions were asked by Honourable Senators Olson, Greene and van Roggen concerning interpretation of the pipeline agreement between Canada and the United States. I would like now to respond, at least in part, to these questions.

The pipeline agreement between Canada and the United States provides that the construction and operation of the pipeline should advance the national, economic and energy interests and maximize related industrial benefits of both countries and that the supply of goods and services to the project should be on generally competitive terms. The Canadian government does not consider that any misunderstanding of these objectives exists between the two parties to the agreement, and at present, therefore, no negotiations are taking place. If specific problems do arise, either Canada or the United States can have recourse to the consultation procedure established under Article VII of the agreement.

● (2010)

Although the pipeline company's application to the National Energy Board did contain a certain percentage of Canadian content, the board's decision, which may be superseded by legislation to be introduced during the course of this session, dealt with this question in terms of optimizing, so far as practicable, the level of Canadian content with respect to the origin of products, services and their constituent components. The board also recommended that Canadians have a fair and competitive opportunity to participate in all facets of the project. To this end, the board further stipulated that the company should submit to the NEB for its approval a report specifying the proposed contractual and purchasing arrangements for procuring goods and services for the project. The legislation would be designed to preserve the intent of the NEB decision in this respect. Consultations are now in progress between government officials and the Foothills Pipeline Company concerning the company's procurement plans.

Discussions are also under way with the U.S.A. on pipe specifications. The first meeting of the Canada-U.S.A. technical study group took place in Ottawa on November 16, and further meetings are scheduled. Without going into the detail of these intergovernmental discussions, I can state that all pipe under consideration for Canadian sections of the pipeline can be manufactured in Canada; the pipe which best meets the safety and technical requirements can be fabricated by more than one Canadian producer. I would also draw attention to the fact that the Canada-U.S.A. pipeline agreement clearly states that the final decision on pipe specifications for the Canadian section of the pipeline will be made by Canadian regulatory authorities.

THE SENATE

HEATING OF OFFICES—QUESTION ANSWERED

Senator Perrault: Honourable senators, a question was asked relating to the heating levels maintained in government buildings. Without belabouring the reply—

Senator Flynn: Do you mean the heating systems?

Senator Perrault: —requested by Senator Forsey, who, unfortunately, is not with us this evening—

Senator Flynn: Yes, because of that.

Senator Perrault: —the Minister of Energy, Mines and Resources announced in the House of Commons on February 6, 1975, that the federal government had embarked on its own "In-house Energy Conservation Program," consisting of programs devised and agreed upon by the Departments of Energy, Mines and Resources, Public Works, Supply and Services, and the Treasury Board. It was also announced that the Department of Public Works, with the consultation and support of the Department of Energy, Mines and Resources, was promulgating revised guidelines for the operation of general office and similar space in federal buildings, which include the following: Maximum heating temperature, working hours, 70 degrees Fahrenheit; silent hours, 65 degrees Fahrenheit. For some reason, these temperatures are given in Fahrenheit.

Senator Flynn: What is meant by "silent hours"?

Senator Perrault: It may well mean when there is no debate in progress.

The guidelines continue: Minimum cooling temperature, working hours, 77 degrees Fahrenheit; silent hours, 65 degrees Fahrenheit.

Senator Greene: It is never silent when Jacques is around.

Senator Perrault: The Secretary of the Treasury Board wrote to all deputy heads of departments and heads of agencies on May 27, 1976, advising them of the cabinet's decision concerning the responsibilities of departments and agencies in implementing the government's in-house energy conservation program and, in summarizing major elements of the program, directed that:

> —The Department of Public Works' guidelines for energy-efficient building operation are to be implemented immediately in all federally-owned and operated office accommodation—

The Department of Public Works has implemented the guidelines for maximum heating temperatures in the Centre Block.

Honourable senators, I know I am taking some time this evening—

Senator Flynn: I wonder if I might put a question to the Leader of the Government at this point. Do these guidelines provide for the same level of temperature in this house as in the other place?

Senator Perrault: Honourable senators, because of the super-heated oratory in the other place these days, I hardly

think the furnace temperature levels would have to be very high.

WEST COAST OIL PORTS

SUSPENSION OF INQUIRY—QUESTION ANSWERED

Senator Perrault: Honourable senators, on November 17, Senator Austin inquired about the work of Dr. Andrew Thompson's west coast oil ports inquiry. The question asked whether or not that inquiry had been suspended and, if so, for what reason, in view of the fact—to quote Senator Austin—"that there is a great deal left to know about the environmental risks of landing oil from large oil tankers either at Kitimat or in the Vancouver harbour area."

The reply is as follows: The west coast oil ports inquiry has been "recessed" rather than suspended. The reasons for this recess were recently outlined by Dr. Thompson, these being primarily that since the withdrawal of the Trans-Mountain Pipe Line Limited proposal, there were no active applications before the federal government for the construction of an oil terminal on Canada's west coast. Secondly, perhaps as a result of the first, industry participation at the hearings was considered inadequate.

Dr. Thompson will review the evidence before him and hear further from the participants before the end of this year. He will then submit a statement of proceedings to the Minister of Fisheries and the Environment and the Minister of Transport by the end of March 1978. Dr. Thompson will only consider the evidence and information he will have received on the first two phases of the planned six-phase inquiry in writing his statement. He will also submit recommendations as to whether or not the inquiry should continue and, if the latter, the plan and schedule for the continuation of the inquiry.

ALASKA HIGHWAY PIPELINE

INTERPRETATION OF AGREEMENT—SUPPLEMENTARY QUESTIONS

Senator Manning: Honourable senators, I wonder if I might ask the Leader of the Government a supplementary question in light of the answers he gave to Senator Olson's questions on the Alaska Highway pipeline?

He made reference, if I understood him correctly, to a requirement that the company responsible for the construction would submit to the National Energy Board particulars regarding Canadian content in terms of material, labour, and so forth. Is it the intention of the government to require the National Energy Board to become the regulatory body in matters of this kind?

If that is the intention, it would be a radical departure from the provisions of the National Energy Board Act with respect to the type of regulation the board is designed to enforce. It seems to me, without knowing the details, that it would be more appropriate for a department of government to deal with such a subject as Canadian content, especially when two nations are involved in matters that may arise under that head.

[Senator Perrault.]

Senator Perrault: I know all honourable senators appreciate the observations made by Senator Manning on this matter. It is a subject about which he possesses a good deal of knowledge. In replying to his question, I can only refer to the supplemental information provided by the responsible minister. The minister stated in a recent reply in the other place that the board also requires that the pipeline companies submit for its approval a report setting out proposed contractual purchasing arrangements for providing goods and services for the project.

The reply goes on to state that although the board's decision may be overtaken by legislation to be introduced this session, the legislation will be designed to preserve the intent of the board's decision in this respect and provide an effective monitoring of the pipeline companies' procurement policy. So this is a matter which could well be the subject of legislation in the current session of Parliament.

Senator Olson: Honourable senators, I wish to express my appreciation to the Leader of the Government for the detail in which he answered the questions I asked a few days ago respecting this matter, but I am a little concerned about that part of his reply that used the word "economic" in terms of procurement policies.

● (2020)

I appreciate the leader's comment that legislation may supersede any commitment made to the National Energy Board respecting Canadian content, but I ask him if it is the intention of the government to include in the legislation a provision as specific as the statement made by the company to the National Energy Board when it said, I think, that the Canadian content would be 91.3 per cent and gave some kind of an undertaking to that effect; or is the legislation to contain a provision, as mentioned in the other part of his answer, that procurement policies, including those respecting labour, will be open and subject to economic conditions?

Senator Perrault: Honourable senators, concern has been expressed about the possibility that Canadian suppliers will not have an opportunity to compete on a fair economic basis with suppliers from the United States. May I say that the government is very much aware of the need to protect Canadian suppliers against imports of foreign low-cost or subsidized steel. This pipeline agreement not only provides for the supply of goods and services on generally competitive terms, but also specifically states that the construction and operation of the pipeline should advance the national economic and energy interests and maximize related industrial benefits in each country.

As has been stated on other occasions both in this chamber and elsewhere, and again this evening by me, the government does not consider there is any contradiction between these two provisions of the agreement. There is a determination to make sure that Canadian companies and Canadian steel provisioners are going to be given a full competitive opportunity to provide their products for this pipeline, and that is clearly understood.

Senator Olson: As a further supplementary question, may I ask the Leader of the Government to say, at some time later if

necessary, whether there will be any preference given to Canadian suppliers, particularly to suppliers who will have to set in place a production capability to supply some of the material other than pipe between now and when the construction begins? If substantial expenditures of capital are needed to set up the producing capability between now and then, it would be unfair, of course, if those manufacturers are undercut by some economic basis that is unknown to them when they make the capital expenditures.

Senator Perrault: Honourable senators, further information will be sought on this important question, and I would much prefer to take as notice the request for clarification made by Senator Olson. The information sought by the honourable senator is important. I hope to make a statement within a few days.

Senator Greene: Would the honourable Leader of the Government permit a further supplementary question? Inasmuch as he has adverted to legislation in the matter, I wonder whether he could inform this honourable Senate whether or not there is to be any priority in respect of labour? I think the government has made its intention clear that there will be priority for native labour for the residents of the north, but it is also national policy, if I understand it, to provide work for those regions of Canada which are most depressed. Will persons from those areas of Canada where unemployment is the highest, namely, largely the eastern provinces and the Province du Québec, be given a priority in respect of labour after that possibly given to the native people of the north?

Senator Perrault: Honourable senators, there have been some reports in the media regarding the use on this project of American pipe and the employment of American workers. There have been certain statements attributed in the media to certain labour officials in the United States.

Whether these reports are accurate remains to be seen, but, so far as economic benefit and economic advantage are concerned, Canadian workers are very much included in that definition. The words "economic benefit and economic advantage" do not relate solely to the materials which will be part of this project.

There is a determination on the part of the Government of Canada to have Canadian labour fully involved in this pipeline project. And again I go to a statement made by the minister on this subject, when these reports were first made public about the employment of American pipe and American workers:

> The Canadian government does not consider that there is any misunderstanding between the two parties to the Agreement on the Agreement's stated objective of advancing the national economic interests and maximizing related industrial benefits of each country.

Benefits include the workers of Canada!

> If any specific misunderstandings or problems do arise, there is a provision in the Agreement, Article VII, for consultation between the two countries, and Canada will take advantage of this provision, if it becomes necessary.

Having said this, honourable senators, I will endeavour to include in my later statement on the subject more particular reference to the position of Canadian workers in relation to the proposed project. I will endeavour to provide that information as quickly as possible.

ROYAL COMMISSION ON CONCENTRATION OF CORPORATE POWER

PUBLICATION OF REPORT—QUESTION

Senator Benidickson: Honourable senators, I have a question to ask the Leader of the Government with respect to the royal commission dealing with corporate mergers and monopolies. I have not given the leader any notice of this question, but my concern about this matter is great.

May I preface my question briefly by recalling to the memory of all senators that on Wednesday, March 26, 1976, the Senate met at 10 o'clock in the morning to adjourn for the Easter recess. I had read an early morning newspaper and was rather exercised by the news that there might be a merger between Argus Corporation Limited and Power Corporation of Canada Limited, or that Argus might be taken over by Power Corporation. In the few hours available I prepared a notice of inquiry and presented it to the Senate when it met that morning. During the Easter recess the cabinet took notice of my inquiry and appointed a royal commission.

I realize that that happened some time ago. In the meantime the chairman of the commission, Mr. Robert Bryce, for whom I have deep affection and the highest regard, felt obliged to resign because of ill health. I have been very concerned about this since, and it still is a concern to me. Could the Leader of the Government report to the Senate on what events have developed since the chairman resigned, and indicate when we might receive a report from that royal commission?

● (2030)

Senator Perrault: Honourable senators, I should like to take that question as notice. However, the latest information made available to me, which was approximately one month ago, was to the effect that the report had been written and it was hoped to meet a deadline of December 31 of this year. However, there could be some extension of that date and, if so, I shall report to the Senate.

Senator Benidickson: Is the report to have only the endorsement of the two commissioners other than Mr. Bryce?

Senator Perrault: Honourable senators, that information will be obtained.

THE LATE JOHN FITZGERALD KENNEDY

ANNIVERSARY OF ASSASSINATION OF FORMER PRESIDENT OF THE UNITED STATES

Senator Greene: Honourable senators, may I respectfully ask the Senate to note that today marks the 14th anniversary of the assassination of that great friend of Canada's, and great

post-World War II leader, the late John Fitzgerald Kennedy, former President of the United States.

AIR CANADA BILL, 1977

SECOND READING—DEBATE CONTINUED

The Senate resumed from Thursday, November 17, the debate on the motion of Senator McElman for second reading of Bill C-3, respecting the reorganization of Air Canada.

[*Translation*]

Hon. Jacques Flynn: Honourable senators, I adjourned this debate because I could not resist the temptation to scold my friend Senator Langlois a little.

Senator Langlois: It is a bad habit.

Senator Flynn: It is a long time since I last did it, but I felt it was a splendid opportunity to do so with a smile and as a joke.

Senator Smith (Colchester) and Senator Grosart have drawn the attention of the Senate to the scope of clause 6(2) of the Air Canada bill which authorizes the Governor in Council to allow this corporation to engage in just about any sort of activity. I think it is obvious to all senators that this is quite astonishing and unacceptable. Having said that, I could not help smiling when Senator Langlois told us:

> In this case, my intuition told me that such an amendment was to be expected at this stage. That was after Senator Grosart's remarks on Tuesday night and his further remarks yesterday, when he said he was asking for a further adjournment of the debate because he wanted legal counsel's advice. That was a clear indication that he was going to oppose clauses 6 and 8 as presently drafted. That is why I think that we on this side, at any rate as far as I am concerned,—

I wish to underline "we on this side," because I do not know to which colleagues he was referring; probably not to Senator Hayden, perhaps not even to the sponsor of this bill, Senator McElman.

> —were right in assuming that such amendment would be moved at this stage.

Well, this reminds me somewhat of Senator Langlois's usual concern each time the opposition succeeds in demonstrating the inadequacies in a bill. He is always afraid the government will make a mistake, but he should not be. He may have feared this on occasions, but there is no point now and I can tell Senator Langlois that he can sleep soundly because there is no danger of this.

The second thing that amused me about the comments of Senator Langlois is when he indicated that we are at the second reading stage and that our comments were irrelevant since we are studying the principle of the bill.

Well, I would like to tell Senator Langlois that even though we are studying the principle of the bill, we can of course draw the attention of the Senate to some weaknesses in the bill so that the committee to which it is referred will know the aspects we are concerned about. We are paving the way. To put it better, I could add, as lawyer Lepotiron, LLB, used to say—is it not so, Senator Fournier?—that in fact this clause concerns the principle of the bill. Do we want to create a corporation which will deal with air transportation or which will sell potato chips? In fact, this is what the bill suggests; the Governor in Council can authorize the corporation to do anything it wishes. I suggest that this concerns the principle of the bill. As for the answer to this question, if there is any, we shall have a better opportunity to find it at the committee stage. I am in complete agreement on this point. It is not a matter of voting against the principle of the bill. It is simply a matter of a choice between two possibilities; either we will get a satisfactory explanation—and I do not expect that—or the government will accept an amendment. Under these circumstances, I have no objection to the bill being referred to a committee and to my friend, Senator Langlois, having a good night's sleep.

Senator Langlois: Honourable senators, I am very happy to see that my friend Senator Flynn—

Senator Flynn: One moment, please. I do not object to the intervention of my colleague but, as he already took the floor at the second reading stage, he can only correct me, if my remarks are not consistent with what he said.

Senator Langlois: It concerns a misunderstanding—

Senator Flynn: This is a point of debate.

Senator Langlois: Honourable senators, I refer to Standing Order 28 which allows a senator to take the floor a second time to correct a misunderstanding over his comments. This is my only objective tonight.

I am pleased to see that my honourable friend began his remarks by saying that he likes to attack me but, apparently, he does not like to get a reply, as he just indicated.

All I said the other night was that I believed, as we had reached the second stage reading of this bill, the study of the principle of the bill, that Senator Smith (Colchester) and Senator Grosart had both said that they agreed with the principle of the bill. They made a mistake in starting a long debate about the wording of that bill. This is what both honourable senators have alleged.

I even mentioned that I was pleased they had drawn the attention of the house on that matter. I hope that in committee we shall study that matter again and discuss only the points which we can improve. That is all I said. I do not know why Senator Flynn takes this opportunity to start a debate, but I understand his attitude. He did it to tease me and I simply take it as such. But when he does, he should give me the opportunity to reply.

Senator Flynn: I agree, but you used our rules to reply and it was not justified because I did not misquote you. I did not misunderstand you. The point remains the same, even after what you said.

● (2040)

[*English*]

Senator McElman: Honourable senators, if no other senator wishes to participate, I move the adjournment of the debate.

Before taking my seat, I should say that there is another noteworthy anniversary being recognized today, and that is the 36th wedding anniversary of Mrs. McElman and myself.

Hon. Senators: Hear, hear.

On motion of Senator McElman debate adjourned.

CANADA NON-PROFIT CORPORATIONS BILL

SECOND READING

The Senate resumed from Thursday, November 17, the debate on the motion of Senator McIlraith for the second reading of Bill S-3, respecting Canadian non-profit corporations.

Hon. Jacques Flynn: Honourable senators, I regret that Senator McIlraith, the sponsor of this bill, is not present this evening. I understand that he is suffering from a severe cold. If he feels I am inaccurate in anything I say, he will be able to rise on a point of order and correct me.

Bill S-3 is a measure that has been promised us ever since the passage of the Canada Business Corporations Act in 1975. At that time it was intended that there be this particular piece of legislation, and I remember that it was dealt with by the Standing Senate Committee on Banking, Trade and Commerce.

Senator McIlraith's explanation of the bill was excellent. He said its intent is to eliminate unnecessary formalities, thus making it easier for Canadians to comply and rendering the administration of the law more efficient. This is refreshing indeed. Certainly we all, especially those on this side of the house, approve of streamlining legislation, but it remains to be seen if that is what will be achieved in this instance. That is something we will ascertain when we study the bill clause by clause in committee, and when we hear departmental officials explain the wonders they have wrought.

The provisions of the bill are very technical and, of course, everyone agrees that they can more properly be considered in committee. Suffice it to say that given the imposing number of federally incorporated non-profit organizations carrying on business in Canada—I think Senator McIlraith mentioned there are 3,000 of them—it seems appropriate that there should be separate legislation governing them, especially since they differ significantly in nature from the ordinary profit-seeking corporations.

By the way, I think that the income tax legislation of some years ago made special provision for non-profit corporations in order to bring them under some measure of control because there had been some abuse—and there is no doubt about that. So the principle of governing corporations of this kind by separate legislation is sound. For this reason it is important that in committee we look at all the provisions of this bill in depth. When it is claimed that this government is doing something to streamline legislation in order to make it easier to understand and follow, and to eliminate unnecessary formalities, I suggest that that should be accepted with some skepticism.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Langlois moved that the bill be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to.

RETIREMENT AGE POLICIES

MOTION TO APPOINT SPECIAL COMMITTEE—DEBATE CONTINUED

The Senate resumed from Tuesday, November 15, the debate on the motion of Senator Croll:

That a special committee of the Senate be appointed to examine and report upon

(a) the existing retirement age policies affecting workers in both the public and private sectors;

(b) the social and economic implications of mandatory retirement based on age alone;

(c) the feasibility of enabling workers, especially elderly citizens, to continue to make a worthwhile contribution to our society through flexible voluntary retirement plans to the extent of their ability and motivation;

(d) the protection for those over sixty-five against age discrimination in all employment areas; and

(e) the need for the maximum co-operation of all levels of government, labour unions, business and the public in respect of existing and future retirement age policies and retirement plans;

That the committee have power to engage the services of such technical, clerical and other personnel as may be necessary for the purpose of the inquiry; and

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

Hon. F. Elsie Inman: Honourable senators, I wish to congratulate Senator Croll and to support his motion to establish a special committee of the Senate to inquire into and report upon existing retirement age policies in Canada.

Compulsory retirement at age 65 began under Bismarck, Germany's famed Iron Chancellor. An arch-conservative, pressed hard by liberal foes, he adopted the modern world's first comprehensive program of social insurance in a determined effort to stave off something that seemed worse to

him—socialism. In 1889, following a series of health-insurance measures, he pushed through the Reichstag an Old Age and Survivors Pension Act, and this made it necessary to determine for the first time exactly when old age began. Bismarck opted for 65, knowing full well that life expectancy in the Germany of the 1880s ranged between 40 and 50 years. Obviously, few workers would live to collect benefits under Bismarck's program.

Before the turn of the century, other governments followed Bismarck's idea. The Danish government, for one, made a special study of the problem of replacing income lost because of old age, and in 1891 it established a program of government pensions for all the needy over 60 years of age. Two men, a Mr. Townsend and a Mr. Myer, attempted in the 1890s to induce the United States to follow the example of Germany and Denmark, but they failed in their effort. England passed its program of retirement at age 65 in 1909, and in the dark days of the 1930s the United States of America decided to pass similar legislation for economic and political reasons peculiar to that country. It was also during the thirties that Canada, because of serious economic conditions, passed legislation to provide for retirement at age 65.

● (2050)

Mr. Kris Kristjanson, Vice-President, Corporate Planning and Personnel, for Great-West Life Assurance Company of Winnipeg, had this to say on the subject of retirement:

> The notion of retirement at 65 was established in Canada and the United States in the 1930s when economic and social circumstances were different. At that time, people were considered relatively old at 65; and there was also a need to make room for younger people in the work force.

It does not seem fair, or even right, that people must terminate their employment for the sole reason that they have reached a specific age. Life expectancy today is much greater than in the 19th century. More and more people face retirement without knowing what to make of their lives after having pursued an active career. Such people, if allowed to work, could continue to make their talents produce benefits for society and themselves.

Various studies indicate that most people would, if given the choice, still opt for retirement at 65, but some people have no hobbies or interests in life other than their careers. These people will feel wanted and productive only if they can continue to work. Many who retire unwillingly become prematurely ill. The strain of retirement is too much for these individuals. A worker should therefore be judged by his ability to work rather than by his age.

It is now thought by many that retirement should come about as naturally as other events of life. It should not be forced upon people who may not be ready for it and who do not wish to give up their active working lives.

It is interesting to note the number of people who have become famous in old age. I should like to name a few. Dr. John Dewey, America's foremost philosopher, retired from teaching at Columbia University at 70. He then wrote, lectured and published more than 300 books, essays and articles. Sir Winston Churchill at 78 again became Prime Minister of Great Britain. He had a good philosophy of life, driving ambition, intense pride, a variety of interests and limitless enthusiasm. The challenge of adversity only increased his vitality. Arturo Toscanini at 85 could memorize the complete score of an opera in a few days and never forget it. Titian painted one of his famous masterpieces at 98—"The Battle of Lepant." George Bernard Shaw wrote "St. Joan", one of his best plays, at 70. Michelangelo still painted masterpieces at 89. Goethe completed Faust at 82. Adeline De Watt Reynolds, a grandmother, graduated from the University of California at 68, and at 80 she began her movie career. Dr. Lillien J. Martin, a professor of psychology at Stanford University, retired at 65; she then became a famous perontologist and founder of the San Francisco Old Age Counselling Clinic. She died at 92, after devoting 27 active years to aiding persons to salvage their old age.

It is true that governments have through the years instituted programs that have improved the quality of life for senior citizens, but living costs have risen rapidly in the past several years, causing economic hardship for those living on small fixed incomes and those living on pensions. Indexing helps a few but does not solve the basic problem.

The admission of error in establishing an across the board retirement age of 65 has already been recognized by the United States of America, and it is felt that Canada should also make a study of retirement age. Perhaps the legislation here has not created the jobs anticipated, since the movement through the system is not that well organized. Many jobs vacated require years of training for adequate replacement.

The sociological impact of early retirement has resulted in overcrowding of care facilities for these people who are not ready for retirement. This is aggravated further when they are not only physically and mentally capable of carrying on, but also have the desire to do so.

There is a great loss of experienced manpower, from top executives down to skilled and semi-skilled labour, where the wisdom and experience of a lifetime have been arbitrarily cut off at the sixty-fifth birthday, causing great anxiety and upheaval.

Happy retirees from any job or endeavour are preferable to unhappy ones, who add to the burden and cause unproductive costs in the economic and industrial sense when national productivity is one of the greatest needs to turn the tide of inflation. This unproductive spending winds up in the tax dollar at all levels in the end.

The elimination of the compulsory aspect of retirement should not equally eliminate the continued right to retire with full earned benefits if the person elects to continue in the work force. However, safeguards will continue to be needed to protect older workers from exploitation.

The time has come to translate into social policy what we know to be a fact of life. Everyone needs to be needed, both

before 65 and afterwards. The year 1977 will be as good a year as any to start revising our current misapprehensions about the sunset years.

For these reasons I would be in favour of allowing individuals to work beyond the age of 65.

I am pleased to second Senator Croll's motion, and I commend him for bringing this matter to the attention of the Senate. I hope honourable senators will support Senator Croll's motion.

On motion of Senator Perrault, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, November 23, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Report entitled "The Management of Canada's Nuclear Wastes," dated August 31, 1977, issued by the Department of Energy, Mines and Resources.

Public Accounts of Canada, Volumes II and III, for the fiscal year ended March 31, 1977, pursuant to section 55(1) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between Reed Limited, Toronto, Ontario and the group of its light equipment operators, represented by the Printing Specialties and Paper Products Union, Local 466. Order dated November 18, 1977.

Report on the Administration of the Western Grain Stabilization Act, together with the Report on the state of the Stabilization Account for the year 1976, pursuant to section 45 of the said Act, Chapter 87, Statutes of Canada, 1974-75-76.

Report of the Master of the Royal Canadian Mint, including accounts and financial statements certified by the Auditor General, for the year ended December 31, 1976, pursuant to section 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

COMPETITION POLICY

BANKING, TRADE AND COMMERCE COMMITTEE AUTHORIZED TO EXAMINE AND REPORT UPON COMPETITION LEGISLATION

Senator Hayden, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on Banking, Trade and Commerce be authorized to examine and report upon the subject matter of the Bill C-13, intituled: "An Act to amend the Combines Investigation Act and to amend the Bank Act and other Acts in relation thereto or in consequence thereof," in advance of the said bill coming before the Senate, or any matter relating thereto.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

COMMITTEE AUTHORIZED TO ENGAGE SERVICES

Senator Hayden, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the Standing Senate Committee on Banking, Trade and Commerce be empowered to engage the services of such counsel and technical, clerical and other personnel as may be necessary for the purposes of its examination and consideration of such legislation and other matters as may be referred to it.

Motion agreed to.

THE SENATE

REGIONAL REPRESENTATION—QUESTION

Senator Austin: Honourable senators, in view of the growing discussion in Canada about the importance of the Senate as a focus for provincial expression, and even possibly as a more active chamber in representing provincial and/or regional interests, could the Leader of the Government tell us how many of our present membership have served as elected members of provincial legislatures, and how many of those served as a premier of a province?

Senator Perrault: I want to thank the honourable senator for providing written notice of this question within the hour.

Senator Flynn: The library will provide the information.

Senator Perrault: Honourable senators, because of time limitation I have not been able to obtain a detailed breakdown of the requested information, but it can be said most emphatically that the Senate contains a very broad representation from the regions of Canada. Over 20 per cent of the members of this chamber have had previous experience in a legislature of Canada. At least five former provincial premiers are numbered among our colleagues as well as a number of former leaders of provincial parties and leaders of provincial oppositions. There are a number of former provincial cabinet ministers among our membership. So it can be said that the Senate is broadly representative of the regions of Canada, many of its members possessing extensive experience in the legislatures of this country, and others possessing experience in the other chamber. I have just been reminded that there are many former elected representatives of municipalities within our ranks. Indeed there are.

Senator Flynn: And a former deputy minister.

Senator Perrault: The Senate of Canada takes second place to no other body in this nation in its ability to represent the regional interests to be found in this country.

Hon. Senators: Hear, hear.

Senator Smith (Colchester): Honourable senators, would the Leader of the Government consider expanding his answer to Senator Austin's question to include information as to senators who, as he had just mentioned, have been leaders of provincial parties and members of legislatures, and also those who have played prominent roles in municipal governments?

• (1410)

Senator Perrault: It may be of interest to honourable senators, and perhaps to the public, to have a detailed resumé of this type of background in this chamber. If honourable senators are in accord with the suggestion, I would be pleased to get that information together and place it in the printed record of the Senate.

Senator Flynn: Do you think it is necessary?

Senator Greene: This is not about you, Jacques.

Senator van Roggen: Honourable senators, may I suggest that the Leader of the Government also provide information with respect to the members of this chamber who were former ministers of the federal government, representing their respective provinces, because there are a number of them here who came from different regions of the country and served in the cabinet of Canada. It should be part of the statistics.

Senator Perrault: That suggestion is a good one. We can certainly do it by categories without getting into naming individuals. It would be useful information.

Senator Flynn: It might result in discriminating against the few.

WESTERN GRAIN STABILIZATION FUND

PAYMENTS—QUESTION

Senator Olson: Honourable senators, I would ask the Leader of the Government if he would ascertain whether or not, and when, a payment will be made out of the Western Grain Stabilization Fund. I ask the question now, because it may take him a few days to get the answer, and also in view of the fact that there have been very satisfactory international sales as far as volume is concerned, but certainly not as far as price is concerned. Also, it would be useful for some of the producers to know now, in planning their financial arrangements for the coming season, whether or not there will be a payment out of that fund from the last season.

Senator Perrault: That information will be provided just as quickly as it becomes available.

[*Translation*]

DISTINGUISHED VISITORS IN GALLERY

The Hon. the Speaker: Honourable senators, may I welcome most heartedly in the gallery the members of the "Club optimiste" from the City of Laval, in the province of Quebec.

[*English*]

Senator Buckwold: Honourable senators, may I express a personal welcome to the representatives of the City of Laval? In 1967, when I was the Mayor of Saskatoon, the City of Laval became our twin, des jumelles, and it was my privilege to visit that lovely community and have their representatives visit us. It was a stimulating experience, which I hope can take place again. I am very glad to see them here.

[*Translation*]

Senator Rizzuto: As I am also a resident of the City of Laval, I am pleased to welcome them here, particularly as I was chairman of this club in 1969-70. I am still a member of the club. I welcome them here in Ottawa. We shall always be pleased to see them again in Ottawa, perhaps next year.

[*English*]

AIR CANADA BILL, 1977

SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator McElman for second reading of Bill C-3, respecting reorganization of Air Canada.

Hon. Charles McElman: Honourable senators—

The Hon. the Speaker: I wish to inform the Senate that if the Honourable Senator McElman speaks now his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator McElman: Honourable senators, I wish first of all to thank those who have participated so constructively in the debate on second reading of Bill C-3, and most particularly Senator Smith (Colchester).

Hon. Senators: Hear, hear!

Senator McElman: Senator Smith expressed concerns that, at least on surface, would strike a responsive note in the minds of many senators. He also made more than passing reference to clause 6(2) of the bill, which deals with the power that would be given the Governor in Council in relation to this proposed act. Although most of the questions raised can be most satisfactorily dealt with only in the appropriate committee of the Senate through questioning of Air Canada and departmental officials, I should like to make some reference to them at this time. Senator Smith (Colchester) and Senator Lang expressed some concern over the use in clause 6(2) of the term "by order" rather than the more usual wording "by order in council." I am informed that in drafting terms the use of "by order" is simply a device to eliminate redundancy, and that it is not unusual wording. It is also clear that the Governor in Council can act only by order in council. The use of the term "by order" is not exclusive to clause 6(2), as might have been indicated. The same terminology is found in clauses 6(4), 11(1), 12(1)(b) and throughout the bill, as it is in other legislation.

Senator Smith also expressed doubt that Air Canada should be involved in the business of operating hotels. Clause 6(1)(b) provides only that it may own and operate hotels and other

accommodation, not that it shall. In this connection I should like to make two points. First, the present Air Canada Act, in section 13(1)(j), authorizes the corporation:

> to purchase, lease or otherwise acquire or provide, hold, use, enjoy and operate such hotels in Canada as are deemed expedient for the purposes of the Corporation;

So, honourable senators, the provision of clause 6(1)(b) in this bill simply carries forward the earlier authorization of Parliament in this regard.

Secondly, allow me to remind the house that a basic purpose of this bill is to permit Air Canada to effectively compete with those world-scale airlines with which it must compete. If the board of directors deems it advisable, in order to maintain its competitive viability, to own, lease and operate hotels, it should have that flexibility and that should be a board decision, not a parliamentary decision. The very real competitors of Air Canada are much involved in the hotel business, and I do not think they can all be wrong. TWA, Trans World Airlines, owns the Hilton Hotels; Swiss Air owns at least 11 hotels, as well as restaurants and travel agencies, and it engages in numerous other activities; British Airways owns 45 hotels; Pan American owns Intercontinental Hotels; American Airlines owns Americana Hotels and Flagship International Catering and Hotels; KLM has interests in KLM Aerocarto; Lufthansa is affiliated with several hotel groups. Eastern Airlines owns Dorado Beach Hotel Corporation and is affiliated with Rockresorts; Braniff owns Braniff International Hotels and Braniff International Resort Properties. Then, of course, there is Canadian Pacific Airlines and one need not enumerate the very broad range of activities available to it under the umbrella of the CPR and that extraordinarily successful multinational, CPI, Canadian Pacific Investments.

Like other senators, I believe that Air Canada should be permitted to compete in world air travel and become involved competitively in the hotel or accommodation business if its board of directors so decides.

Mention has been made by the Honourable Senator Smith (Colchester) of clause 7(1.1), which reads:

> In discharging its responsibilities under this Act, the Board shall have due regard to sound business principles, and in particular the contemplation of profit.

● (1420)

Senator Smith expressed the view that too much emphasis might be given by the board to those requirements of "sound business principles" and "the contemplation of profit" to the detriment of the development of the nation and satisfactory service to the lesser populated areas and regions of Canada.

I should point out to Senator Smith that this very subclause was inserted in the bill in the other place at the insistence of a leading spokesman of his party, and was accepted with much reluctance by the minister.

Having said that, I must confess that I share Senator Smith's uneasiness over the fact that these are placed upon the board as specific requirements in the bill. However, one can take some comfort from clauses 8 and 9.

[Senator McElman.]

Clause 8 provides that the Governor in Council may give "directions of a general nature" in writing, with which Air Canada must comply. This will enable the Governor in Council to direct that an acceptable level of services be provided to the Atlantic region, for example, within the context of a national transportation policy. The purpose of clause 8 becomes even more clear when read in conjunction with clause 9.

Clause 9 provides for the calculation and payment of losses that Air Canada may suffer in consequence of carrying out the directions of the Governor in Council that are given under clause 8.

Senator Grosart was critical of the drafting terminology of clause 8 of the bill. He expressed a preference for terminology that would require Air Canada to comply with "directions of a specific nature," rather than the bill's terminology, "directions of a general nature."

When this bill was first introduced in the other place it provided that Air Canada shall comply with "directives". There was no stipulation that such directives be either "specific" or "general". The minister, realizing that this would permit interference by this or future administrations in the day-to-day operations of Air Canada, brought forward a government amendment to add the words "of a general nature." The bill was thus improved, making it clear that the Governor in Council would give policy directives only within the context of national transportation policy as referred to in clause 9(1).

Honourable senators, it is only through clauses 8 and 9 that the government of the day will be enabled to require Air Canada to play its proper role in the development of the nation, and in providing an acceptable level of services to all regions of the country, which is our common desire.

I share the concern expressed by Senator Smith that all regions should be properly represented on the board of directors of Air Canada. However, I do not favour writing such representation into the bill, as was suggested. Such minimums usually become maximums. I have every confidence that the able representatives of Atlantic Canada, in both houses, will ensure that their region is well and properly represented on the board.

It is the stated purpose of the administration to make the appointments of the additional six directors over a period of time, with particular attention to regional representation. Honourable senators from all regions of the nation should be prepared to express their views in committee on this aspect of the bill.

Senator Smith also expressed grave doubts that Air Canada, under clause 6(1)(g), should be authorized to:

> —acquire and hold shares or debt obligations of any other body corporate carrying on activities similar or incidental to those of the Corporation and sell or otherwise deal with such shares or debt obligations;

Again, this is a power that is vested in the corporation under section 13(1)(e) of the current Air Canada Act. It is merely carried forward in this bill. By way of an aside, the powers

contained in this clause are of a lesser nature than those that Parliament provided to the CNR under section 31 of the Canadian National Railways Act.

I want to stress that the authority granted by clause 6(1)(g) is made conditional by clause 6(4), in that Air Canada will be unable to acquire the shares of another company, sufficient to gain control of it as a subsidiary, without obtaining the approval of the Governor in Council. Similarly, prior approval by the Governor in Council would be required for the sale of the shares of any company that may be acquired by Air Canada, thereby providing a reasonable and desirable measure of policy control in such matters by the administration.

Lastly, I come to that part of Bill C-3 that has caused the greatest concern to honourable senators, and I refer, of course, to clause 6(2), which reads as follows:

> (2) The Governor in Council may, by order, authorize the Corporation to engage in or carry on any activities not otherwise authorized by this Act.

I confess, with some shame and a good bit of humility, that in my initial reading of this bill I skimmed over that clause, thinking it the normal one making provision for unforeseen related and incidental activities or objectives that could be approved by order of the Governor in Council. However, the terminology is not the usual or accepted version, and I believe that we are all indebted to Senator Smith (Colchester) for his alertness in noting that fact and drawing it forcefully to the attention of the Senate.

Hon. Senators: Hear, hear.

Senator McElman: Senator Smith expressed precisely and with clarity the concern felt by many senators with this clause. Unfortunately, that clarity was clouded somewhat by Senator Grosart's intervention in this debate. I regret having to refer to his remarks in his absence, but at pages 145 and 146 of *Hansard* of November 17 Senator Grosart stated repeatedly that clause 6(2) would give those extraordinary powers to the minister. That simply is not so. Most senators express concern at some time or another over the broad powers that are sometimes given to ministers in the making and promulgating of regulations. That is the extension of ministerial authority. But that has nothing whatsoever to do with clause 6(2) of this bill. That clause deals not with ministerial authority or powers but with what appears to be the delegation by Parliament of extraordinary powers to the Governor in Council—in other words, the administration of the day.

So let us not be misled to believe that clause 6(2) has anything to do with ministerial powers. I am sure that all will agree that the Governor in Council must be given powers by Parliament, on occasion, to broaden the scope of legislation to meet unforeseen circumstances in the administration of the affairs of government. However, those powers must be discreetly given by Parliament and must relate to the recognized objects and purposes of the legislation to which they attach.

From discussions that I, as sponsor of Bill C-3 in the Senate, have had with officials, and from reading the record of debate in the other place, I am convinced that the purpose of clause 6(2) is to serve as a brake on Air Canada to prevent it from undertaking activities not otherwise specifically provided for in this bill, without first obtaining authority to do so from the Governor in Council. At the same time, this clause would permit the Governor in Council to approve activities not specifically spelled out in the bill but which the Governor in Council believes Air Canada should be permitted to undertake, properly, in competition with other world-scale airlines.

● (1430)

That is all very acceptable in its intent. Unfortunately, the intent does not appear to have been clearly and precisely expressed in the terminology of clause 6(2). On the surface, at least, it would appear that the Governor in Council could approve any imaginable type of activity on the part of Air Canada, no matter how extreme or unrelated to the normal activities of an airline, without any further reference to Parliament. If that is the case, honourable senators, it would be unacceptable to Parliament.

It is in that light that I again thank the Honourable Senator Smith for focusing the attention of the Senate on this apparent fault in draftsmanship. In committee honourable senators will wish to hear witnesses on this clause in particular, and will wish as well to inquire into other aspects of the bill. In order to have the bill before the committee quickly, I ask you to vote for second reading now.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator McElman moved that the bill be referred to the Standing Senate Committee on Transport and Communications.

Motion agreed to.

RETIREMENT AGE POLICIES

MOTION TO APPOINT SPECIAL COMMITTEE—DEBATE CONTINUED

The Senate resumed from yesterday the debate on the motion of Senator Croll:

> That a special committee of the Senate be appointed to examine and report upon
>
> (a) the existing retirement age policies affecting workers in both the public and private sectors;
>
> (b) the social and economic implications of mandatory retirement based on age alone;
>
> (c) the feasibility of enabling workers, especially elderly citizens, to continue to make a worthwhile contribution to our society through flexible voluntary retirement plans to the extent of their ability and motivation;
>
> (d) the protection for those over sixty-five against age discrimination in all employment areas; and

(e) the need for the maximum co-operation of all levels of government, labour unions, business and the public in respect of existing and future retirement age policies and retirement plans;

That the committee have power to engage the services of such technical, clerical and other personnel as may be necessary for the purpose of the inquiry; and

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

Hon. Raymond J. Perrault: Honourable senators, I want to speak in wholehearted support of the motion proposed by the Honourable Senator Croll. The subject of the motion is important, and certainly deserves serious examination and study by the members of this chamber.

As Senator Croll proved, when he was chairman of the Special Senate Committee on Poverty in Canada, the subject of compulsory retirement will receive the pragmatic, careful and conscientious attention of all the members of the committee who will be studying this subject.

A great many Canadians have found it puzzling that a person, who is capable one day of holding down an important job, often one involving enormous responsibility, can within just a few hours—that "magic" moment when he or she becomes 65 years of age—be unfit to carry on. It is obvious that in our society ability does not necessarily decline with age. Some individuals in society are "old" when they are in their forties; some are quite "young" even though they are in their eighties or nineties.

Senator Croll—and he is over 70, I am given to understand—is himself a spirited and remarkable example of this latter fact, and so are many other senators.

He has pointed out in a number of his interviews that 60,000 men and 20,000 women left the labour force at the age of 65 last year. Doubtless, many of them welcomed retirement; it is equally certain that there were a goodly number—people of experience who felt they had much more to give—who resented that enforced retirement. I know that other honourable senators feel as I do, that Senator Croll and his committee will probably find a flexible solution to this paradox. They will at least have recommendations to make, and these will be important.

The United States Congress has recently undertaken a similar retirement age study. There are those who would like to retire at the age of 60, or even earlier. Many reasons and motives are given for establishing what people believe to be the ideal retirement age. A large number of young people in Canada are currently out of work, and it will certainly be argued that if people are allowed to work beyond the age of 65 it will penalize younger people who wish to work. The committee will most assuredly want to look at that aspect of the compulsory retirement issue.

[Senator McElman.]

There are many aspects to this very human issue, and it is the type of issue which the Senate should examine and with which it should concern itself. I am confident that a special committee, chaired by Senator Croll, will, if the motion receives the support of honourable senators, bring credit upon the Senate through its work.

I have two suggestions to make with respect to the wording of the motion. The present motion gives the committee power to sit during sittings and adjournments of the Senate. The actual wording is to be found in the final paragraph, which reads:

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

I suggest that the motion be modified by deleting the words "sittings and" from the phrase "to sit during sittings and adjournments of the Senate," so that the committee would not have the blanket power to meet during sittings of the Senate. Of course, should the situation arise when witnesses are only available when the Senate happens to be sitting, the Senate may then be asked by the chairman of the committee for permission to hold a special meeting of the committee while the Senate is sitting. There could be circumstances which necessitate meetings of the committee while the Senate is sitting and, under those circumstances, permission could be granted.

As honourable senators are aware, in practice the Senate does not grant blanket permission to any committee to meet during sittings of the Senate. There are always problems involved in scheduling committee meetings when the Senate is sitting, but these problems can be overcome in the manner I have described.

Senator Rowe: Will the Leader of the Government permit a question?

Senator Perrault: Certainly.

Senator Rowe: Would this mean a modification of the motion proposed by Senator Croll?

Senator Perrault: Yes, it is a suggestion to which Senator Croll may wish to address himself when he concludes the debate. He may wish to accept the proposal I have made, which may be described as a "limitation" of the right of the committee to meet during Senate sittings.

Senator Flynn: It will then be too late to move an amendment.

Senator Perrault: With leave of the Senate, he can withdraw those particular words.

Senator Flynn: And if he does not?

Senator Croll: He will.

Senator Flynn: Are you so sure of yourself?

Senator Perrault: I have supreme faith in the wisdom of the committee chairman.

Senator Flynn: He would have to have supreme faith in you.

Senator Perrault: I hope that faith is not misplaced.

Senator Flynn: It could be.

Senator Perrault: I should like to mention a second proposal. It occurs to me that in order to make it clear that the permission to travel, which is contained in the motion, relates to travel within Canada, the words "in Canada" should be added at the end. Should honourable senators feel that for some pressing reason there is a need for this or any other committee to travel outside the boundaries of Canada, to the United States or any other country, then permission should be sought from all honourable senators for such foreign travel.

Honourable senators, in advancing these proposals, I wish Senator Croll and his committee every success in their important work.

● (1440)

Senator Manning: Honourable senators, I do not intend to take up the time of the house by discussing this motion in any detail, but there is one clause that I would like to draw to the attention of the mover in the hope that it might be revised before the motion is finally adopted. I think it is rather a dangerous clause in that it could, if taken literally, lead to some serious complications. I refer to clause (d), which reads as follows:

> (d) the protection for those over sixty-five against age discrimination in all employment areas;

I am not certain I fully understand what is intended by that, but it seems to me to imply that there could be no judgment in respect of age exercised by the employer, whether in the public or the private sector, with regard to an applicant for a position. After a little consideration, I think most honourable senators will agree that that could lead to some very undesirable situations.

There might very well be a vacancy, either in the Public Service or somewhere in the private sector, for which a person over 65, or over 70 for that matter, applied. Although the applicant at the time of making the application might possess all the necessary qualifications to fill that vacancy satisfactorily, the position could well be one of those where the succession factor becomes important.

The only way, in either the public or private sector, to get good senior management people is by having them in certain positions gaining experience over a number of years which will qualify them to assume greater responsibilities in later times. An employer might wish to engage a person with the intention of promoting him to a more senior position in a few years' time. While an applicant who is 65 or more years of age might be capable of doing everything required by the position, if the advancement is not to occur for five years or so he might quite reasonably be expected to be unqualified for, or physically incapable of filling, that more senior position. In those circumstances, and if this clause is to be taken literally, we would be preventing an employer from hiring a man with the intention of preparing him, through experience, to fill a more responsible position three, five or ten years down the road. It seems to me that that is a factor we should recognize.

A man coming in at the age of 35 or 40, with perhaps 30 or 40 years of health ahead of him, can be trained by his employer and, barring something going wrong with his health or some accident, he will be there to fill the senior position that was in mind for him. This cannot apply to a man who is aged 65 or 70. No matter how well qualified he might be, he must be eliminated because of his age.

All I am suggesting is that we should not put into a proposal, which I think has a lot of merit, something which could create serious practical problems, as would be the case if a provision of this kind were adopted and became a statutory requirement, binding on employers in both the public and the private sectors.

Senator Rowe: Before Senator Croll closes the debate—

Senator Flynn: He does not close the debate.

Senator Rowe: I presume it is the intention, or the hope, that there will be a vote this afternoon. I do not know that; I am assuming it. However, does the mover of a motion have the right to amend his own motion?

Senator Langlois: Yes.

Senator Rowe: In that case, I presume that before we vote Senator Croll will be moving an amendment to the very last clause in his motion, in accordance with the suggestion of the Leader of the Government that the words "sittings and" be deleted. Certainly I, and I am sure the leader and others, would like those words removed. We would not want to give such blanket permission to any committee.

● (1450)

Senator Macdonald: Honourable senators, I move the adjournment of this debate.

Senator Hicks: Before the debate is adjourned, would the mover of this motion permit me to make a brief intervention?

Senator Flynn: He yields to you.

Senator Hicks: I think this has to do with what Senator Manning spoke about. Certainly he raised issues that would be of concern to any thoughtful person who is studying this, but I suggest, with the greatest of respect, that Senator Manning has prejudged the question. The motion is:

> That a special committee of the Senate be appointed to examine and report upon . . .
>
> (d) the protection for those over sixty-five against age discrimination—

Surely it is quite proper for a Senate committee to suggest that such persons need no protection, or that any protection accorded them should be subject to exactly the kind of limitations and qualifications that Senator Manning so properly referred to.

Senator Manning: Honourable senators, perhaps I may be permitted to clarify my comments by saying that I quite agree with Senator Hicks, but all I was talking about is the impression that will be given the public of Canada if a committee of this house is set up whose specific terms of reference include a provision of this kind. It will be interpreted, and perhaps improperly interpreted, as a suggestion that there should be no discrimination in the hiring of people because of age. My point is that age is a matter in which you have to give the employer discretionary powers.

On the motion of Senator Macdonald, debate adjourned.

SCIENCE POLICY

VOLUME 4 OF REPORT OF COMMITTEE—DEBATE CONTINUED

On the Order:

> Resuming the debate on the inquiry of the Honourable Senator Lamontagne, P.C., calling the attention of the Senate to the report of the Special Committee of the Senate on Science Policy, appointed in the last session of Parliament and authorized in that session to consider and report on Canadian government and other expenditures on scientific activities and matters related thereto, entitled: *A Science Policy for Canada,* Volume 4, *Progress and Unfinished Business,* tabled in the Senate on Tuesday, 25th October 1977.—(*Honourable Senator Cameron*).

Hon. John M. Godfrey: Honourable senators, because of the unavoidable absence of Senator Cameron I ask leave to resume the debate.

The Hon. the Speaker: Is leave granted?

Hon. Senators: Agreed.

Senator Godfrey: Honourable senators, may I first pay a personal tribute to Senator Lamontagne and Senator Grosart for their work on the Science Policy Committee. There are other senators, of course, who made substantial contributions to the work of the committee, but the reason I am specifically naming Senator Lamontagne and Senator Grosart—and I am sure the members of the committee will unanimously agree—is that they were the two spark plugs of the committee. Senator Lamontagne was the committee's chairman, and Senator Grosart was the chairman of the steering committee. Senator Grosart also represented the Conservatives in a very effective and completely non-partisan fashion. We had disagreements on the committee while I was a member, but I certainly could not detect even a hint that any of them was inspired by partisan political considerations.

I was not a member of the committee that laboured so long, faithfully and effectively from 1967 to 1972 to produce the first three volumes of the report, and I was certainly not knowledgeable on the subject. For that reason, I did not take their conclusions as gospel, and was inclined to approach the matter of science policy in Canada with a somewhat more open mind than those who had listened to years of previous testimony and who had been active in the preparation of, and had concurred in, the original report.

As the hearings proceeded, I had certain concerns and reservations about the original report. I thought, for example, that the original target set out in the report that research and development (R & D) in Canada should amount eventually to 2½ per cent of gross national product was unrealistically high. One of the main reasons I thought that was because, in my opinion, not sufficient weight had been given to the amount of R & D available in Canada from the parents of foreign subsidiaries operating here. Let's face it, our manufacturing industry has greater foreign control than any other developed country. There is not much point re-inventing a better wheel in Canada if it has already been invented by a parent company in the United States, and the invention is available to the Canadian subsidiary at a modest price.

While having a Canadian subsidiary's R & D carried on in the United States by its parent has obvious disadvantages—and I do not want to appear to minimize them—it has obvious advantages too. An American parent with ten or twenty times more sales than its Canadian subsidiary can obviously afford to spend many times more money on R & D as its Canadian subsidiary, and can make all the results of this R & D available to its Canadian subsidiary for a fair and relatively modest fee.

As a lawyer, and a director of a number of my clients' Canadian subsidiaries before I became a senator, I came across this situation often. Canadian-owned companies in certain industries just could not compete because they were not sufficiently large to be able to do as much R & D as was available to the Canadian subsidiaries of multinationals. Some Canadian-controlled industries, however, like the steel industry, are sufficiently large and progressive, and are capable of doing a sufficient amount of their own R & D so that they can compete very well indeed. Our steel industry is universally acknowledged to be one of the most efficient in the world, and I understand it is far more efficient in many ways than the United States industry. Many Canadian-owned companies, in order to survive and prosper, make arrangements with large foreign companies to use the R & D developed by those companies for a reasonable fee.

I can think of a company that was completely controlled in Canada that found itself falling farther and farther behind in its production efficiency, and could be justly described as being technologically bankrupt. It got itself a new president who decided that the only thing to do was to enter into an agreement with a large United States company with many times its sales volume so that its R & D and know-how would be available to the Canadian company. The Canadian company has prospered greatly since and control has remained in Canada, which probably would not have been possible if it had not been able to make the arrangements to import much of its R & D. It has even greatly increased its own R & D because it found that that was necessary in order to take full advantage of the R & D that it imported.

Importation of foreign R & D is not all that bad, as Japan can very well testify to, and, in fact, it can be of great benefit to the economy as a whole even if it does result in a lower proportion of R & D to GNP being performed in Canada than would otherwise be the case.

This aspect of the matter is referred to in the report only casually in several places. However, I believe this may have been one of the reasons why the committee was persuaded that its original target that R & D should represent 2½ per cent of our gross national product was unrealistic. In the present report this target has been reduced to 1½ per cent, with which I concur.

During the hearings, I am sure that some of the members of the committee got sick and tired of my saying repeatedly that either the government could not or should not ram R & D down industries' throats. Fairly early on in our hearings, I heard that a Mr. Gordon Sharwood had been retained by the Department of Industry, Trade and Commerce to make an evaluation of the department's industrial support programs. Many of these are R & D oriented, such as the Program for the Advancement of Industrial Technology (PAIT), Defence Industry Productivity Program (DIP), Industry Research & Development Incentives Act (IRDIA), and the Agricultural & Food Products Market Development Assistance Program (AGMAP).

It seemed to me that what Mr. Sharwood was doing should be of great interest to the committee, and that it would be invaluable to the committee if it could obtain and consider his report. When Mr. Jamieson, the then Minister of Industry, Trade and Commerce, appeared before the committee on May 12, 1976, I questioned him about this report which had then been completed in draft form. Mr. Jamieson spoke highly of the report, and said he would make it public in final form before the summer recess if he could get the printing and translation completed in that time. In fact, the report was issued in final form under date of June 1, 1976 but, in spite of repeated requests, was not released to Senator Lamontagne until August 2, 1977, just two days before the meeting of the committee at which the final draft of the committee's report was approved and, of course, too late to be considered by the committee.

I might say as an aside at this point that I am a member of the joint Senate and House of Commons committee which will be considering the government's green paper on freedom of information. The co-chairman of that committee agrees with me that the appropriate officials of the Department of Industry, Trade and Commerce should be hauled before the committee to explain why they denied the Science Policy Committee access to the Sharwood report for 14 months after the minister said we could have it.

Recenty I obtained from the Department of Industry, Trade and Commerce a copy of the Sharwood report. It is 99 pages long and it all makes very interesting reading and, whether one agrees with Mr. Sharwood's conclusions or not, some of his findings of fact are interesting and should have been considered by our committee. I believe it is appropriate to bring some of those findings to the attention of the Senate.

● (1500)

The first thing that sticks out is that the bulk of grants by the department goes to a very few large firms, and are concentrated in certain industries. For example, in the period from 1970 to 1975 10 firms received 40 per cent of the money, and the top 20 firms received 60 per cent of the money. Bell and its related firms, for example, obtained $42 million over that period. Mr. Sharwood points out at page 83:

> There is doubt whether these grants have really affected the behaviour of large corporations and such large company presidents who were consulted and who have been the beneficiaries of such grants indicate that they would have carried on the programs without the assistance.

This certainly could not be said about the Defence Industry Productivity Program. At page 85, Mr. Sharwood points out that in 1975 grants amounted to $48 million, of which $24.7 million, or 51 per cent, went to De Havilland, and nearly $10 million went to Canadair and Pratt & Whitney Aircraft, for a total of 72 per cent to these three companies.

At page 86, Mr. Sharwood states:

> In assessing the industry it is clear it is basically an export industry and that it has very little relation either to Canadian defence in terms of maintaining capability or in terms of supplying the Canadian armed forces. What has been spawned by DIP is in fact a foreign flower flourishing on Canadian soil which sells to foreign governments on a subsidized basis and the subsidy is justified on the basis that other governments do the same thing. This gives rise to the question as to why this particular industry should be so subsidized and others should not.

Let us now consider the situation with respect to De Havilland. I think it can be properly stated that the department did ram R & D down De Havilland's throat with respect to the development of the Dash 7. I am advised that so far the government has advanced $90 million for the development of this aircraft, and the company a very reluctant $30 million.

Several years ago, Hawker Siddeley, which then owned De Havilland, refused to put any more of their money into the development of the Dash 7, and wanted to close it down because their surveys had indicated that the present market just was not big enough for that kind of an aircraft. The government then decided to purchase the company so that the development of the Dash 7 would be continued. At the present time, the company has firm orders for only four aircraft, and there are options outstanding for another 16. The company has priced the aircraft on the basis that the R & D and tooling costs will be amortized over 250 aircraft, and the company is tooled to produce four a month. On this basis of four a month, it would take five years to recover the investment, and obviously it will never be recovered on the basis of the one-a-month production presently planned.

Let us look at Canadair. The government was forced to buy this company from General Dynamics because the parent

company was going to close it down and sell off its real estate, which was estimated to be worth the $38 million that the government paid for the company. That company has now apparently turned the corner through the development of the Challenger, the world's first wide-bodied business jet. Frederick R. Kearns, in a recent interview reported in *Executive* magazine, stated, "the aircraft was crying out to be built." The company was just as accurate in its assessment of the potential market as was Hawker Siddeley. Hawker Siddeley recognized that there was a very limited demand for the Dash 7, and refused to proceed any further. Canadair, even while it was controlled by General Dynamics, recognized that there was a great demand for the Challenger. But General Dynamics had other priorities for its money and would not let the company go ahead. After the government purchased Canadair, it went ahead with its plans. De Havilland has sold four Dash 7s, and needs to sell 250 to break even. Canadair has sold 110 Challengers, and needs to sell only another 20 to break even.

Canadair needed $125 million to finance the development and manufacture of these aircraft. Two Canadian banks advanced the money—part of it on the company's own line of credit and $70 million on the basis of a guarantee from the Canadian government.

Mr. Sharwood, at page 74, states:

> Finally the larger Canadian corporations are now the size that they should and would subject their research to the market-place test. They are no longer "infant industries" and such companies as Stelco and Noranda do not need to be bribed to do research. The Canadian manufacturing sector has reached some kind of maturity and, unless a payoff can clearly be shown, the subsidizing of R & D through grants should be discontinued.

His conclusion is well supported in the case of De Havilland and Canadair. In the case of De Havilland, the research for the Dash 7 was not subject to the marketplace test, whereas the research and development by Canadair for the Challenger was. The case of Canadair does further illustrate how foreign control can in certain cases have a very injurious effect on the Canadian economy. If General Dynamics had had its way, a viable operation would have been shut down and thousands of people would have been put out of work.

As the Science Policy Committee report points out, the main goal of the government's science policy has always been the promotion of industrial development. The report refers to the publication *(PUO) U.S. Technology Policy*, issued by the U.S. Department of Commerce in March 1977, which claims that technological innovation was responsible for 45 per cent of the growth in the American economy between 1929 and 1969. It also refers to the fact that Gordon Sharwood, in another report he prepared for MOSST in January 1977, points out that other studies show that R & D accounted for 40 per cent of the total increase in U.S. productivity over the years, and that U.S. industry averaged a 30 per cent return on R & D spending, twice the rate companies were getting from other business investments. What is not pointed out is that Mr. Sharwood, in his report to the Department of Industry, Trade and Commerce of June 1, 1976, states Canadian studies give a different view from the studies done in the United States.

There are three specific areas that the Science Policy Committee report was to cover. The first one, and I quote from page 4 of the report, was:

> The criteria and techniques used by the Government, particularly the Ministry of State for Science and Technology, to review and assess scientific expenditures and programs.

Mr. Sharwood, at page 72, says that one of the techniques used to review and assess scientific expenditures and programs is to have studies done. He refers particularly to two, namely, Special Study No. 23 by the Science Council of Canada, and a report prepared by Peat Marwick & Partners for the Ministry of State for Science & Technology, dated May 1975. Mr. Sharwood states:

> The essence of each report is that it is necessary to look at other things besides expenditures on R & D to account for the low innovative quality of Canadian industry. The latter report says "economists are still uncertain of the relevant influences of the various inputs to the innovation process. For example, it has become clear that a large high quality national science research development effort, although it represents a kind of national resource, does not necessarily lead to a high rate of innovation nor does a large population of technologically skilled people." The report goes on to say that "it does not necessarily follow, however, that the technology for science based innovation has to be internally generated," and points out that the Japanese, in fact, have imported their technology and their skill has been the exploitation of existing technology. A report prepared by Mr. B. Carin of the Planning Branch of the Treasury Board Secretariat on August 21, 1972, after a study of a large number of firms, concludes that "there is no empirical evidence that supports the hypothesis that R & D expenditures lead to industrial growth of Canada." Another study was completed by the Department of Industry, Trade and Commerce which concluded that R & D incentive programs were only stimulating R & D to the equivalent of the government grants.

● (1510)

I have referred to these reports, not because I think that they are more valid than the different views expressed in the United States reports, but to show that this is by no means a simple problem and that government policies by themselves may not have as great an influence in this area as many people believe. Furthermore, when Canadian government commissioned studies exist which come to conclusions different from those in studies made in the United States, and referred to in our report, I think that these should be brought to the attention of the Senate in this debate, particularly when they only came to my attention after our report was issued, and did not come to the attention of the committee while it was considering the matter. This, of course, emphasizes further the desirability of the department's releasing the Sharwood report to the

committee immediately after it was completed, rather than waiting until it was too late to be of any use in the preparation of our report.

In conclusion, I say that, while our report lays practically all of the blame on the government for the deficiencies of the R & D effort in the industrial sector, I personally am inclined to place a significant part of the blame on the private sector. The private sector seems to be always looking for handouts from the government, either in the form of tax concessions or grants to help finance their R & D, whether or not such handouts will have any effect in increasing their R & D effort. One has only to look to the joint brief submitted to the committee by the Canadian Chamber of Commerce and the Canadian Manufacturers' Association to illustrate my point. Furthermore—and this applies particularly to the smaller companies—we heard evidence to the effect that, even where there was successful R & D, poor management resulted in its not being exploited properly. As several witnesses put it, successful R & D only solves 5 per cent of the problem.

I believe that our committee was very much on the right approach when it said that the government should reconsider its position on tax incentives. These incentives should be given to reward increased expenditures on R & D, and not to help finance all R & D expenditures. We should not give government handouts to companies for R & D expenditures that the companies would have done anyway, not only because it was in their own best interest to do so but also because they had the financial capability of doing so.

On motion of Senator McDonald, debate adjourned.

AGRICULTURE

MOTION TO AUTHORIZE COMMITTEE TO MAKE STUDY WITHDRAWN

On the Order:

Resuming the debate on the motion of the Honourable Senator Argue, seconded by the Honourable Senator Desruisseaux:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to examine from time to time any aspect of the agricultural industry in Canada; provided that all senators shall be notified of any scheduled meeting of the committee and the purpose thereof and that the committee report the result of any such examination to the Senate;

That the committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of such examination;

That the committee, or any sub-committee so authorized by the committee, may adjourn from place to place for the purposes of any such examination;

That the papers and evidence received and taken on its inquiry into the desirability of long-term stabilization in the Canadian beef industry in the preceding session be referred to the committee; and

That the committee have power to sit during adjournments of the Senate.—(*Honourable Senator Langlois*).

Senator Langlois: Honourable senators, I am pleased to yield to Senator Argue.

The Hon. the Speaker: Is that agreed, honourable senators?

Hon. Senators: Agreed.

Senator Argue: Honourable senators, since I presented this motion some time ago representations have been made to me that its terms give the Standing Senate Committee on Agriculture powers that other committees do not have. In the past we have had these general wide powers, although I think we used them responsibly. However, I certainly have no objection to ensuring that the terms of reference that the committee in fact has are in keeping with the terms of reference of other committees.

The other objection raised was with respect to the clause which provided for adjournment from place to place for the purposes of any such examination. It has been said that those terms should not allow a committee to go outside the country without special authority from the Senate. I have no objection to an amendment to that effect.

I should now like to ask leave of the Senate to withdraw the motion. If leave is granted at this time, I am prepared to submit three very brief motions which would, if passed, give the committee authority in a specific way to carry on the work it has been engaged in for the last few months.

Honourable senators, I ask leave to withdraw this motion.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion withdrawn.

COMMITTEE AUTHORIZED TO MAKE STUDY

Senator Argue: Honourable senators, in substitution for the motion I have just withdrawn, with leave of the Senate, I move:

That the Standing Senate Committee on Agriculture be empowered, without special reference by the Senate, to hear submissions from representatives of agricultural and related industries;

That the committee have power to engage the services of such counsel, staff and technical advisers as may be necessary for the purposes of its examination and consideration of such legislation and other matters as may be referred to it; and

That the committee have power to sit during adjournments of the Senate.

The Hon. the Speaker: Honourable senators, is leave granted?

Hon. Senators: Agreed.

Senator Flynn: I am just wondering if the Deputy Leader of the Government has been able to verify the wording, because

this is the first time I have heard it. If he is satisfied it meets the objective or, I should say, the retraction explained by Senator Argue, then I am satisfied. It is very hard, from just hearing the motion, to judge that it is in conformity with what we have in mind.

Senator Perrault: The matter has been discussed with Senator Argue, and the proposal to set forth more specifically the mandate and the work of the committee has been given careful consideration. I find myself in agreement with the position taken by a number of senators who believe that any committee should be empowered by the Senate as a whole to consider specific legislation or specific matters. It is felt that there should be a full opportunity for all senators to debate the references to committees which it is proposed be made. I think that is a sound parliamentary principle.

Senator Flynn: I just wanted to know if you were satisfied with the wording of the new motion.

Senator Perrault: Yes, very satisfied.

Senator Olson: Honourable senators, I notice that this motion does not contain authorization to meet from place to place in Canada.

Senator Perrault: That is in another motion.

Senator Argue: Perhaps I might say in explanation that there are three motions. The second one has to do with the beef inquiry and adjourning from place to place, and I shall move it after this one is disposed of.

Motion agreed to.

COMMITTEE AUTHORIZED TO STUDY CANADIAN BEEF INDUSTRY

Senator Argue, with leave of the Senate, moved:

That the Standing Senate Committee on Agriculture be authorized to examine and report upon any aspect of the Canadian beef industry;

That the papers and evidence received and taken on the subject in the preceding session be referred to the committee; and

That the committee, or any subcommittee so authorized by the committee, may adjourn from place to place in Canada for the purposes of such examination.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

● (1520)

COMMITTEE AUTHORIZED TO INQUIRE INTO THE IMPLEMENTATION OF RECOMMENDATIONS CONTAINED IN ITS REPORT "KENT COUNTY CAN BE SAVED"

Senator Argue, with leave of the Senate, moved:

That the Standing Senate Committee on Agriculture be authorized to inquire into the implementation of the recommendations contained in the report entitled: "Kent County Can be Saved," a study into the agricultural potential of Eastern New Brunswick, of the Standing Senate Committee on Agriculture, appointed in the First Session of the Thirtieth Parliament, tabled in the Senate on 16th November 1976; and

That the committee, or any subcommittee so authorized by the committee, be authorized to travel to New Brunswick for the purposes of such inquiry.

He said: Honourable senators, this obviously would give the committee the authority to follow up the Kent County report.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, November 24, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

INTERNAL ECONOMY, BUDGETS AND ADMINISTRATION

REPORTS OF COMMITTEE BUDGETS TABLED

Senator Laird, Chairman of the Standing Senate Committee on Internal Economy, Budgets and Administration, tabled reports approving budgets of the following committees:

Standing Senate Committee on Agriculture,

Standing Senate Committee on Banking, Trade and Commerce,

Standing Senate Committee on Foreign Affairs,

Standing Senate Committee on Health, Welfare and Science,

Standing Senate Committee on National Finance,

Standing Senate Committee on Transport and Communications, and

Standing Joint Committee of the Senate and House of Commons on Regulations and other Statutory Instruments.

(For texts of reports, see today's *Minutes of the Proceedings of the Senate.*)

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

STANDING JOINT COMMITTEE—CHANGE IN SENATE MEMBERSHIP

Senator Petten, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the name of the Honourable Senator Ewasew be substituted for that of the Honourable Senator McDonald on the list of senators serving on the Standing Joint Committee on Regulations and other Statutory Instruments; and

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

Motion agreed to.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, November 29, 1977, at 8 o'clock in the evening.

Honourable senators, before the question is put, I shall, as usual, try to tell you briefly what we will be doing in the Senate next week.

There appears to be very little prospect of any legislation reaching us next week, but the committee schedule will be heavy.

Bill C-3, an act respecting the reorganization of Air Canada, is before the Standing Senate Committee on Transport and Communications. That committee met this morning on this bill and will meet again on Thursday next in the morning at 9.30 to hear further witnesses.

The Standing Senate Committee on Banking, Trade and Commerce will meet on Wednesday morning at 9.30, and will hold extra meetings during next week. That committee is in the process of preparing a report on the subject matter of the current income tax bill. Also, Bill S-2, an act to amend the Canada Business Corporations Act, and Bill S-3, the Canada Non-Profit Corporations Act, are before that committee. In addition, it has undertaken a study of the subject matter of Bill C-13, an act to amend the Combines Investigation Act and to amend the Bank Act and other acts in relation thereto or in consequence thereof.

• (1410)

The Standing Joint Committee on Regulations and other Statutory Instruments will meet on Thursday afternoon at 3.30.

It is expected that there will be meetings of other committees next week, but they have not yet been set down.

In the Senate we shall endeavour to finish with the items now on the order paper, as I think we can expect a heavy workload in December before we adjourn for the Christmas holiday.

Motion agreed to.

THE SENATE

REGIONAL REPRESENTATION—QUESTION ANSWERED

Senator Perrault: Honourable senators, yesterday the Honourable Senator Austin made some observations with respect to the degree of regional representation to be found among the membership of the Senate. I have undertaken to obtain additional information with respect to the regional political and governmental background of honourable senators. I have a brief summary which may be of interest.

This background in public life is of course, in addition to the many other occupations, professions and disciplines represent-

ed among the Senate membership. All these skills and talents bring to this chamber a great knowledge of regional affairs and regional interests. I should now like to report as follows:

Former aldermen	7
Former mayors	8
Former federal cabinet ministers	14
Former provincial cabinet ministers	14
Former deputy leaders of the Senate	3
Former deputy premiers	2
Former deputy speakers—House of Commons	1
Former government leaders—Senate	1
Former house leaders—House of Commons	1
Former house leaders—provincial	1
Former leaders of the opposition—provincial	7
Former leaders of political parties—provincial	8
Former members of House of Commons	25
Former members of provincial legislatures	18
Former parliamentary secretaries—federal	6
Former premiers	5
Former speakers—Senate	2
Former speakers—House of Commons	1
Former speakers—provincial legislatures	1

THE CONSTITUTION

SUPREME COURT OF CANADA JUDGMENT RE SASKATCHEWAN LEGISLATION—QUESTIONS

Senator Olson: Honourable senators, I should like to ask the Leader of the Government whether the government is contemplating any action to clarify the constitutional uncertainty that has arisen as a result of a recent Supreme Court decision respecting provincial jurisdiction. I ask this question in view of the fact that the decision seems to imply, when it is reduced to its simplest terms, that any tax or royalty imposed by a province that has a bearing on setting the price of a product in another province is *ultra vires* of provincial jurisdiction.

Senator Perrault: The matter is under consideration at this very moment by the government, and it can be expected, in the course of the next few hours, that there could be communication initiated by certain provincial governments with the federal government in respect of the implications flowing from this Supreme Court decision.

Senator Steuart: Honourable senators, I have a supplementary question. In view of the mess that the Government of Saskatchewan has plunged the people of that province into whereby they are liable to a bill of some half a billion dollars, in spite of the fact that that government was warned when it passed this legislation that it was *ultra vires*—

Senator Flynn: Warned by whom?

Senator Steuart: By the Leader of the Opposition in Saskatchewan at that time, a very sterling character—

Hon. Senators: Hear, hear.

Senator Steuart: —among other leading citizens. In view of the fact that, despite the warning, the Government of Saskatchewan persisted in enacting legislation that was *ultra vires*, I wonder if the Leader of the Government in the Senate would recommend to the Government of Canada that competent legal advice be made available to that provincial government, especially to Mr. Blakeney, to help it find a way out of this mess. The people of Saskatchewan, who haven't a nickel between them, could be bankrupted if the provincial government is not extricated from the terrible mess resulting from its imprudent action.

Senator Perrault: Honourable senators, it is recognized that Senator Steuart possesses special knowledge concerning this particular matter. Obviously he has a good deal of background information in respect of the present situation in Saskatchewan and the implications flowing from the Supreme Court of Canada decision.

Let me say that at all times the Government of Canada is willing to engage in initiatives which may lead to a better understanding with the provinces. The legal officers of the federal Crown at this moment are considering what alternatives, if any, there appear to be. It can be expected that the legal officials of the Province of Saskatchewan will be in contact with their federal counterparts very shortly. The situation could be a most serious one for Saskatchewan, and at the moment there appear to be no easy answers.

Senator Buckwold: Honourable senators, I agree with my honourable friend from Saskatchewan that this is a serious mess, and one which the Government of Saskatchewan probably should not have been in. However, it is there, and I think it is very important that some way be found to alleviate what could be a bankruptcy burden on the people of Saskatchewan.

My supplementary question is: will the federal government explore a variety of means that could ease this situation?

One suggestion I have heard put forward is the enactment of legislation which would impose certain taxes on the companies that will be getting these substantial refunds, and give the revenue therefrom to Saskatchewan.

Politically, I have to say it would be rather nice to see the Government of Saskatchewan sweat it out. On the other hand, as a regional representative of that province, I certainly hope that the federal government will be able to work out a scheme whereby it will not necessarily get the Government of Saskatchewan off the hook but will relieve the people of that province from what could be an overwhelming burden.

Senator Perrault: Honourable senators, the abiding concern of the Government of Canada must be for the people of all provinces of this nation who are taxpayers, regardless of those individuals and parties who represent them at the provincial governmental level or any other level. The Government of Canada approaches the current situation and its responsibility in that light. Its efforts, if federal advice is sought, will be directed toward suggesting the best and fairest ways in which the taxpayers of this particular province may meet the present situation.

In view of the import of the matter, I suggest I bring to the chamber a complete statement on the subject as soon as the

facts of the situation become available from the legal officers of the Crown.

Senator Olson: Would the leader also ask the legal officers to make sure they consider implications in respect of the products of other natural resource industries such as forestry, mining, and so forth, if the principle in this decision is upheld as being valid?

Senator Perrault: Honourable senators, I give you the assurance that that matter is presently under discussion and, indeed, was a subject of ministerial discussion this morning. I shall endeavour to make a more complete statement to the Senate in a few days. I will be in contact with the Minister of Justice later today with respect to the observations made by honourable senators today.

Senator Flynn: I would hope the Leader of the Government would consult Senator Steuart at the same time.

Senator Perrault: We always consult our experts.

● (1420)

NORTHWEST TERRITORIES

INUIT REPRESENTATION IN GOVERNMENT—QUESTION

Senator Austin: Honourable senators, I wish to ask the Leader of the Government whether the Government of Canada has received submissions from any Inuit organization proposing that some form of regional, territorial or quasi-provincial government be set up in the Northwest Territories which would recognize the Inuit as a majority?

Senator Perrault: It is my understanding that such a proposal has, in fact, been received by the government. At this time the government is not favourably disposed towards the creation of any so-called entities based along ethnic or religious lines.

Senator Austin: Can the leader say whether Mr. Drury, who is the Prime Minister's special representative in an inquiry into political development of the Northwest Territories, will have some form of interim report in 1978 and prior to the Northwest Territorial elections which are scheduled for January 1979?

Senator Perrault: Honourable senators, that question must be taken as notice because of its detailed nature. I do not have the current information with respect to the Drury inquiry before me at this time.

RETIREMENT AGE POLICIES

MOTION TO APPOINT SPECIAL COMMITTEE—DEBATE CONTINUED

On the Order:

Resuming the debate on the motion of the Honourable Senator Croll, seconded by the Honourable Senator Bourget, P.C.:

That a special committee of the Senate be appointed to examine and report upon

(a) the existing retirement age policies affecting workers in both the public and private sectors;

(b) the social and economic implications of mandatory retirement based on age alone;

(c) the feasibility of enabling workers, especially elderly citizens, to continue to make a worthwhile contribution to our society through flexible voluntary retirement plans to the extent of their ability and motivation;

(d) the protection for those over sixty-five against age discrimination in all employment areas; and

(e) the need for the maximum co-operation of all levels of government, labour unions, business and the public in respect of existing and future retirement age policies and retirement plans;

That the committee have power to engage the services of such technical, clerical and other personnel as may be necessary for the purpose of the inquiry; and

That the committee have power to send for persons, papers and records, to examine witnesses, to report from time to time, to print such papers and evidence from day to day as may be ordered by the committee, to sit during sittings and adjournments of the Senate, and to adjourn from place to place.—(*Honourable Senator Macdonald*).

Senator Macdonald: Honourable senators, I yield to Senator Rowe.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

Hon. Frederick W. Rowe: Honourable senators, first I want to thank Senator Macdonald for being kind enough to yield to me, although I would have been quite happy to hear his contribution today. However, I understand he wishes to speak later in the debate. My comments will be briefer than usual.

Hon. Senators: Hear, hear.

Senator Rowe: I paused to permit applause.

Honourable senators, I congratulate Senator Croll—I do not see him in the chamber right now, but I congratulate him anyway, not only on the initiative he has taken in this matter but also on that excellent and indeed, to me, moving address he gave when he introduced this motion. I congratulate also the other members of the Senate who have spoken on this motion, which is one that I regard as extremely important and long overdue.

I want to say at the outset that I support the principle of this motion which, in brief, is that a special committee of the Senate be appointed to examine and report, in general, upon all matters pertaining to those whom we term the "aging people" of our nation. It seems to me that the Senate is uniquely qualified to make such a study because among its members there is, and always has been, a wide disparity not only in their professions but also in their ages.

The popular impression is—and certainly I had this impression before I came to the Senate—that most senators were long past the age of retirement. When I was appointed I was 59 years old, and I was chagrined to discover that just about half of the members of the Senate at that time were younger than I. I suspect, now that I have reached the age of 65, that more than half the members of the Senate are under that age. We all know, of course, that there are senators who are many years older than the normal retirement age of 65 and who continue to serve.

While I favour the principle of the motion, I do, however, have some questions in my mind. In particular—and this is a matter of detail—I am wondering whether we need to appoint a special committee to engage in this study. Cannot such a study as this be conducted by one of our standing committees? The one that comes to mind—and I can say this without any axe to grind because I am not a member of it—is the Standing Senate Committee on Health, Welfare and Science. This committee has done yeoman work in the past, and I think it could very well handle such a study as is envisaged here.

I am not sure whether Senator Croll is a member of that particular committee, but I did some research in the Rules of the Senate and found that rule 75(2) states the following:

> Subject to subsection (1), a senator on whose motion any bill, petition or other matter is referred to a special committee may, if he so desires, be a member of the committee.

Whether the study is conducted by a special committee—as was the case in respect of the study of poverty in Canada, for instance—or whether it is carried out under the aegis of the Standing Senate Committee on Health, Welfare and Science or, for that matter, any other standing committee, I certainly hope and expect that Senator Croll will be called upon to play a leading role in it. Such a study would benefit enormously merely from having his name associated with it. I think it is common knowledge that for the last 20 or 30 years there have been very few great social advances made in Canada that he has not supported. Indeed, I suggest that in some cases he has been instrumental in bringing them into being. The Senate and Canada should take advantage of his enormous experience in this field, and the ability which he still obviously possesses.

When I hear the terms "old age" and "aging people", I sometimes feel my hackles rising. I do not know what these expressions mean. When we look around we see people who are old at 65, and sometimes people who are old before they reach 65. On the other hand, we see others—and I am going to name our former colleague, the Honourable Chesley Carter, who retired this past summer at the age of 75—to whom this would certainly not apply. I happened to be lucky enough to run into Chesley Carter yesterday, and found him still a bundle of energy. Certainly no one would dispute his ability. He and I were colleagues in the civil service, in the field of education, a long time ago. Had he continued on as director of adult education—a post he held at the time he entered active political life—he would have had no choice but to get out when he became 65 years of age.

To me it is a criminal waste that a man like Ches Carter should be forced to get out at 65 years of age, as is happening in different fields to many Canadians, when he could continue to contribute to the welfare of our nation until he was 75. He could have been put out to pasture, as hundreds and thousands before him have been, at the age of 65, to the loss—and I would say it is impossible to compute the loss—of society.

Let me refer also to the supreme example of our colleague, Senator Grattan O'Leary, who died a couple of years ago. If he had been in a field where he was forced to retire at 65, it would have meant that for well over 20 years the nation would have been deprived of the contribution that he made. Fortunately, he was able to make that contribution right here in the Senate.

I stick on this business of definition, and cannot help thinking of the old Greek fable of the bed of Procrustes. We have made our own bed of Procrustes, and we are trying to fit everybody into it. We are not, however, all of the same age biologically as we might be chronologically, and the fact that I am 65 does not mean that somebody else at 65 may not have infinitely more energy and ability than I have. Yet we treat everyone alike and this, strangely enough, it seems to me, is discrimination in reverse. It is proper for a man who at 65 years of age has reached, perhaps, the limit of his tether and is not in a position to make a meaningful contribution, to retire, but surely the man next to him, whose faculties are as good as they were when he was 35 years old, should not be compelled to withdraw from society, to be segregated. Yet that is what we do. I do not believe that society can afford to lose the experience, ability and energy that it does lose by this artificial formula.

● (1430)

If we were to abolish today's normal retirement age of 65 years, I realize severe problems would be created. We do have unemployment and the spectre of increasing unemployment, and we have young people waiting impatiently to step into the shoes of those who retire. That is a problem, but I do not consider it to be an insoluble one. I do not believe it is beyond our wit and ingenuity to devise some formula which will be more flexible than the present artificial formula. We have solved other problems, and I have to remind myself that, in spite of the disadvantages it has suffered, this nation of ours has repeatedly been in the forefront of social welfare progress in the wide sense of that term. Indeed, I suppose there are only three or four nations on the face of the earth—New Zealand and the Scandinavian countries come to mind—whose record can compare with that of Canada in the whole field of social progress, and here is another opportunity for Canada to take the initiative.

There is one other point I wish to make, and then I will be finished. I was looking over the terms of reference again a little earlier and I have a feeling, although I realize they are only very general guidelines, that they do lack something. It is a little difficult for me to say what I mean. I can illustrate it, perhaps, by concrete examples. Over and over we see our friends and relatives retired, forcibly in some cases, and

becoming like fish out of water. They have made no provision for retirement—and I am not thinking of financial provision. If I may make a personal reference, there are two cases in my own family, one very close to me. In one case, the person retired at the age of 65. He had no choice as he was working for a company. Six months later, having been in perfect health all his life, he dropped dead. During those six months after his retirement he had done virtually nothing but sit around. I cannot say this for sure since I am not a medical doctor—and I doubt that any medical doctor could say yes or no in this case—but I have a deep conviction that if he had not retired he would not have dropped dead six months later. Too often it is more than a coincidence that people retire in good health and within a year or two in some form or another their health deteriorates, and in many cases they meet with an early death.

The other case to which I make reference is that of a former civil servant who is very close to me. At 65 years of age he retired. For 25 years he had held a very difficult post, and worked night and day without a holiday. When he retired, he was like a fish out of water. He could do nothing but sit around all day and read. That is all. He had no interests, no desire to do anything but that, and within one year he suffered some very serious health setbacks. I am thoroughly convinced that had he not retired when he did his health would not have suffered.

Far too many of our people go through life without making provision for their retirement years, and this largely, it seems to me, is a matter of education. Somewhere—perhaps in the terms of reference of this committee—there ought to be mention of the need to educate people in respect of old age.

A person retiring at the age of 60 or 65 years should be motivated to engage in other activities. Such motivation might require years of education and indoctrination, but certainly retired persons should be able to make a meaningful contribution to our society. I feel certain that by doing so they will prolong their lives.

The time for a study such as that proposed in this motion has come. I support the motion, and urge my colleagues in the Senate to do the same.

Hon. W. M. Benidickson: Honourable senators, I wonder if I might, with Senator Macdonald's permission, say a few words on this motion. If I am not mistaken, I was the first member of the Senate appointed with an arbitrary retirement age of 75. Frankly, while I shall no doubt deplore the loss of the friendships I have made in the Senate, I hope to retire voluntarily before then. However, along with other honourable senators, I deplore the loss, through the mandatory retirement age of 75, of many able members of this house whose appointments were subsequent to my own.

While it is generally true that we deteriorate in effectiveness with age, the process is different with each individual. I need only call to mind such of our former colleagues as Senators Roebuck, Crerar, Farris, Leonard, Casgrain, Phillips (Rigaud), MacKenzie and others, all over 75, whose retirement resulted in a great loss to the Senate.

An Hon. Senator: And Senator Hugessen.

Senator Benidickson: I believe Senator Hugessen was a life appointee, and he retired prematurely and voluntarily. I am thinking of those who must now retire at age 75. I am thinking of some lady senators.

• (1440)

Senator Connolly (Ottawa West): I believe Senator Leonard had a life appointment.

Senator Benidickson: He retired voluntarily. I am thinking of Madame Casgrain, who was appointed in her early seventies and who had to retire. Goodness, she is doing work around the country today that a younger woman couldn't do.

I am simply saying that in my opinion it is appropriate that my colleague, Senator Croll, should have raised this subject. Senator Croll might be termed a "lifer." I hope he will be able to contribute to our debates for a long time to come. He is in his seventies, and does a job superior to that of many younger men. There is merit in his proposal that a special committee of the Senate be appointed to make this study.

Speaking personally, while I would deplore the loss of association and friendships on both sides of this house, I may retire before the end of my term, my reason being that I would like to enjoy a little more time with my wife than has been possible.

I repeat, there is merit in this motion. There have been members of the Senate who were in their nineties, which prompts me to say that my close northern Ontario Senate colleague, Senator Paterson, is 93 years of age. He is here practically every day, and I have the feeling that if he did not have his Senate obligations he would be feeling somewhat forlorn. So far as his indemnity is concerned, each year he gives many times that amount to good causes. Although his eyesight may be poor, I can tell honourable senators that he recognizes their voices. His heart is here, and he is one of our best citizens. His benefactions are manifest. He is greatly interested in the Senate. Senator Paterson is over 90, and knows exactly what is going on in this house every day.

I support what Senator Rowe has said, that we should look at this timetable, which does not appear to have much relationship to biology. Senator Croll, who has throughout his career supported the cause of advanced social planning, has again given us something that is worthy of our consideration.

On motion of Senator Macdonald, debate adjourned.

The Senate adjourned until Tuesday, November 29, at 8 p.m.

THE SENATE

Tuesday, November 29, 1977

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

Prayers.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Baldwin had been substituted for that of Mr. Murta on the list of members appointed to serve on the Standing Joint Committee on Regulations and other Statutory Instruments.

THE HONOURABLE EUGENE A. FORSEY THE HONOURABLE JEAN MARCHAND, P.C.

FELICITATIONS ON RETURN TO CHAMBER

Senator Perrault: Honourable senators, I know that all honourable senators would wish me to acknowledge the presence this evening of two of our distinguished colleagues, the Honourable Senator Forsey and the Honourable Senator Marchand, both of whom have spent time in hospital during recent days. We are delighted to have them back.

THE GREY CUP

CONGRATULATIONS TO MONTREAL ALOUETTES ON WINNING CANADIAN PROFESSIONAL FOOTBALL CHAMPIONSHIP

Senator Perrault: Honourable senators, I know that I speak on behalf of all members of this chamber when I extend my warmest congratulations to the Montreal Alouettes on their great victory in the Grey Cup game last weekend. I have been authorized to state on behalf of the Edmonton Eskimos, the distinguished western representatives, whose most fundamental tactical mistake, perhaps, was getting out of bed on Sunday morning, that there will be no demand for a judicial recount of the score.

Senator Flynn: Sweet revenge for the British Columbia Lions.

Senator Perrault: There is never a spirit of revenge on the west coast.

DOCUMENTS TABLED

Senator Perrault tabled:

Documents issued by the Department of External Affairs, as follows:

1. Release entitled "International Relations: Lalonde states that the Quebec authorities refused to negotiate";

2. Document entitled "Negotiations in which the Government of Quebec refused to participate";

3. Release entitled "Chronology of communications between the Federal Government and the Government of Quebec concerning the Social Security Agreement between Canada and Italy from January 4 to November 7, 1977";

4. Document entitled "Federalism and International Relations";

5. Social Security Agreement between Canada and Italy;

6. Release entitled "Marc Lalonde launches Operation Deblocage"; and

7. Correspondence between the Government of Canada and the Government of Quebec (*French Text*).

Report of the Minister of Finance respecting Olympic coins for the period ending September 30, 1977, pursuant to sections 13(1) and 13(3) of the Olympic (1976) Act, Chapter 31, Statutes of Canada, 1973-74.

Capital Budgets of the Cape Breton Development Corporation for the fiscal year ending March 31, 1978, pursuant to sections 21 and 26 of the Cape Breton Development Corporation Act, Chapter C-13, R.S.C., 1970, together with copy of Order in Council P.C. 1977-2771, dated September 29, 1977, approving same.

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans, as follows:

1. Corporation of the City of Nelson, British Columbia and the group of its office and outside employees, represented by the Canadian Union of Public Employees, local 339. Order dated November 23, 1977.

2. Corporation of the City of Rossland, British Columbia and the group of its office and outside employees, represented by the Canadian Union of Public Employees, local 1276. Order dated November 23, 1977.

3. City of Trail, British Columbia and the group of its inside and outside employees, represented by the Canadian Union of Public Employees, local 2087, formerly local 343. Order dated November 23, 1977.

4. School District No. 13 (Kettle Valley), Midway, British Columbia, represented by the British Columbia School Trustees Association, and the group of its permanent employees, represented by the Canadian Union of Public Employees, local 2089, formerly local 343. Order dated November 23, 1977.

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. Treasury Board of Canada and its hospital services group, dated November 18, 1977.

2. McAllister Towing and Salvage Limited and the captains group, represented by the Canadian Marine Officers Union, dated November 18, 1977.

3. McAllister Towing and Salvage Limited and the engineers group, represented by the Canadian Marine Officers Union, dated November 18, 1977.

THE ESTIMATES

REPORT OF NATIONAL FINANCE COMMITTEE ON SUPPLEMENTARY ESTIMATES (A) PRESENTED AND PRINTED AS APPENDIX

Senator Everett: Honourable senators, I have the honour to present the report of the Standing Senate Committee on National Finance on supplementary estimates (A) laid before Parliament for the fiscal year ending March 31, 1978, and I ask that it be printed as an appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of today and form part of the permanent records of this house.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

The Clerk Assistant (*Reading*):

The Standing Senate Committee on National Finance to which the supplementary estimates (A) laid before Parliament for the fiscal year ending March 31, 1978, were referred, has in obedience to the order of reference of Thursday, November 10, 1977, examined the said supplementary estimates (A) and reports as follows—

Some Hon. Senators: Dispense.

(*For text of report see appendix p. 185.*)

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Everett: Honourable senators, I move that this report be taken into consideration at the next sitting of the Senate.

Motion agreed to.

BANKING, TRADE AND COMMERCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(*a*), moved:

That the Standing Senate Committee on Banking, Trade and Commerce have power to sit while the Senate is sitting tomorrow, Wednesday, November 30, 1977, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

● (2010)

CANADIAN BROADCASTING CORPORATION

DOCUMENTARY PROGRAM *THE FIFTH ESTATE*

Senator Smith (Colchester): Honourable senators, I wonder if I might ask the Leader of the Government when he expects to be able to answer written question No. 1 by the Honourable Senator Bosa. It is a question of considerable interest to many of us in this chamber.

Senator Perrault: Honourable senators, the information necessary to reply to the question has not as yet been received. I hope it will be a matter of only a few days before that reply can be provided.

Senator Smith (Colchester): A supplementary question, if I may. In view of the difficulties in obtaining such information from the CBC in the past, does the Leader of the Government really expect that he will be able to obtain the information necessary to answer this question completely?

Senator Perrault: As honourable senators are aware, we have had some difficulty in the past in obtaining this type of information. While I am not hopeful that the reply will be more complete than those received in the past, certainly an effort will be made to obtain the information requested.

THE CONSTITUTION

SUPREME COURT OF CANADA JUDGMENT RE SASKATCHEWAN LEGISLATION

Senator Perrault: Honourable senators, a good deal of interest has been indicated in the chamber with respect to the Supreme Court of Canada decision regarding the taxation of certain mineral resources in the provinces. I have further information to give honourable senators this evening in that regard, and as events progress I shall endeavour to keep the house fully informed as to the situation.

On November 23, the Supreme Court of Canada, in a seven to two split decision, ruled that Saskatchewan legislation, regulations and orders relating to the imposition of the mineral income tax and royalty surcharge on most of the province's oil production are unconstitutional. The decision overturns rulings by lower courts upholding the constitutionality of the 1974 Saskatchewan legislation. The affected oil companies may demand refunds of as much as $600 million, plus interest.

This relates, I should add, only to oil companies. There are other resource companies which may have claims in other directions.

I can inform honourable senators that it is unlikely that the federal government will have a position on this decision before the end of this week at the earliest. The position will be developed in consultation with the ministries of Finance and Justice.

The decision and its implications—and they could be profound—are being reviewed by the government at this moment. The matter will undoubtedly be raised when the Prime Minister meets Premier Blakeney of Saskatchewan in Regina in early December.

As soon as additional information is received, I shall communicate it directly to the chamber.

Senator Smith (Colchester): Honourable senators, might I be permitted to ask the Leader of the Government if by his reference to a split decision of seven to two he seeks to indicate that it is any less a firm decision of the Supreme Court than if it had been a decision based on any other numerical ratio?

Senator Perrault: Honourable senators, I do not believe it would be appropriate for me to comment on the relative impact of a unanimous decision as opposed to a decision of seven to two or five to four.

Senator Smith (Colchester): If I may be permitted a supplementary question, why then did the Leader of the Government in giving his reply consider it appropriate to say that the decision was a split decision of seven to two?

Senator Perrault: Honourable senators, it was an honest and earnest endeavour to set forth the facts without any attempt at editorial comment.

Senator Smith (Colchester): Is it not a fact that the decision of the Supreme Court in making their finding is just as binding at seven to two as it would be at nine to zero?

Senator Perrault: Honourable senators, replying as I did, I was not implying that the decision, although it was a split decision, was in any way different from a unanimous decision and should equally be upheld. The honourable senator, however, is entitled to his own views regarding the force of the decision.

THE SENATE

PRIVILEGES AND IMMUNITIES OF SENATORS

Senator Forsey: Honourable senators, since a question relating to the Supreme Court has come up, I wonder if I might ask the Leader of the Government whether the appropriate authorities in this house have taken into consideration the decision of Chief Justice Evans in the uranium case in so far as it affects this house. I understand the matter is under advisement in the other house and I take no issue with that, but I wonder whether since this matter affects equally the members of Parliament who sit in this house the implications had been considered by any of the appropriate authorities here.

[Senator Perrault.]

Senator Perrault: Honourable senators, the issue is obviously one of immediate concern in the other place. It may well be that at some time in the future it would be appropriate to debate the matter in this chamber. However, I suggest that we await developments in the other place.

Senator Smith (Colchester): Honourable senators, the answer given by the Leader of the Opposition—I am sorry, I am being premature; I am rather looking forward to coming events—the answer given by the Leader of the Government leads me to inquire at once what is there about the privileges of Parliament that is peculiar to the other place and which is not equally applicable to the members of this house? And why, if it is not proper for the press to publish things being said in the other place, should it not be of equal concern to this house as to whether the press is privileged to report what is said here?

Senator Perrault: Honourable senators, there is no suggestion on the part of the government supporters, or indeed any other senator—

Senator Flynn: How do you know?

Senator Perrault: —that debate be precluded here because the matter is under discussion in the other place. If the honourable senator wishes to initiate a motion which would bring about a debate on this subject, indisputably that is his right and privilege. There is no suggestion of an attempt to frustrate the desire of any honourable senator to debate the issue. The fact remains that this matter is currently before the other place and as yet has not been brought to the attention of this chamber. But any honourable senator who wishes to do so may raise the issue. Should he or she do so, it will be dealt with in our usual expeditious manner.

Senator Forsey: Honourable senators, I fear that the Leader of the Government has missed the purport of my question. I was not suggesting a debate here. I was just wondering whether the legal counsel to the Senate, the Law Clerk, or the rules committee, or both of them were making any kind of study of this, because it is possible that there might be some contribution to the subject from the experts in this house which might have escaped the notice of their counterparts in the other house, so that we would have something authoritative before us if the question did come up here in debate.

Senator Perrault: The honourable senator advances a very useful proposal, and it would be my intention to confer tomorrow with our Law Clerk and discuss the matter with him. It may be that this house can contribute to what is a very important discussion at the present time with respect to a matter relating to the privileges of Parliament. And there are a number of senators with expertise in the area who should feel not at all constrained to send along their views on this subject.

● (2020)

HUMAN RIGHTS

REPORT OF TASK FORCE ON RACIAL DISCRIMINATION—QUESTION

Senator Bosa: Honourable senators, I should like to direct a question to the Leader of the Government in the Senate with respect to the extensive coverage given in the press of a report on racial discrimination by Professor Walter Pitman of Toronto. In that report he has made a number of suggestions, one of which is that the federal government should take the initiative in studying this subject.

Can the Leader of the Government tell us whether such a study could be initiated in the Senate by one of our standing committees?

Senator Perrault: Honourable senators, that interesting proposal should certainly be given serious consideration. I have not as yet had an opportunity to examine the report. I know that a number of senators have a deep and abiding concern with the preservation and protection of human rights and they will no doubt want to read that report. After reading the report and studying its recommendations, perhaps a number of senators will wish to proceed then to some kind of formal study. I have not had the opportunity to study the document. In fact, I do not believe it is yet in the hands of the Chairman of the Standing Senate Committee on Legal and Constitutional Affairs.

Senator Goldenberg: May I point out to honourable senators that this report was not made to the Government of Canada but was made to the Metropolitan Toronto Council in Toronto.

Senator Flynn: I suggest that it is important all the same.

Senator Goldenberg: I was just explaining why it would not reach us here—at least not directly.

Senator Perrault: Honourable senators, when I replied to Senator Bosa a moment ago I was aware that the report was to the metropolitan government of greater Toronto; but the protection of human rights has always been a concern of the Senate of Canada, as part of its role as a protector of minority rights in this country and of regional interests. It may well be, therefore, that certain aspects of the report would be an appropriate study for some Senate committee at a future time.

RETIREMENT AGE POLICIES

MOTION TO APPOINT SPECIAL COMMITTEE—DEBATE CONTINUED

The Senate resumed from Thursday, November 24, the debate on the motion of Senator Croll:

That a special committee of the Senate be appointed to examine and report upon

(a) the existing retirement age policies affecting workers in both the public and private sectors;

(b) the social and economic implications of mandatory retirement based on age alone;

(c) the feasibility of enabling workers, especially elderly citizens, to continue to make a worthwhile contribution to our society through flexible voluntary retirement plans to the extent of their ability and motivation;

(d) the protection for those over 65 against age discrimination in all employment areas; and

(e) the need for the maximum co-operation of all levels of government, labour unions, business and the public in respect of existing and future retirement age policies and retirement plans;

That the committee have power to engage the services of such technical, clerical and other personnel as may be necessary for the purpose of the inquiry; and

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

Hon. John M. Macdonald: Honourable senators, I rise just to indicate my support of the motion. You will notice that it is for a special committee of the Senate to be appointed to examine and report upon "(a) the existing retirement age policies affecting workers in both the public and private sectors." I think this is most important.

First of all, I should say that I join with the previous speakers in deploring the fact that workers at the age of 65 must retire. In a great many cases such compulsory retirement has a deplorable effect, not only upon the individual but also upon the community in which he lives. I think it is important that the existing retirement age policy be examined, because by examining it we will then get to the facts. As it is, we all know certain things about the situation but if, as I suspect, this is to be a study in depth, it will give us facts upon which we can rely and upon which recommendations can be made for future action.

Certainly one thing the committee could find out is why the age of 65 was chosen as the special age at which people should retire. Everything seems to be related to that age, and even pension schemes are payable at the age of 65. What is so magical about the age of 65? There it is. Before the age of 65 a person is an active, willing worker; suddenly, after the age of 65, he is no longer presumed to be able to carry out the work that he was doing before.

The second part of the motion is that the special committee should examine and report upon:

(b) the social and economic implications of mandatory retirement based on age alone;

It is possible that those of us who come from small communities have a better knowledge of the effects of retirement on workers aged 65, because in smaller communities we have

more opportunity to know people and we see what happens to them.

Like most honourable senators, I have observed what happens to a great many people who are forced to retire at the age of 65. It is all very well to say that over the years we should make provision for our retirement, but the fact remains that many people do not.

Stevedores, for instance, are well able to work after the age of 65, but under the present system they must retire when they reach that age. A person cannot change overnight a routine he has followed for 40 years or more. It is difficult to break a set routine, and after retirement a person often finds the need to account in some way for eight hours of the day. This situation applies to coal miners as well as to stevedores and others. Following pre-retirement leave and retirement they find it almost impossible to change to a new lifestyle.

It must be remembered that in most instances the income of a retired person is severely reduced, which often means a lower standard of living. Some people will have prepared for their retirement and can manage quite well. We all know of those who undertake voluntary work for various organizations and who lead satisfying and happy lives during their retirement. However, it cannot be denied that the present mandatory retirement age of 65 presents a grave hardship for many people. I do not know what might be the general effect of this hardship on the social life of the community as a whole, but I do know the effect of it on individual lives, and that effect is bad.

It is proposed that the special committee should examine and report upon:

> (c) the feasibility of enabling workers, especially elderly citizens, to continue to make a worthwhile contribution to our society through flexible voluntary retirement plans to the extent of their ability and motivation;

That is a very wide term of reference. I hope the committee will follow a broad interpretation of it because, after all, why is it necessary for people to retire at the age of 65? Many will say that they must do so because there are insufficient jobs available for younger people. Apparently the view is widely held that it is better for older people to leave the work force with a pension than for young people to be without work. Therefore, I repeat that I hope the committee will follow a broad interpretation of its authority under that particular term of reference, and will go further and examine why, under our economic system, there are not enough jobs for those who seek employment—for those under the age of 65, and for those over the age of 65 who are willing to work. In my view, it is only by having an effective, economic system that we can provide economic security for those over the age of 65, to enable them to lead happy and useful lives.

Perhaps one aspect to be examined is the possibility of a shorter work week. It might well be that it is no longer necessary for people to work a five-day or 40-hour week. I expect there are those who might say that that is too short a work week, but I suppose they would have said the same thing when the work day was reduced from twelve to ten hours, and again when it was reduced from ten to eight hours. I do think, however, that the time has come when we should seriously examine the possibility of shortening the work day and the work week.

● (2030)

If the members of the committee are able to come up with some answers to all these problems they will be making a very useful contribution to our way of living.

Those of us here who are over 65 years of age naturally feel great sympathy for those who must retire when they reach that age, but it must also be remembered that there are many young people coming into the work force whom we must try to place, and whom we must place even if it means that those who are 65 must retire at that age, or even sooner.

Honourable senators, I wish the committee well. I know they will work hard, and I know they will present a report that will command attention.

On motion of Senator Petten, debate adjourned.

NORTH ATLANTIC ASSEMBLY

TWENTY-THIRD ANNUAL SESSION, PARIS, FRANCE—DEBATE CONTINUED

The Senate resumed from Wednesday, November 16, the debate on the inquiry of Senator McDonald calling the attention of the Senate to the Twenty-third Annual Session of the North Atlantic Assembly, held in Paris, France, from 18th to 24th September, 1977, and in particular to the discussions and proceedings of the Session and the participation therein of the delegation from Canada.

Hon. John Morrow Godfrey: Honourable senators, I must confess that when I was appointed a member of the North Atlantic Assembly delegation this year I had only a vague idea of how the Assembly itself operated, and I certainly was under the impression that it was an official branch of NATO. Furthermore, I did not have a very clear idea of what France's position was in NATO. I would be less than honest if I did not confess that the fact that the North Atlantic Assembly was meeting in Paris this year, for the first time for about 10 years, I believe, helped to act as a catalyst to kindle my curiosity to find out what the Assembly was all about.

When I was appointed to the delegation, I happened to mention the fact to some of my friends. This quickly turned out to be a serious error in judgment on my part, because I was immediately asked by them why the Assembly was meeting in Paris when France, as they thought, was no longer a member of NATO. They also wanted to know what the Assembly did, and I am afraid that I could not give adequate answers to either of these questions, although I did say that my impression was that France was still a member of NATO even though the NATO headquarters was kicked out of France about 10 years ago.

Like most honourable senators, I thought I had a pretty good idea of what NATO was all about, and my knowledge

had been considerably improved since I was a senator as a result of listening to the very instructive speeches of Senator Hamilton McDonald and others when they reported on the annual sessions of the North Atlantic Assembly. My ignorance of what the North Atlantic Assembly was all about was partly rectified when I got around to re-reading the excellent speech on the subject delivered by Senator McElman to this chamber on December 14, 1976. I will not repeat what he said at that time, but it would have been helpful, and would have saved me some embarrassment, if a copy of Senator McElman's speech had accompanied the notice of my appointment to the delegation, since we did not receive our briefing until two days before we left.

Possibly I should amplify a little on what Senator McElman said about France's position with respect to NATO. He said:

> Some 10 years ago France withdrew her military forces from the day-to-day commitment to the alliance, but remains involved in most other activities of the organization.

That is correct. I might add that it is my understanding that the original alliance did not provide for the deployment of the members' armed forces under a unified command in peacetime. What it did provide was a commitment to come to each other's military aid in the event that any of its members was attacked. France did not, therefore, breach the terms of the alliance when ten years ago she refused to allow her troops to be under a unified command in peacetime. From a practical point of view, it is generally felt that if an attack did come, France would probably co-operate in every way. It is my understanding that regular meetings take place to ensure that this co-operation will be integrated and effective. However, France being France, one cannot be absolutely sure that France would co-operate in the event of an attack.

There is one other point that I find very interesting—I do not believe it was specifically mentioned in Senator McElman's speech—and that is that the North Atlantic Assembly has no official connection with NATO. It is merely a forum through which NATO policies and activities can be discussed in detail by parliamentarians from NATO countries. While it is not an official part of NATO itself, one is certainly not conscious of that fact when one attends an Assembly meeting and, in my opinion, from the practical point of view, it does not make the slightest difference whether it is technically an official part of NATO or not.

I must say that I became very enthusiastic about the importance of the work of the five committees of the North Atlantic Assembly which meet for three days before the Assembly starts its plenary sessions and which, in my opinion, play the same role vis-à-vis the Assembly as Senate committees play vis-à-vis the Senate. I would also say that the plenary sessions are very comparable in importance to sittings of this house. I do not think I need amplify that remark in order for its implication to be understood by honourable senators.

I was the Senate representative from the Canadian delegation on the Scientific and Technical Committee. There were three representatives from the House of Commons on that committee. We considered an excellent draft report prepared by Mr. Ian Watson, M.P., of the Canadian delegation, on *Marine Resources Management and the Ocean Information Explosion.* The point he made is that all the information and control systems are organized independently, and no country is planning to equip itself to handle and profitably use the vast quantity of data that is about to be rained down upon it from satellites, data buoys, ships and reconnaisance aircraft. This is data than can be very useful for vessel traffic management, offshore resources management, fisheries control, search and rescue, vessel source pollution policing, environmental oceanography, sea ice reconnaissance, marine weather and sea-state forecasting, and ocean routing.

As a result of Mr. Watson's report, and on his initiative and recommendation, a resolution was recommended by the committee which was unanimously adopted by the Assembly, and which reads as follows:

> The Assembly urges the NATO Council—
>
> 1. to establish a technical committee whose role would be to determine what initiatives and action should be taken to achieve collaboration between the member countries of the North Atlantic Alliance
>
> (a) in the setting up of mutually beneficial ocean information retrieval systems
>
> (b) in advancing toward the ultimate goal of a global ocean management infrastructure.
>
> 2. to organize a 2-3 day technical conference on the the subject of Ocean Information Management.

The main subject which occupied the attention of the Scientific and Technical Committee was nuclear energy. We considered two draft reports, one by the general rapporteur, Mr. Georges Mundeleer of Belgium, and one by a special rapporteur, Mr. Gerhard Flamig of the Federal Republic of Germany. Both these gentlemen had given a great deal of time and thought to this most important and complex problem and appeared to have considerable expertise. To do this matter justice, I would have to speak at great length. I will not, however, attempt to cover this matter today and will touch on it only briefly.

The three most important, as well as the most controversial and emotional problems, of course, are, first, safety; secondly, reprocessing and recycling the waste fuel; and thirdly, waste disposal.

There is considerable disagreement among scientists and engineers, not only about the probabilities and potential effects of a nuclear accident, but also concerning the wisdom of developing nuclear power in general. Professor Rasmussen, of the Massachusetts Institute of Technology, in a widely quoted report sponsored by the U.S. Atomic Energy Commission, which was published in its final version in October 1975, concluded that if 100 nuclear plants are in operation, the probability of an accident resulting in 1,000 or more deaths was one in every million years. His conclusions, as one would expect, have been disputed by others.

The problem of the storage and disposal of radioactive waste materials is probably the most critical in the nuclear debate. It is certainly the subject which has aroused the most widespread public concern. The problem is at the forefront of the campaigns of anti-nuclear groups throughout virtually all the western countries with nuclear power growth plans. It is also tied in with the question of reprocessing and recycling the waste fuel, because reprocessing and recycling reduces the plutonium in radioactive waste to about 1 per cent of what it was before. Mr. Flamig, in his report, states:

> The use of reprocessed uranium and plutonium 239 as reactor fuel will also make waste management easier by drastically reducing the time scale involved, as well as cutting the volume of waste and allowing for more convenient storage.

To use the lingo used in Paris: Do you burn or bury?

I was prepared to give this speech last week. However, when I heard that the report of the committee, commissioned by the Department of Energy, Mines and Resources and chaired by Dr. F. K. Hare, on the Management of Canada's Nuclear Wastes was to be tabled, I thought it more prudent to study that report before I spoke, and it was well that I did. This report, and a subsequent conversation I had with Dr. Hare, puts rather a different light on the problem of storage of waste after reprocessing.

Evidently, the 1 per cent of the plutonium that is left, and the other radioactive material in the waste, still present much the same problem. Furthermore, the extraction of the plutonium leaves the waste in a liquid form that is difficult to store on a long-term basis. The liquid waste is still very hot and highly radioactive and, for long-term storage, it must be turned back into an insoluble solid such as ceramics or glass. This is a very expensive process which, while it has been perfected by the British, still has not been used by them with respect to their waste.

The extracting of 99 per cent of the plutonium by reprocessing does reduce the radioactive life of the remaining plutonium from hundreds of thousands of years to 1,000 years or less, thus easing the long-term storage problem, but not eliminating it.

Moreover, according to the conversation I had with Dr. Hare, it does not significantly reduce the volume of waste, thus he disagrees with Mr. Flamig. The Hare report states:

> We do not believe the benefits to waste management justify, on their own, the recovery of plutonium.

The group which prepared the Hare report obviously do not think that the problem could properly be described as one of burning or burying.

In any evaluation of nuclear power, the sheer complexity of the subject makes it difficult for the man in the street—in fact, any layman—to judge for himself, and he may well allow emotional criteria to decide for him. I would like to quote again from Mr. Flamig's report:

• (2040)

> The parliamentarians' dilemma remains as acute as ever with citizens' action groups making all the running in the nuclear debate. We should make every effort to redirect the nuclear energy debate back into the legislatures and as parliamentarians we should welcome all points of view and information on this complex but highly important subject, as eventually decisions on whether to proceed with nuclear development and in what scale, and direction, will have to be made by governments and politicians.

I agree with Mr. Flamig, and obviously the Canadian government does too, because the Hare report will form the basis of a subsequent green paper which will invite everyone to express their views to the government and Parliament, which will eventually have to make the decision.

The Canadian delegation took its duties seriously. We were well briefed before we left, and we met at breakfast each morning in Paris so that we could be briefed on what went on in the other committees, and thus be in a position to vote intelligently at the plenary session on their reports.

I should like to conclude my remarks by commenting on one subject which was discussed by the Policital Committee. When we were being briefed in Ottawa prior to our departure I heard some very unfavourable comments from the veteran members of the delegation about a draft report prepared by the General rapporteur of the Political Committee, Mr. Pieter Dankert of the Netherlands. These members of the committee were particularly concerned about his approach to the problems created by the growth, particularly in France and Italy, of what has become known as Eurocommunism. The Communist Parties in these countries and in Spain have been declaring recently that they believe in the democratic process and are independent of the Russian Communist Party.

I took the trouble to read Mr. Dankert's draft report and thought it an able and well-reasoned document, although I did not agree with absolutely everything he said. I was frankly surprised at the antagonism shown to it by those members of our delegation who were familiar with Mr. Dankert's views from previous North Atlantic Assembly meetings.

What did Mr. Dankert say that caused so much concern? He started off by saying that the rise of Eurocommunism "creates difficulties for the alliance but that these are by no means insurmountable." He further said that in his opinion "the alliance should be able to cope with the problem of Eurocommunism." I might not be quite as optimistic, but at least I would say there is a reasonable possibility that it can cope, and that we should not exclude this possibility in our planning.

The contrary view is that the Eurocommunists' loyalties would, in the event of a showdown, be with Russia so that they cannot be trusted in any way; thus, if they shared power in any member of NATO that country would have to be excluded from at least the councils of NATO, if not NATO itself. This attitude was very well illustrated in Senator McElman's speech

last year, in which he said that a communist is a communist is a communist, meaning that they are all the same and, presumably, that their primary loyalty is still to the Russian Communist Party, as it certainly was in the not too distant past.

I remember that kind of talk when the Chinese communists took over, and nearly everyone was worried that China and Russia would form an alliance that would attempt to dominate the world. Even then there were a few perceptive experts who predicted that nationalism would prove stronger than communism and that there would be an eventual falling out between them, and, of course, those people have been proven right. Those who say all communists are the same seem to have also overlooked Tito and Yugoslavia, and what happened in Czechoslovakia and Hungary. Does anyone really seriously think that the North Vietnamese would not oppose the Chinese if the Chinese tried to take over their country?

What else did Mr. Dankert say? He said:

> Clearly, Americans have a right to assert their preferences in political philosophy and to voice doubts where they have some evidence about the sincerity of the Eurocommunists' recent infatuation with the rhetoric of democracy.
>
> But the Carter administration has understood that too harsh warnings could be counter-productive and make anti-Communist political leaders appear to be the tools of the Americans, thus receiving a backlash from their voters who have nationalistic pride. The counter-argument that a softer attitude would make the Communists look more acceptable or respectable has virtually become irrelevant with the progress these parties have made in the last year. Clearly, the new policy, though with a different strategy, aims at preventing the communists from sharing power in any European country. But, should this happen, the United States will no doubt find it easier to talk with them. Washington should not force the Eurocommunists to become more extreme, and more pro-Soviet, a position they themselves do not want to be in.

• (2050)

What I have just quoted makes a lot of sense to me.

When the political committee met they decided to shelve the Dankert Report, thus the North Atlantic Assembly in plenary session did not have an opportunity to discuss it or vote on it. This resulted in some criticism from Lord Wynne-Jones of the British delegation. In a speech to the plenary session he said that he was concerned that the majority of the delegates were too conservative in their attitudes and that this was exemplified by the fact that the political committee took steps to prevent the Dankert Report being debated in the plenary session of the Assembly itself.

He specifically mentioned the Canadian delegation as being dominated by small "c" conservative thinking. I could not help being rather amused when I heard him say this, because I was under somewhat the same impression. Some of the French and American delegates were not amused at all. One of the American delegates made his objections known by a very blunt speech which echoed Senator McElman's beliefs that a communist is a communist is a communist. From this I gather that he was disavowing President Carter's somewhat softer approach to Eurocommunism and Pieter Dankert's approval of this policy.

Only time will tell, of course, as to who is right. While I am personally inclined to favour Mr. Dankert's views at this time, I do not feel at all dogmatic on the subject and may very well have to change my opinion as to the best strategy to follow in the light of developments in the future.

May I say in conclusion that I am inclined to approach meetings of this kind with a certain amount of scepticism. I must say, however, that after attending these meetings of the Assembly, and particularly the committee meetings, I am convinced that they serve a useful purpose and that the input that the NATO council gets from these meetings must on the whole be useful.

I also found that as a result of the briefings I had before we left, and my experience at the meetings, I now understand the importance of NATO to a much greater extent than I did before and that when anyone asks me questions about the North Atlantic Assembly, NATO and the problems of the alliance, I am considerably better equipped to answer them.

Hon. Senators: Hear, hear.

Senator Thompson: I wonder if I could ask the honourable senator a question. He quoted a report which states that if 100 nuclear plants were in operation, the probability of an accident resulting in 1,000 or more deaths was one in every million years. Is he aware of the growing suspicion that there has already been an accident in a nuclear plant in the Soviet Union?

Senator Godfrey: No. Frankly, this is the first time I have heard about that. I have heard of other accidents—a minor one at Chalk River, for example—but I have not heard of one in the Soviet Union.

Senator Flynn: That should be reassuring over one million years.

Senator Bosa: Would the honourable senator permit a question before the debate is adjourned? Could Senator Godfrey inform the Senate whether he has any intimation that these Eurocommunist Parties, if they form the governments in their respective countries, would continue to be members of NATO?

Senator Godfrey: That is the whole problem—will they continue to be members of NATO? I believe that the United States at the present time is trying to leave its options open because, presumably, at least judging from the line it is taking at the present time, these countries would probably wish to remain as part of NATO. However, whether the other members of NATO would want them there and feel that they could be trusted with the secrets of NATO and could be trusted to co-operate in the event of an attack on a NATO country is the problem. I do not believe that anyone can answer that with any certainty at this time.

Senator Bosa: I have a supplementary question. Have these parties made any statements indicating their opinions as to what they would do if they were ever to attain power?

Senator Godfrey: That is the Eurocommunist countries of Italy and France. I do not know if the Eurocommunist Parties have specfically come out and made a statement as to what their position would be.

Senator McElman: May I also ask a question of the honourable senator? Is Senator Godfrey aware that the government of Italy, which supports democratic processes, has taken action, by a back-door route, if you will, to ensure that members of the Communist Party elected to their Parliament are permitted to take no part in the NATO meetings—no part of any nature? Does he feel, perhaps, that that indicates less trust by the Italian democratic parties of Eurocommunism than he has indicated here tonight?

Senator Godfrey: I would agree that at the present time, although I understand that the Communist Party of Italy is supporting and keeping in power the government of Italy, they are not members of the government of Italy, so it is very easy and very sensible to exclude them. There is no reason why they should be included at the present time.

Senator Flynn: Why do they?

Senator Godfrey: The problem of what they would do would arise if they were given a minority position in the government. In my opinion there is no great problem at this time, when they are not members of the government.

Senator Flynn: You do not exclude us; why should they?

Senator Godfrey: I do not think our parliamentarians are privy—I certainly am not—to all the secrets of NATO, the NATO Council and the defence committee of NATO, which is what worries people. One of the points causing this concern is that there are secret plans and if they were to be members of the government those plans may well be discussed in the government. I believe that is one of the problems, that there may be actual sharing of power by the government with the Eurocommunists in one of these countries who might then become privy to NATO secrets.

Senator Forsey: May I ask the honourable senator if there were any Eurocommunist delegates at the North Atlantic Assembly?

Senator Flynn: No; there were no sympathizers, either.

Senator Godfrey: I am not sure about that.

Senator McElman: I have one further question of the honourable senator, if I may. I should say, first, that delegates to the North Atlantic Assembly meetings are privy to highly confidential briefings. This statement can be supported by Senator McDonald and others who have participated in them, as I have. Is the honourable senator not aware that under the rules of the North Atlantic Assembly all parties in the participating Parliaments are entitled to representation on their respective delegations? This is long-standing policy, but I point out that Italy has chosen a rather special method, which is quite involved and which I will not go into tonight, to keep off its delegation Eurocommunists who, by the rules, are entitled to be part of the Italian delegation. This is the basis for the question I put to him. It simply points up that they do not have the enthusiasm for Eurocommunism which some appear to have today, which I do not share.

[Senator Godfrey.]

Senator Godfrey: I can say in reply that I have no enthusiasm for Eurocommunism. I agree that Italy is doing a very sensible thing. I will be considerably more cautious from now on and I will not conclude any speech in the future by saying that I am considerably better equipped to answer questions after the speech than I was before.

Senator Flynn: Once more.

On motion of Senator Austin, debate adjourned.

● (2100)

THE DUKE OF EDINBURGH'S AWARD

A PROGRAM FOR YOUTH

Hon. George Isaac Smith rose pursuant to notice of Tuesday, November 22, 1977:

> That he will call the attention of the Senate to a program for youth known as The Duke of Edinburgh Award in Canada.

He said: Honourable senators, I should like to commence by making a minor—and I hope in no way offensive—correction in spelling. I notice a typographical error in the Inquiry standing in my name. An apostrophe and the letter "s" is omitted from the word "Edinburgh". Ordinarily, that would not trouble me in the least, but when one is considering so eminent a personage as the Duke of Edinburgh, I think it would be proper to spell the name of his program correctly. Honourable senators, I am sure you will remember that during last month's royal visit to Ottawa Prince Philip took part in a ceremony at the Chateau Laurier Hotel on Sunday afternoon, October 16. This was a ceremony in which His Royal Highness presented gold awards to some 115 young Canadians who had completed the program of activities required to qualify for an award under The Duke of Edinburgh's Award in Canada.

On this occasion I wish to bring this program to the attention of honourable senators because I believe it is a very helpful and important program in the development of the youth of our country. At the outset, I should say that I have had some very modest connection with the program for some years, and thus cannot be regarded as a strictly impartial observer of it.

The program was initiated by Prince Philip in 1956. In so doing, he recognized that the development of the industrial urban way of life had completely changed a pattern of existence which human communities had followed for many generations. Though this change had made more people prosperous and education much more formal and comprehensive, his view was that it had substantially limited in some manner the scope and variety of life, and the opportunities for youth to grow and develop.

In describing the program, Prince Philip said:

> —it is based on the principle that growing up is more than just a matter of gaining academic and technical qualifications; it depends on the idea that physical fitness is just as important as mental fitness; that voluntary service is just as important as a job or profession; that a leisure interest is just as rewarding as earning a living; and that the experience of a demanding and adventurous expedition is as valuable as passing an examination.

The program was introduced to Canada in 1963, and now involves approximately 14,000 young people across the country.

You may ask: What kind of a program is it? Let me try to answer that question in broad outline, and I hope with reasonable brevity. The Duke of Edinburgh's Award in Canada is open to young people between the ages of 14 and 21 years. It is not a competitive program. It is not, in the usual sense, an organizational type of activity. The young people taking part in the program do not belong to it as members of an organization. It is a combination of incentives and awards for participation, sufficiently flexible to be used by any school, any youth organization, any recreation committee or any other group having the care and leadership of young people between the ages of 14 and 21 years.

The participants may gain awards through their schools, youth clubs or similar organizations, or they may gain them entirely on their own. An award may be won by any person, between his or her fourteenth and twenty-first birthdays, who qualifies in four sections of the program, each section relating to activities of a different kind. The qualifying standards are variously defined in terms of proficiency, perseverance or sustained effort.

Honourable senators, I wish to emphasize that the program is not competitive in the usual sense. Participants do not compete against each other for an award. Instead, they measure themselves against a set of standards established for each section of the program. Success depends more on effort and persistence than on either brains or brawn, and a physical handicap does not necessarily prevent a young person from taking part in the program.

There are three steps or stages towards the final objective of earning a gold award. The first stage is the bronze award, which is for young people over 14 years. The second stage is the silver award, and the standards required to achieve it are somewhat more difficult than those for the bronze and, therefore, a young person must be at least 15 years of age before attempting it. The final stage is the gold award, and its standards are more difficult than those of the silver award. Young men and women must be 16 years of age before undertaking the activities necessary to qualify for it. The awards are not open to those over 21 years of age. The bronze, silver and gold awards, you will note, are in ascending order of challenge and achievement.

The program has been described as one of activities designed to offer a challenge to young people in order that they may make the best use of their leisure time, so that they may equip themselves to become responsible members of their communities. It is very flexible. It can be fitted into almost any kind of training program so that it does not add a further heavy burden on those young people already engaged in some kind of leisure time activity, or upon those instructors and leaders who make up the adult supporters of the activities.

Each participant measures himself or herself against an internationally agreed set of high standards established for each section of the award. These standards are set at such a level that, in order to reach them, a substantial amount of work and training is necessary. This brings about a sense of achievement to those who meet the standards. On the other hand, they are not unreasonably high, and can indeed be achieved by any young person of ordinary ability after reasonable training.

In order to encourage those who may be physically handicapped to take part in the program and seek the awards, the standards can be modified in such a manner as to be appropriately related to particular handicaps.

● (2110)

The activities are grouped in five sections. In order to qualify for an award, a participant, at whatever level, must complete four of the five sections. The first section is Service to the Community. This involves performing a community service without pay. For instance, it might be qualifying oneself to teach first aid or lifesaving, or it might be qualifying oneself in home nursing, firefighting, helping senior citizens, or engaging in other kinds of community service.

The second section is Hobbies. In this section the participant must follow a hobby or a leisure interest for a period of six months and reach the prescribed standard of accomplishment in whatever activity is chosen. The participant may choose from a large number of activities, running all the way from such things as leatherworking or stamp collecting to skiing or skating, or playing a musical instrument in an organized band.

The third section is Expeditions. This activity consists of doing basic training to gain the skill and experience necessary to carry out a selected project and then doing the project. The projects vary in degree of challenge, according to the progress of the participant. For the bronze award, for example, it might be a trip of seven miles on foot or 20 miles on bicycle, all in familiar country. At the other end of the spectrum, for the gold award, it might be a journey of at least four days covering 50 miles on foot or 150 miles on a bicycle, in unfamiliar country. Equivalent distances are set if the trip is to be by horseback, canoe, skis, or by some other means.

The fourth section is Design for Living. In this section the activities are related to family and community life, as well as studies in such subjects as finance, management and labour, various levels of government, business, or some of the basic principles of general administration.

The fifth section is an optional one, Physical Fitness. This has to do with attaining set standards in athletic events chosen by the participant, such as running, jumping, swimming,

throwing, and general physical agility. It also includes team games.

The activities of the program are supported by contributions from the business, banking and industrial communities, and from individuals and foundations, as well as from some of the provinces of Canada.

Perhaps I could repeat that in each case the first level of achievement is that required for the bronze award. The second level leads to the silver award, and the third and highest level is for the gold award. A good deal of help from some adult leader or adviser is necessary in the work leading up to the bronze and silver awards. Such help is needed to some extent in the gold award work, but participants aiming for this standard are expected to take a large part in planning their own program, thus demonstrating evidence of being self-disciplined, enterprising and persevering.

I should like to say, of course, that the program owes a great deal to the devoted work of hundreds of dedicated leaders. It takes a minimum of six months to qualify for the bronze award, at least an additional year for the silver award, and at least another year after the silver award to qualify for the gold.

The award itself is a small metal badge bearing Prince Philip's personal cypher, accompanied by a certificate which, at the gold stage, bears the Coat of Arms of His Royal Highness.

Presentations of the awards at all levels are arranged so as to give proper recognition to those who have qualified. They may be presented as part of the closing exercises of a school or at some special club function, or in a provincial legislative chamber, or at the residence of a Lieutenant Governor.

The gold awards are normally presented by a member of the Royal Family or His Excellency the Governor General. Prince Philip presents them himself whenever he can. Last year, for instance, he attended presentations in Halifax, Fredericton and Kingston. As I said earlier, on October 16 of this year he presented 115 gold awards in Ottawa to young people who came from eight of our provinces to receive them.

Honourable senators, I thank you for giving me your attention this evening. I hope you will agree with me that the Duke of Edinburgh's Award in Canada is indeed a most worthy plan of activities and one which helps young Canadians to develop qualities of self-reliance and leadership, and to fit themselves for useful and rewarding places in society.

The Hon. the Speaker: Honourable senators, as no other senator wishes to participate in this debate, this inquiry is considered as having been debated.

The Senate adjourned until tomorrow at 2 p.m.

APPENDIX

(*See p. 175*)

THE ESTIMATES

REPORT OF STANDING SENATE COMMITTEE ON NATIONAL FINANCE

ON SUPPLEMENTARY ESTIMATES (A)

TUESDAY, November 29, 1977

The Standing Senate Committee on National Finance to which the Supplementary Estimates (A) laid before Parliament for the fiscal year ending March 31, 1978, were referred, has in obedience to the order of reference of Thursday, November 10, 1977, examined the said Supplementary Estimates (A) and reports as follows:

1. In obedience to the foregoing, the committee made a general examination of the Supplementary Estimates (A) and heard evidence from the Honourable Robert Andras, President of the Treasury Board; Mr. T. H. Lefebvre, Parliamentary Secretary to the President of the Treasury Board; Mr. A. Morin, Assistant Secretary, Program Branch, Treasury Board; and Mr. E. A. Radburn, Director, Estimates Division, Program Branch, Treasury Board.

2. These Supplementary Estimates total $1,910 million. They include non-budgetary items, that is to say loans, investments or advances totalling $241 million, of which $163 million is for statutory items the inclusion of which was instituted for the first time in the Main Estimates for 1977-78. Proposed budgetary expenditures included in these Supplementary Estimates total $1,669 million including $757 million required for statutory items. The total Estimates for the fiscal year ending 31st March, 1978, are now increased to $46,492 million.

In spite of the fact that these Supplementary Estimates are greater than the total of all Supplementary Estimates for the last fiscal year 1976-77, a measure of restraint was apparently applied to last year's actual expenditures and will be similarly applied for 1977-78. The President of the Treasury Board explained that he has continued to apply a concept introduced two years ago by his predecessor, whereby he is committed to maintaining the actual expenditures as opposed to the authorized expenditures for the fiscal year within a target ceiling. In 1976-77 the target was $42,150 million and the total actual expenditures were held to $41,078 million, which was $1,172 million below the target ceiling. At the time of the budget at the end of March last, the target for the current fiscal year was adjusted downward by $670 million from $45,120 million, the figure announced when the Main Estimates were tabled in February, to $44,450 million which, if met, will restrain the increase in total spending between 1976-77 and 1977-78 to about 8.2 percent. It was further explained that when the adjustment for inflation is made this percentage will represent close to a zero rate of growth of expenditures for 1977-78.

It will be noted that the requirements for increased transfer payments to the provinces for social programs raise these Supplementary Estimates by close to $1 billion. This increase in transfer payments results from the agreement under the *Established Programs Financing Act* to provide an additional cash contribution to the provinces in the event that the revenue expected to be generated by tax points given to the provinces falls below the level that was anticipated at the time of the agreement. The Minister told the committee that the need to provide for this unanticipated expenditure and at the same time keep total expenditures within his published target increased the degree of restraint applied in other areas.

The committee discussed with the minister in some detail this concept of trying to adhere to a target spending ceiling. The target figure is a reflection of the government's commitment to the principle that the growth of government expenditures should not exceed the nominal growth (that is, real growth plus inflation) of the gross national product. The target objective is, therefore, a clearly set public goal against which requests for allocation of additional funds can be weighed and priorities can be re-ordered. Application of it also takes into account the inevitable lapsing of part of the total funds which are voted annually. However, the committee was told that the amount of lapsing cannot be predicted for specific programs with sufficient precision to reduce the total sums requested in the Supplementary Estimates. The operation of this target mechanism will be monitored by the committee when future Estimates are under consideration.

3. Statutory items in these Supplementary Estimates account for $921 million. Some of the larger items are:

(a) $468 million for the new extended Health Care Program.

(b) Payments of $216 million for hospital insurance and $77 million for medical care to the provinces, the Yukon and the Northwest Territories.

(c) $147 million for post-secondary education payments to the provinces.

(d) $80 million for increased servicing costs for the larger public debt which results primarily from a reduction in forecast revenues.

(e) $60 million for payments in connection with the *Western Grain Stabilization Act*.

(f) $51 million for the net cost to the federal government of an agreement with the provinces for the reciprocal payment of various taxes.

Items to be voted in these Supplementary Estimates total $990 million. The larger items are:

(a) $125 million for increased compensation payments to refiners of imported oil due to higher than anticipated volumes of imported oil and to the drop in the exchange rate of the Canadian dollar.

(b) $135 million to enable the financial restructuring of Atomic Energy of Canada Limited.

(c) $111 million to the Canadian International Development Agency primarily for increased food aid grants and the extension of more bilateral grants rather than loans.

(d) $100 million for federal labour intensive projects.

(e) $100 million for employment strategy programs such as Canada Works, Young Canada Works, Local Initiatives and student summer employment.

(f) $72 million for bilingual education programs.

(g) $45 million for Canadian Home Insulation Program.

(h) $42 million for increased loans to assist in financing regional electrical interconnections under a long-term agreement with the provinces.

(i) $35 million to the Quebec Health Insurance Plan.

(j) $33 million for increased federal contributions to various social and educational programs for Indians and Eskimos.

4. Attached as an appendix to this report is a list of the $1 items contained in these Supplementary Estimates. The committee again expressed its concern to the President of the Treasury Board that in Category E of the explanation of $1 items, the Supplementary Estimates are being used to make policy changes. Your committee once more strongly recommends that this practice be discontinued and that, in the majority of cases, amendments to Appropriation Acts or to legislation which constitutes policy changes should be carried out through the normal procedures for the revision of statutes.

5. Throughout these Supplementary Estimates a new table entitled "Explanation of Requirement" has been included which explains the nature of the payments for which additional funds are being requested. This table has been developed to meet previous recommendations of this committee. In most instances, the explanation is clear and easily understood. The committee, however, found some explanations (such as that found on page 22) inadequate and confusing. A table of this kind should clearly indicate in words and dollars the reasons for the requested increase or transfer of monies between votes. This is particularly important when it relates to a $1 vote. The committee suggests that the presentation of information in the Explanation of Requirements tables be reviewed and refined for future Supplementary Estimates.

6. The committee sought and accepted assurances that the Treasury Board maintains sufficient control of departmental requests to ensure that there is no undue proliferation of electronic data processing equipment. The witnesses stated that the co-ordination of the use of the equipment wherever it is located is carried out by the Department of Supply and Services. Over recent years this type of equipment has increasingly become a shared resource, and when it is no longer useful in one area it may be transferred to another.

Respectfully submitted,

D. D. EVERETT,
Chairman.

(*Appendix to Report*)

LIST OF ONE DOLLAR VOTES

INCLUDED IN

SUPPLEMENTARY ESTIMATES (A), 1977-78

The 25 one dollar votes included in these Estimates are listed in Appendix I by ministry and agency along with the page number where each vote may be located in the Estimates.

These one dollar votes are grouped below into categories according to their prime purpose. The votes are also identified in Appendix I according to these categories. The category for each vote has been designated by an "X". In those instances where a vote falls into more than one category, the prime category is designated by an "X" and other categories by an asterisk.

A. Twelve votes which authorize the transfer of funds from one vote to another. (An explanation of the new requirement and the source of funds is provided in Supplementary Estimates.)

B. Five votes which authorize the payment of grants. (An explanation is provided in Supplementary Estimates.)

C. Two votes which authorize the reimbursement of accounts for value of obsolete stores. (An explanation is provided in Supplementary Estimates.)

D. Three votes which authorize investments in International Banks (Additional explanations are provided in Appendix II).

E. Three votes which amend provisions of previous Appropriation Acts. (Additional explanations are provided in Appendix II.)

Estimates Division
Treasury Board
November 9, 1977

APPENDIX I

LIST OF $1 VOTES IN SUPPLEMENTARY ESTIMATES (A), 1977-78

DEPARTMENT OR AGENCY	VOTE	CATEGORIES				
		A	B	C	D	E
Communications	1a	*	X			
Energy Mines and Resources						
—Atomic Energy of Canada Limited	L51a					X
Environment	10a	X				
	15a		X			
External Affairs	10a	*	X			
—Canadian International Development Agency	L36a				X	
	L37a				X	
Finance	L11a				X	
Industry, Trade and Commerce	6a					X
	46a	X				
National Health and Welfare	15a		X			
	50a					X
	65a	X				
Post Office	1a			X		
Public Works	20a	X				
	25a	X				
	40a	X				
Regional Economic Expansion	1a			X		
	5a	X				
Science and Technology						
—National Research Council of Canada	10a	X				
Solicitor General	5a	*	X			
	15a	X				
Transport						
—National Harbours Board	95a	X				
	97a	X				
Veterans Affairs	20a	X				

APPENDIX II—ADDITIONAL EXPLANATIONS

CATEGORY D

EXTERNAL AFFAIRS—CANADIAN INTERNATIONAL DEVELOPMENT AGENCY

Vote L36a—To authorize the purchase of additional stock of the Asian Development Bank's 2nd replenishment.

Explanation—The Asian Development Bank, in which Canada is a member, assists developing countries in Asia through the provision of low-cost loans to finance development projects. Canada's share of the second replenishment is $259.3 million of which $25.9 million is paid in and $233.4 million is callable capital, being in addition to Canada's current equity of $243.2 million. Canada's proposed contribution is 6.3 per cent of the total, with the United States and Japan each providing 19.6 per cent of the replenishment.

Vote L37a—To authorize the purchase of additional stock of the Inter-American Development Bank's 4th capital increase.

Explanation—The Inter-American Development Bank, of which Canada has been a member since 1972, provides low-cost loans to developing countries in Latin America and the Caribbean for projects in the social and rural development sectors. Canada's equity, including the current participation of $50.5 million, is $567.8 million or 4.7 per cent, compared to a 34.6 per cent share of the United States.

FINANCE

Vote L11a—To authorize contributions to the International Development Association in the amount of $470,787,690 and to provide that these advances be payable as demand notes.

Explanation—The International Development Association is a member of the World Bank Group and provides loans to the developing countries for development purposes at highly concessional rates (0 per cent interest, 50 year term, and 10 years grace). Since its inception in 1960, Canada has provided advances totalling $631.7 million (5.89 per cent). The proposed contribution of $470.8 million to the fifth replenishment is Canada's historical share, which will be paid in the form of non-interest bearing, non-negotiable demand notes in 1977-78 and the two subsequent fiscal years, pending cash requirements of the Association.

CATEGORY E

ENERGY, MINES AND RESOURCES—ATOMIC ENERGY OF CANADA LIMITED

Vote L51a—To authorize the conversion of debts totalling $149.1 million into equity in Atomic Energy of Canada Limited.

Explanation—To convert, as of April 1, 1977, the outstanding loan principal on the Pickering Generating Station

and the Douglas Point Prototype Station owing by Atomic Energy of Canada Limited to the Government of Canada into equity of Atomic Energy of Canada Limited, so that the earnings from these investments be retained by Atomic Energy of Canada Limited as income to finance its growing commercial and marketing activities. Atomic Energy of Canada Limited's ability to discharge these loan obligations is uncertain, since the repayments from both Pickering and Douglas Point are linked to operating performance at these plants.

INDUSTRY, TRADE AND COMMERCE

Vote 6a—To authorize an additional guarantee of $20,000,000 in Bank Loans to Canadair Limited.

Explanation—An additional guarantee of $20,000,000 in bank loans to Canadair Limited is required to finance the production of the Challenger aircraft since no agreement has been reached with the Quebec Industrial Development Corporation to provide this guarantee. Under the original agreement this guarantee was to have been provided by the Corporation.

NATIONAL HEALTH AND WELFARE

Vote 50a—To amend the existing authority so as to recognize the jurisdictional changes which exist with respect to young offenders in Ontario and Quebec.

Explanation—The present authority covers payments to the provinces, in accordance with agreements, where young offenders are under the jurisdiction of correctional authorities rather than Child Welfare Authorities. The proposed amendment extends the authority to cover a situation in Ontario and Quebec where young offenders are under the authority of the Child Welfare Authorities but not subject to an appropriate provincial secretary's order.

THE SENATE

Wednesday, November 30, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Auditor General's report to the Solicitor General on the examination of the accounts and financial statement of the Royal Canadian Mounted Police (Dependants) Pension Fund for the fiscal year ended March 31, 1977, pursuant to section 55(4) of the Royal Canadian Mounted Police Pension Continuation Act, Chapter R-10, R.S.C., 1970.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, regarding the reference on Beatrice Foods Company Limited, Kingston, Ontario and proposed price increase, dated November 24, 1977.

Report of the Postmaster General respecting Olympic coins for the period ending September 30, 1977, pursuant to sections 13(2) and 13(3) of the Olympic (1976) Act, Chapter 31, Statutes of Canada, 1973-74.

TRANSPORT AND COMMUNICATIONS

CHANGE IN COMMITTEE MEMBERSHIP

Senator Macdonald, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the name of the Honourable Senator Grosart be substituted for that of the Honourable Senator Haig on the list of senators serving on the Standing Senate Committee on Transport and Communications.

Motion agreed to.

RETIREMENT AGE POLICIES

MOTION TO APPOINT SPECIAL COMMITTEE—DEBATE CONTINUED

On the Order:

Resuming the debate on the motion of the Honourable Senator Croll, seconded by the Honourable Senator Bourget, P.C.:

That a special committee of the Senate be appointed to examine and report upon

(a) the existing retirement age policies affecting workers in both the public and private sectors;

(b) the social and economic implications of mandatory retirement based on age alone;

(c) the feasibility of enabling workers, especially elderly citizens, to continue to make a worthwhile contribution to our society through flexible voluntary retirement plans to the extent of their ability and motivation;

(d) the protection for those over sixty-five against age discrimination in all employment areas; and

(e) the need for the maximum co-operation of all levels of government, labour unions, business and the public in respect of existing and future retirement age policies and retirement plans;

That the committee have power to engage the services of such technical, clerical and other personnel as may be necessary for the purpose of the inquiry; and

That the committee have power to send for persons, papers and records, to examine witnesses, to report from time to time, to print such papers and evidence from day to day as may be ordered by the committee, to sit during sittings and adjournments of the Senate, and to adjourn from place to place.—(*Honourable Senator Petten*).

Senator Petten: Honourable senators, I yield to the Honourable Senator Cottreau.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

Hon. Ernest G. Cottreau: Honourable senators, I should like at this time to add my support to the motion calling for the appointment of a special committee of the Senate to examine and report upon the various aspects of the existing retirement age policies affecting workers in both the public and private sectors.

I am prompted to enter this debate, albeit very briefly, not because I have new ideas to bring forth—indeed, the contributions made so far by the sponsor of the motion, Senator Croll, and the subsequent speakers have already well covered the subject—but because I do believe that the existing retirement policies need to be examined for possible revision, and I can think of no institution better equipped to do so than the Senate of Canada.

Shortly after my appointment to this chamber, but even before I had even set foot in it, I received a copy of the report of the Special Senate Committee on Poverty in Canada with an accompanying note from Senator Croll which read as follows:

I can think of no better way to welcome you to Parliament than by sending you a copy of *Poverty in Canada* which you will find worthy of your attention.

It was while perusing this report that I was first made aware of the tremendous amount of work being done by the Senate and of the high quality and calibre of its work. My experience since that time has served to fully confirm my initial impressions of the Senate.

The information that I have been able to glean from the records leads me to believe that the sponsor of the motion has devoted his entire political career toward enhancing the lot of the less fortunate in each of the causes for which he has stood. I feel certain that if this motion is adopted, Senator Croll will give the special committee the benefit of his experience in attacking the problems which confront many of our citizens who, despite good physical and mental health, are cast aside by society and put out to pasture simply because they have reached the magic age of 65.

Honourable senators, I am aware that for many people the compulsory retirement age of 65 is a godsend. I say this because, according to statistics provided by the latest census, which I believe to be reliable, some 1.7 million Canadians are 65 years of age and over, and of that number three-quarters are suffering from chronic diseases. It therefore goes without saying that for many, retirement at 65 is not a bit too soon. As a matter of fact, it is often quite a bit too late.

I am proud, as a Canadian, to know that there exists in Canada programs designed to alleviate the suffering of those people and to enable them to spend their final years in some measure of comfort.

I cannot say, however, that I am equally proud of the effect that compulsory retirement may have on many people who at the age of 65 would ask for nothing better than to remain in the work force and continue to serve society by giving it the benefit of their knowledge and expertise.

The term "old age" cannot be fairly and justly determined by the advent of one's birthday. As a matter of fact, there is an old saying that you are only as old as you feel. That saying, in my opinion, contains more truth than poetry.

Forced retirement in many cases is a source of hardship both for the person involved and for the organization to which he or she belongs. At the risk of being repetitious, I would mention that during the course of my experience as a school administrator I was often afforded the opportunity of witnessssing the disruption caused in a school system by the forced retirement of experienced and valuable teachers. Not only did the entire system suffer irreparable loss, but very often the persons concerned were themselves adversely affected in that they lost their sense of usefulness. I always considered that to be most tragic and unnecessary.

The result of present legislation governing the retirement of citizens is that in the context of modern society, in all fields of endeavour, people in their sixties are made to feel misplaced and unwanted.

I shall not pursue the subject further because after reading the various speeches made thus far, particularly the one by Senator Croll, I find there is nothing new that I can add. I therefore close by saying that I should like to see this special Senate committee appointed and explore the possibility of revising present policies concerning mandatory retirement age. Hopefully the committee will arrive at a formula whereby those citizens for whom compulsory retirement constitutes a hardship may be allowed to remain productive so long as their contribution to the work force is deemed to be valuable.

[Senator Cottreau.]

• (1410)

Hon. J. J. Greene: Honourable senators, I wish to add a few words to this debate. I have nothing much in the way of content to add to what has been said, but I would be remiss and a little less honest with the Senate and with myself than I should be if I did not stand up to be counted as a supporter of the Honourable Senator Croll in this worthy cause, which is like so many others that he has espoused.

Senator Croll has always been one of my great heroes. One of the major reasons I entered public life in the first place was because there are people like Senator Croll—

Senator Flynn: Take a bow, Senator Croll.

Hon. Senators: Hear, hear.

Senator Greene: I do not mean that that makes him responsible for any of the sins I have committed during my time in public life. I think it was Joseph Howe—and you Atlantic provincers will be able to correct me if I am wrong—who once said, in a speech which I believe was made at a college in the United States, that we must honour our hereos and refurbish our monuments if we are to have a strong national unity. For many of us, I think, Senator Croll has been one of our long-standing heroes. He was a "small l" liberal when it took guts and foresight to be a "small l" liberal. Now everyone is a "small l" liberal. Whether they call themselves Socialists or Tories, they are all "small l" liberals because that is now popular. But when Senator Croll marched as a provincial cabinet minister with the trade union workers from Toronto to Oshawa in the 1930s, it was not very popular to be a "small l" liberal; in fact, it was so unpopular that in his case, as I recall, he was turfed out of the provincial cabinet for his efforts.

Senator Walker: He became an "SOL" liberal.

Senator Greene: I can think of no Canadian parallel, except the late Senator Roebuck, who was also that kind of liberal. In the United States Clarence Darrow and Hubert Humphrey were that sort of liberal. They were for causes that were right and just, such as the abolition of capital punishment and the support of the trade unions, when that kind of support made people far less than popular.

Senator Croll has always been for causes he deemed to be in the best interests of those who had no power, no strength, no great ability to help themselves, even though their causes were just. His present proposal is in the same vein. The older people who will be helped by this motion have no powerful or wealthy organizations to speak for them, but they have Senator Croll to speak for them, and that is much better than the most powerful organization they could possibly put together.

I do not think that on the other side of Parliament this would be a cause that would swing a myriad of votes to one

party or the other, because the group Senator Croll speaks for is not sufficiently strong or well organized or unified for this cause to be a great political triumph for anyone who achieves it. It is a right and just cause for which no powerful national organization is speaking, or getting television time, or doing all the other things which power groups are able to do.

It seems to me that not only is it in character with Senator Croll and the many contributions he has made in the past, but it is in keeping with the function of the Senate. We are here to represent regional interests and that is among our primary work. We are here to revise and improve legislation in our committees, and in the last few months we have proved our ability to do this. I think we are also here to speak for those who have a just cause, in whatever part of the country they may be, a cause which may have no great political moment and which may not be able to swing a great number of votes one way or the other, but a cause of those who have no great and powerful organizations to speak for them.

I think the Senate can do a great job in fulfilling what Laurier so aptly called "social justice"—that social justice, as he put it, may be achieved for a greater number of people in a shorter span of time. Laurier spoke of that in the context as the function of the Liberal Party. Apart from any partisan or party philosophy in this region, I think it can quite properly be the function of the Senate. The very fact that we do not have to appeal to what is popular today or tomorrow, and the fact that we are appointed and have continuity of tenure, gives us the opportunity to support just causes which will advance the wellbeing of our older citizens, even though they may not be subjects that the media, as they are euphemistically called today, are screaming for. I have seen no great outcry in the press or the media for this sort of suggestion.

However, from Senator Croll's speech and all the other speeches that have been made, I have certainly been persuaded that this is a just and worthy cause, even though it is not something that is of immediate, tremendous, popular moment or something that all the wolves of the media are howling for at our doorstep. I think the Senate again should be the repository of those who are ready to fight for just causes even though they are not immediately popular or appear to be of immediate great moment. For these humble reasons, honourable senators, I should like to be among those who stand to be counted in support of Senator Croll's motion. This study will be one more in the already considerable list of decorations he has earned in the name of human progress in our country.

On motion of Senator Buckwold, debate adjourned.

NORTH ATLANTIC ASSEMBLY

TWENTY-THIRD ANNUAL SESSION, PARIS, FRANCE—ORDER STANDS

On the Order:

Resuming the debate on the inquiry of the Honourable Senator McDonald calling the attention of the Senate to the Twenty-third Annual Session of the North Atlantic Assembly, held in Paris, France, from 18th to 24th September, 1977, and in particular to the discussions and proceedings of the Session and the participation therein of the delegation from Canada.—(*Honourable Senator Austin*).

Senator Austin: Stand until December 8.

Order stands.

● (1420)

SCIENCE POLICY

VOLUME 4 OF REPORT OF COMMITTEE—DEBATE CONTINUED

On the Order:

Resuming the debate on the inquiry of the Honourable Senator Lamontagne, P.C., calling the attention of the Senate to the report of the Special Committee of the Senate on Science Policy, appointed in the last session of Parliament and authorized in that session to consider and report on Canadian government and other expenditures on scientific activities and matters related thereto, entitled: *A Science Policy for Canada*, Volume 4, *Progress and Unfinished Business*, tabled in the Senate on Tuesday, 25th October 1977,—(*Honourable Senator McDonald*).

Hon. Paul Desruisseaux: Honourable senators, with leave, I should like to say a few words about Volume 4 of the report of the Science Policy Committee, entitled "A Science Policy for Canada: Progress and Unfinished Business," tabled on Tuesday, October 25, by the chairman, Senator Maurice Lamontagne.

I congratulate Senator Lamontagne and the members of his excellent committee for their valuable and constructive work, and for the rationale of the recommendations that have been made by them since 1970. Some of the recommendations proved to be unacceptable to some and were claimed to be highly controversial. Nevertheless, I believe they will generally provide excellent guidelines for our science policy. I am of the opinion that they will soon have to be appraised against new and far-reaching scientific findings that will affect Canadian society and which are bound to change many of our present concepts on science policy. I believe Senator Lamontagne and the members of his committee have been right in their assessments, and that we can proudly endorse their reports. We realize how eminently useful to Canada most of their recommendations have been, and will be.

With Senator Lamontagne, I regret that this last report marks the cessation of the work of the Special Senate Committee on Science Policy. Personally, I hope this committee will somehow be revived, and will hereafter be one of the permanent standing Senate committees. I can foresee many important basic and urgent scientific researches that have to be given some priority, and that could or should be considered by such a committee.

Mr. Drury, then Minister of State for Science and Technology, expressed the appreciation of Parliament for the work of this Senate committee, and Senator Lamontagne cited his

remarks when he spoke here recently. I hope I am permitted to underline some of these remarks. The minister said:

> I think it is fair to say that no other investigation of Science Policy anywhere in the world has equalled that carried out by your committee. Your report has constituted a significant background to all discussions of science policy matters, and its influence will continue to be felt not only in Canada, but, I suspect, also internationally.

We have since received rewarding accounts of the committee's influence from all over the world. I want to express to the chairman and the members of this fine committee our gratitude, and our appreciation for the help they provide to government departments, to business, to research and to technology. Senator Lamontagne and the members of his committee have made Canada well aware that its efforts in the way of research and development were inadequate from the outset.

I believe it right that the committee's reports should constructively criticize the unique pattern Canada had adopted because it "lacked realism," and because Canadian efforts were concentrated "in government laboratories cut off from the real world," which somehow "paralyzed innovation."

It was this committee which made Canada realize that since 1970 more reliable scientific and technological statistics on Canadian scientific efforts were needed. It was this committee that alerted us to the necessity for "a body for the care of formulation and evaluation of a scientific policy", which up until then had been diversified and quite inconsistent.

The foundation in 1970 of the association of the scientific, engineering and technical community of Canada, the establishment of a ministry of state in charge of science and technology, the adoption of a new policy of assignment of intramural research and development programs, and the implementation of many other major programs, can indeed be affirmed to have been direct results of the committee's recommendations.

The efforts made by the committee in respect of some of its recommendations have been frustrated, and there was disappointment because they were rejected or set aside. These recommendations, however, will again soon indicate the priorities and point the way for Canadian science policy to go. The checking out of the implementation of its recommendations by the departments has, I believe, put the officials of some of those departments on the spot.

What is the cause "of the stagnation and the lack of mobility of researchers that are creating an imminent crisis in the university and government sectors and that is seriously threatening our national research capacity?" The reports of the Science Policy Committee have touched on this. One of these days the pertinent recommendations now set aside will be revived and reviewed. The data will then reveal that we were in error when we believed that government laboratories could do it all by themselves and so dominate the scientific field, not considering "changes in departmental and agency R & D budgets that seem to be adjudged by 'wrong priorities.' "

[Senator Desruisseaux.]

● (1430)

When he introduced this inquiry, Senator Lamontagne pointed out that there is a technological gap that has been widening since 1970 in spite of his committee's specific recommendations that could have helped to at least partly fill that gap. He said:

> This weakness is particularly evident in the manufacturing sector and it constitutes an important factor accounting for the dramatic rise in our trade deficit in end products from $3.6 billion in 1971 to $10.2 billion in 1976.

This persistent weakness of the industrial sector in terms of research and development effort is described in chapter 3 of the report. The government, nevertheless, implemented corrective measures that had been inspired by earlier recommendations of the Senate Science Policy Committee.

There was a lapse of five years between the recommendation of the Science Policy Committee and the approval by Parliament of the creation of two new granting councils—one for the physical sciences and engineering, and one for the social sciences and humanities. The credit for their creation is due to this committee, as is the creation of many industries by the Department of Industry, Trade and Commerce. The committee can also take credit for quite a number of other recommendations that have been implemented.

In his speech Senator Lamontagne mentioned some 15 specific recommendations which remain as unfinished business. These are described in Volume 4, "A Science Policy for Canada: Progress and Unfinished Business," tabled on October 25 last, which underlines the excellent work that has consistently been done by the Science Policy Committee. It points out the usefulness of the committee, and more than justifies any expenses it had to incur. I believe the Senate should accept the recommendations that are contained in Volume 4 of the committee's report.

Senator Lamontagne and the members of this committee are to be congratulated for the excellence of their work, the constructiveness of their reports, and their foresight in inviting a continuance of the Special Committee of the Senate on Science Policy.

Personally, I strongly support a renewal of the mandate of the Science Policy Committee because of the brilliant way in which it carried out its first mandate, and because it is really needed now to appraise what has been done in respect of its past recommendations and to make further recommendations about the new priorities touching on recent sensational scientific findings—findings which will affect the lives of all Canadians now and in the future and which will have far-reaching consequences.

Honourable senators, we need the leadership of our Special Committee on Science Policy.

On motion of Senator Bell, debate adjourned.

INTER-PARLIAMENTARY UNION

SIXTY-FOURTH ANNUAL CONFERENCE, SOFIA, BULGARIA—DEBATE ADJOURNED

Hon. William J. Petten rose pursuant to notice of Thursday, November 24, 1977:

> That he will call the attention of the Senate to the Sixty-fourth Annual Conference of the Inter-Parliamentary Union held at Sofia, Bulgaria, from 20th to 30th September, 1977, and in particular to the discussions and proceedings of the Conference and the participation therein of the delegation from Canada.

He said: Honourable senators, I rise today to call the attention of the Senate to the Sixty-fourth Annual Conference of the Inter-Parliamentary Union held in Sofia, Bulgaria, from September 20 to September 30, 1977. I was honoured to be a delegate to that conference.

The Canadian delegation was composed of three members of the Senate, the Honourable Senator Belisle, the Honourable Senator Olson and myself, and ten members of the House of Commons representing three of the parties in that house. Mr. Lloyd Francis, M.P., was the leader of the Canadian delegation and chairman of the Canadian group. He did a splendid job for Parliament and for Canada.

The members of the staff of the Parliamentary Relations Secretariat who were involved in the conference did an excellent job. A great deal of material was prepared for us in advance, and the arrangements for our delegation from the time we left Canada were smooth and efficient. I would like to express my own personal thanks for their advance arrangements and the assistance given to all of us throughout the conference.

We are also most grateful to Ambassador MacLellan and his staff for their assistance during our stay in Bulgaria.

The Bulgarian group who organized the conference must be congratulated. Everything possible was done to make our stay in their country interesting and enjoyable, and to assist our delegates in the work of the conference. We greatly appreciate their generous hospitality.

Our delegates participated actively in the work of the conference and I was proud to be associated with them.

The Sixty-fourth Inter-Parliamentary Conference was opened by Mr. Todor Zhivkov, President of the Council of State of the People's Republic of Bulgaria, in the Universiada Hall at 11 a.m. on September 21. Approximately 1,000 participants attended, including 470 parliamentarians from 68 countries.

The President of the Bulgarian Inter-Parliamentary Group, Mr. Milko Tarabanov, welcomed the participants. The Union's Secretary General then read a message from Dr. Kurt Waldheim, Secretary General of the United Nations, which was followed by an address by the President of the Inter-Parliamentary Council, Sir Thomas Williams. In declaring the conference open, Mr. Zhivkov said he was confident that it would assist in the further consolidation of world peace and security and the development of equitable and mutually-advantageous co-operation among all nations and peoples.

The first two days of the conference were devoted to a general debate on the subjects of the Political, Economic and Social Situation of the World, the Activities of the Union, the Role of Parliaments in Furthering Relaxation of International Tensions, and Progress in the Field of Disarmament, including Nuclear Weapons and New Weapons of Mass Destruction. Approximately 75 spokesmen participated in this debate.

Mr. Charles Lapointe, a member of our delegation elected by his colleagues during the last spring meetings to be their rapporteur on disarmament questions, presented the report on behalf of the Committee on Political Questions, International Security and Disarmament. He highlighted the committee's work in Canberra, and described the main aspects of the draft resolution on this agenda item.

This afternoon I am going to confine my remarks primarily to the Law of the Sea aspect of the conference.

The plenary debate on the Law of the Sea attracted approximately 30 spokesmen. Mr. Hugh Anderson, M.P. for Comox-Alberni, discussed the question of the Law of the Sea, especially the problems of coastal states' rights and marine pollution. He noted the progress made at the meetings of the Third United Nations Law of the Sea Conference, but commented that this progress was desperately needed since mankind was in danger of turning the oceans into a sterile dead sea. I would like to take a few minutes now to outline Canada's position on the Law of the Sea Conference.

Canadian policy at the Law of the Sea Conference directly reflects its position as a major coastal state with a broad submerged continental shelf, highly vulnerable coastal areas, and a fishing industry threatened by declining fish stocks. Canadian environmental concerns, in particular with respect to the Arctic, have been manifested by the adoption of national laws specifically developed to protect the coastal environment from pollution from vessels and offshore oil drilling.

As a major trading nation, Canada recognized the need to ensure the continued smooth flow of world shipping. The position advanced at the conference with respect to coastal state powers, including Canada's position with respect to innocent passage through the territorial sea and with respect to straits, embodies a balancing of the dual objectives of freedom of shipping with the protection of the interests and concerns of the coastal state.

As a state dependent upon its fishing industry in its coastal regions, Canada has obvious interests in ensuring that legal rules are developed at the Law of the Sea Conference which will ensure that fish stocks are adequately safeguarded. Thus Canada was one of the initiators of the concept of the exclusive economic zone, giving 200-mile jurisdiction to coastal states in regulating the exploitation of the living resources of the sea off their coasts. The concept of the exclusive economic zone reflects a consensus among the nations of the world, now embodied in the Informal Composite Negotiating Text, that broad coastal state jurisdiction is necessary to insure against

unregulated and unrestricted exploitation of the oceans' resources. Canada's new 200-mile fishing zone, which came into effect on January 1, 1977 on the east and west coasts, and on March 1, 1977 in the Arctic, is consistent with this emerging concept in international law.

Similar considerations apply with respect to the right of the coastal state, already codified in international law, to regulate exploitation activity on its continental shelf. In this regard, Canada, with an extensive continental shelf, particularly off the east coast, adheres to the view that, as the natural prolongation of the continental land mass, the continental shelf is an integral part of the coastal state's territory, and that sovereign rights with respect to exploration and exploitation flow naturally from this basic geological fact.

● (1440)

In Canada's view, the old norms regarding freedom of the seas require reformulation in light of newly-acquired technology permitting the exploitation of the mineral resources of the deep-sea bed. As a land-based producer of nickel—and nickel will be the major mineral obtained from the manganese nodules found on the deep-sea bed—Canada wishes to ensure that sea bed exploitation does not seriously harm traditional land-based nickel markets. On the other hand, Canada is cognizant of the importance of assuring that capital investment to sustain such activity is available, and thus supports access to the international sea bed area being granted to private corporations, either alone or through some sort of joint venture approach with the international sea bed authority.

Significant progress has been made on most of the key issues at the Law of the Sea Conference, including an emerging consensus on a 12-mile territorial sea and a 200-mile economic zone within which a coastal state asserts sovereign rights over living and non-living resources and exercises jurisdiction in respect of the protection of the marine environment and the conduct of marine scientific research. But a further determined effort is required to resolve some remaining areas of difficulty, primarily in respect of the detailed application of an international system for the exploitation of deep-sea bed minerals. It is hardly surprising that we have heard some expressions of impatience with the lengthy and sometimes frustrating negotiating process. But given the size of the conference and the magnitude of its task, the achievements to date have been impressive. There is no doubt that the negotiating process has already made a significant contribution to the development of a new international order of the oceans. On this basis, it would seem difficult to conceive that states would not be willing to continue to press toward a successful conclusion of the conference, even if it requires two more substantive sessions to do so.

Failure to see the conference through to a successful conclusion after it has accomplished so much would be a severe setback to international law and a body blow to the United Nations. Without agreement on a new convention, the functional and pragmatic approach aiming toward a new and balanced order of the oceans would in all likelihood give way to a more absolutist approach involving extensive claims of full sovereignty by coastal states and unregulated exploitation of deep-sea bed resources.

The outcome of the conference could have a decisive influence on peace and security in the world. Use of the oceans, if regulated by international legal norms, could become a seriously divisive fact in international relations. If the conference were to fail, conflicts over deep-sea bed resource rights, fishing rights, environmental jurisdiction, conflicting maritime boundary claims, and rights of passage in straits could proliferate with all the attendant risks for world peace. Canada, of course, believes that international disputes should be minimized through the development of rules of international behaviour based on law.

The conference has a mandate to codify and develop new international law to meet changing circumstances and modern use of the world's oceans. The conference is now within reach of these important goals. Our children and grandchildren will find it difficult to forgive us if we fail to persevere to a positive outcome. Canada, for its part, remains firmly committed to a successful outcome of the conference and the development of a new international order of the oceans to replace old and outmoded concepts. We will continue to play our full part in negotiations at the conference to that end.

Mr. Anderson, in his remarks, called for further efforts to achieve acceptance of these powers for coastal states, and noted, partly for this reason, that the Canadian delegation to the IPU conference had proposed amendments to the draft resolution before the Conference on the Law of the Sea.

In addition to Canada's amendments, others were presented by the delegations from Brazil, Bulgaria, Czechoslovakia, India, Rumania, Spain, the United States and the U.S.S.R. The Turkish delegation submitted a sub-amendment to the amendments of the U.S.A. and the U.S.S.R. These amendments and sub-amendments were submitted to a drafting committee consisting of representatives from Brazil, Bulgaria, Canada, Iceland, India, Rumania, Switzerland, Turkey and the U.S.S.R. Mr. Anderson, supported by myself, represented Canada on this drafting committee, which held discussions lasting for seven hours in considering 40 amendments. Mr. Anderson argued forcefully for Canadian interests, ensuring that Canadian views on coastal zones, maritime pollution, inspection of shipping, et cetera, were properly represented in the final draft.

Conferences such as this have, to my mind, many spin-offs. When you assemble delegates from 70 countries with a variety of political views and ideologies, including those of the Eastern Bloc nations, some very interesting and provocative debate in plenary sessions and committees is produced. But when delegates get together for discussions in small informal groups, and there is an opportunity for them to get to know one another, not as Canadians, not as Australians nor Bulgarians, not as rightists or leftists, or whatever, but as fellow human beings, then tolerance and understanding replace emotion. We then find that despite our ideologial differences, we share many of the same hopes and aspirations.

It is through conferences of this sort, and the opportunity to get to know and understand people from other parts of the world, that we facilitate greater understanding and closer co-operation in the fields of human relations, human rights, world peace and progress.

On motion of Senator Bélisle, debate adjourned.

ST. ANDREW'S DAY

TRIBUTE TO THE SCOTTISH PEOPLE

Senator Macdonald: Honourable senators, I take this opportunity, before the motion to adjourn is put, to draw the attention of the house to the fact that today is of significance to a great many people, in that it is the feast of St. Andrew, the patron saint of Scotland. It is a day dear to the hearts of all Scots, and serves as an occasion whereby those of Scottish descent and others of lesser breed call to mind the great contribution that the sons and daughters of old Scotland and of new Scotland, and all other Scots, made to the building of the great Canadian nation.

Senator Petten: Particularly those of new Scotland, senator.

Hon. Senators: Hear, hear.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, December 1, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Report on Proceedings under the Canada Labour Code Part V (Industrial Relations) for the fiscal year ended March 31, 1977, pursuant to section 170 of the said Code, Chapter L-1, R.S.C., 1970.

Report of the former Department of Manpower and Immigration for the fiscal year ended March 31, 1977, pursuant to section 14 of the Government Organization Act, 1966, Chapter 25, Statutes of Canada, 1966-67.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, December 6, 1977, at 8 o'clock in the evening.

Before the question is put, I should like to give the usual brief summary of the work for the coming week. Of course, the picture could change by the time we return on Tuesday.

On Tuesday evening Senator Buckwold will resume the debate on the motion of Senator Croll for the appointment of a special committee of the Senate to examine and report upon existing retirement age policies affecting workers in both the public and private sectors.

On Wednesday Senator Bélisle will resume the debate on Senator Petten's inquiry calling the attention of the Senate to the Sixty-fourth Annual Conference of the Inter-Parliamentary Union held at Sofia, Bulgaria, in September last.

On Thursday Senator Austin will speak in the debate on Senator McDonald's inquiry with respect to the Twenty-third Annual Session of the North Atlantic Assembly, held in Paris, France, in September.

I have been informed that Senator Hayden expects to be in a position to table some time next week the report of the Standing Senate Committee on Banking, Trade and Commerce on the budget resolutions with respect to income tax.

In addition, we should have another bill for introduction in the Senate, probably on Tuesday evening.

Committee meetings already set down for next week are as follows: the subcommittee of the Standing Senate Committee on Health, Welfare and Science, appointed to examine the question of prenatal and childhood experiences which may cause personality disorders or criminal behaviour in later life, will meet at 4 p.m. on Tuesday. The Standing Senate Committee on Banking, Trade and Commerce will meet on Wednesday at 9.30 a.m. to continue its examination of Bill S-2, to amend the Canada Business Corporations Act.

The Standing Senate Committee on Transport and Communications will meet on Thursday at 9.30 a.m. to hear further witnesses on Bill C-3, respecting the reorganization of Air Canada, and at 10 a.m. the subcommittee of Health, Welfare and Science will hold another meeting to continue its study on prenatal and childhood experiences leading to personality disorders or criminal behaviour in later life. There will, of course, be additional committee meetings next week, but the times and dates have not as yet been fixed.

● (1410)

Senator Choquette: All interesting items. I can hardly wait.

Motion agreed to.

SCIENCE POLICY

VOLUME 4 OF REPORT OF COMMITTEE—DEBATE CONTINUED

The Senate resumed from Wednesday, November 23, the debate on the inquiry of Senator Lamontagne, calling the attention of the Senate to the report of the Special Committee of the Senate on Science Policy, appointed in the last session of Parliament and authorized in that session to consider and report on Canadian government and other expenditures on scientific activities and matters related thereto, entitled: *A Science Policy for Canada,* Volume 4, *Progress and Unfinished Business,* tabled in the Senate on Tuesday, October 25, 1977.

Hon. Ann Elizabeth Bell: Honourable senators, I should like to extend my congratulations to the Chairman of the Special Senate Committee on Science Policy, and to commend him for the committee's report. It was a privilege to serve on his committee.

Volume 4 is, mercifully, jargon-free, and I commend it to all my colleagues in the Senate. One of the things that this report does not bring out is that some of the most interesting witnesses were heard during an adjournment of the Senate in the summer of 1976. Incidentally, had I known that the committee was going to be asked to meet in August and September I might have declined the invitation to join the committee. However, the experience was well worthwhile. I would point out that some of the best briefs were the briefest ones, while some of the longest contained obtuse and obfuscating replies to our questionnaire. I don't know whether there is something to

be learned from that; I am only giving my analysis of the situation.

There was a necessity to follow up Volumes 1, 2 and 3 of the Science Committee's report, and this was clearly demonstrated as the hearings proceeded. The basic weakness in Canada's industrial endeavour was uncovered by the work done to produce Volume 4, and I think you will all agree that this weakness is permeating our whole economic situation. It is certainly a matter of concern to our science community.

On page 29 of the report you will find a discussion on medical research activity, which we discovered to be dangerously low, as is the case with university research activity.

On page 36 you will find the suggestion that the situation in government laboratories is not good, as one would expect when one looks at the balance of money expended on government research as apposed to industrial research. There seems to be a tendency, because of our austerity and restraint programs, to be penny-wise and pound-foolish. The report, however, has constructive suggestions to offer, and I think you will find that the title, "Progress and Unfinished Business," is very apt indeed. A lot of progress has been made, so we should not be discouraged, and we should certainly be grateful to Senator Lamontagne for providing an answer to the question, "Where do we go next from where we have reached?"

The major defect apparent in our current situation, that is, the industrial gap and our weak performance, seems to arise from the whole economic climate of the country.

The report points out that the economic climate of the country is beyond our frame of reference. Nevertheless, one could not push it aside when evaluating the responses of the witnesses. Each organization, whether it was a professional association, a university, or an industry, stressed the need for stability.

One conclusion that I found quite interesting was that we have always been very backward as risk-takers, and, of course, if we are going to be innovators we have to be risk-takers. If I might just read to you the very first sentence of Chapter 1 of the report:

> Throughout the years in Canada, the stated science policy objectives of the government have not been those it implemented.

That really tells it all.

Chapter 1 goes on to point out that way back in 1916 when the order in council set up what was to become the National Research Council, it asked it as its main function "to select the most practical and pressing problems indicated by industrial necessities . . . for earliest possible solution".

Then in 1967 we find Mr. Drury, the Minister of Industry, Trade and Commerce, saying:

> Our first obligation, therefore, is to ensure that technical innovation activity in our industry is brought to a competitive level in the shortest possible time.

Then, coming to 1977, ten years later, we find the Minister of State for Science and Technology, the Honourable Hugh Faulkner, saying in the House of Commons:

> The government is aware that Canada's national research effort is less than half that of other industrialized nations, and that the distribution of effort among the three performing sectors is the inverse of most other western nations, where typically industry performs 60 per cent of the national research effort—

One is tempted to say: "Plus ça change, plus c'est la même chose". I do not mean to rub it in, but we do seem to be holed up as far as being risk-takers or imaginative in some areas of our development.

Long, long ago, perhaps sometime around 1920, Dr. Henry Marshall Tory, the great scientist who helped found four of our Canadian universities and spent a lifetime trying to get Canada launched as a scientific nation, saw the need to develop the latent genius of our people. In his report in 1926 covering the years of National Research Council from 1916 to 1926, he recalled the experience learned in Europe just prior to the outbreak of World War I. He said:

> Under the stresses of the war the call went out throughout the British Empire to highly qualified research men and it was then discovered that there were more trained scientists in a few of the great German industries than were to be found in the whole of the British Empire.

In his book entitled *Politics in Paradise*, Dr. Patrick I. McGeer, who is Minister of Education in British Columbia, comments on that statement of Dr. Tory, as follows:

> That realization gave him the determination to awaken an unbelievably reluctant nation to the priority of scientific research and technological development.
>
> But when, due to Tory's efforts, a proposal to create a National Research Institute that would help Canada catch up to other nations was put forward in 1921, the Senate killed the bill. One Senator said: 'Now, Honourable Gentleman, there was just one value in the former research institution in Canda and that was the salary paid to the chief. That was all there was in it for anybody. It is absolute nonsense.'

I hope that the work done by the Special Senate Committee on Science Policy has somewhat expiated that earlier sin.

One of our difficulties seems to be that we have always had affluence without the need to innovate. We felt that we could import our technology, and when you discuss this with people who are interested in the development of our technology you find that this feeling is still prevalent. As Volume 4 clearly points out, if we import our technology we can only respond to the needs of industry as far as it is developing within our country. It is the domestic markets that are protected. When we do try to exploit imported technological innovations, we are too late in the production scheme to get into the competitive market. There is too much of a time lag. We can't depend any longer on importing our technology. This really makes you

wonder if we are progressing. I am sure we are, but as Dr. Tory said:

● (1420)

> A government department of Science, Industry and Commerce could be made to mean more to industry in a few years than all the petty tariff changes about which there is so much agitation.

He said this more than 45 years ago. At least we have probably made him happy in that we have now a Department of Industry, Trade and Commerce, with some very good suggestions for it in volume 4, and a Ministry of State for Science and Technology.

One of the sad things we see when we look at research and development is the lack of development of our people's skills. This is certainly a field that we have to develop and capitalize on. There are unique opportunities in this country that give us a competitive edge. Work is being done in respect of the tar sands, and this is something that is going to be desperately needed in other areas. We should develop that technology. We are the right people to develop it. I suppose that if we think that research is not the garnish on the salad but the yeast in the loaf, we will get industry and government working together.

I cannot add much to the comments made by Senator Godfrey and Senator Desruisseaux. They covered different areas of the report, and they did so very capably. But I should like to stress the necessity for having a stable economic climate. We must have certain assurances for long-term planning. There must be stability in our funding for universities and laboratories. Research can't be turned on and off as one would turn a tap on and off. There has to be stability in order to have long-term funding for development projects. Above all, we must have stability in our government departments. The Ministry of State for Science and Technology and the Ministry of Industry, Trade and Commerce are the two ministries of government most responsible for technological development in Canada. Now, I have not counted them but I think these two ministries have had eight ministers in the last five years. There can be no stability, no continuity, when such a situation as that prevails.

In closing, honourable senators, I would recommend to other committees that have presented valuable reports to the Senate—and we can all think of many—that they do as the Science Policy Committee has done and follow up on their recommendations to see if they have been implemented, or whether any of them should be altered in view of changed conditions. This follow-up procedure would be of value not only to the Senate but to the country as a whole.

On motion of Senator Macdonald, for Senator Grosart, debate adjourned.

[Senator Bell.]

THE ESTIMATES

CONSIDERATION OF REPORT OF NATIONAL FINANCE COMMITTEE ON SUPPLEMENTARY ESTIMATES (A)—DEBATE ADJOURNED

The Senate proceeded to consideration of the report of the Standing Senate Committee on National Finance, presented on Tuesday, November 29, 1977, on supplementary estimates (A) laid before Parliament for the fiscal year ending March 31, 1978.

Hon. Douglas D. Everett moved that the report be adopted.

He said: Honourable senators, I presented the report of the Standing Senate Committee on National Finance on supplementary estimates (A) last Tuesday night. The report was printed as an appendix to the *Debates of the Senate* and to the *Minutes of Proceedings of the Senate* of that day, and it is available for senators to read. The report is concise and I do not think I should bore you with its details. Suffice it to say that the supplementary estimates total $1.910 billion, bringing the total estimated spending for 1977-78 to $46.492 billion. That, indeed, is a lot of money, but what I want to talk about for a moment is the restraint that has been shown in expenditures by the federal government despite the enormous size of the estimates for this year.

The federal government recently did something that the Standing Senate Committee on National Finance has been asking for some considerable length of time; that is, they established a target, and their target was that they would limit the percentage growth in actual expenditures so that it did not exceed the percentage growth of the nominal GNP. The government used actual spending rather than the spending which appears in the estimates, because actual spending is what affects our economy. It is the approved estimates less lapses in spending, which occur inevitably, and the revisions of programs during the year. Using actual expenditures has given the government a benchmark against which it can order its spending priorities.

How is the government doing on this whole program? In 1976-77 the target for actual expenditures proposed by the government was $42.150 billion; their actual expenditures were $41.078 billion. The target for 1977-78 is $44.450 billion. This is an increase of 5.5 per cent over last year's target and 8.2 per cent over last year's actual spending, which was less than last year's target.

● (1430)

That 8.2 per cent increase over last year's spending represents zero growth in government expenditures when it is adjusted for inflation. So one looking at the figures, no matter how prejudiced he or she may be, would have to say that the government is doing extremely well. But that is not all; the President of the Treasury Board says that his target is in sight, despite the fact there has been an increase in this year and in these supplementary estimates in transfer payments to provinces under the Established Programs (Interim Arrangements) Act. Those transfers are $468 million for the new extended health care plan and a payment of $440 million for the

reduction in the value of the tax points that were ceded to the provinces due to the reduction in federal government revenues. In addition, $164 million has been paid in oil compensation and oil deficiency payments. Now, $200 million in these supplementary estimates is for direct government employment programs as a result of the high unemployment rate, bringing the total of government employment programs in this year to $608 million. Future supplementary estimates, of which we are sure to have at least one, will be in addition to these amounts.

I for one have been extremely critical in the past of the growth in government expenditures. I believe it has bothered almost every thinking Canadian, but this government has undertaken to stop that growth and to bring it in line with the growth in the economy itself. For two years now the government has been successful in doing that and in achieving its target. The outlook for next year is even better. So as one of those who have been critical of the government, I wish to congratulate the government and the President of the Treasury Board.

On motion of Senator Macdonald, for Senator Flynn, debate adjourned.

The Senate adjourned until Tuesday, December 6, at 8 p.m.

THE SENATE

Tuesday, December 6, 1977

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

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Auditor General to the House of Commons for the fiscal year ended March 31, 1977, pursuant to section 7(3) of the Auditor General Act, Chapter 34, Statutes of Canada, 1976-77, together with a Conspectus of the said Report.

Report of the Department of Public Works for the fiscal year ended March 31, 1977, pursuant to section 34 of the Public Works Act, Chapter P-38, R.S.C., 1970.

Copy of a Judgment by Chief Justice Evans of the Supreme Court of Ontario, in the matter of an Application for Judicial Review between Messrs. Joe Clark, Sinclair Stevens, Bill Kempling, Walter Baker, Jim Gillies and Ron Huntington, Applicants and the Attorney General of Canada, Respondent. (*English Text*).

SAFE CONTAINERS CONVENTION BILL

FIRST READING

Senator Perrault presented Bill S-4, to implement the International Convention for Safe Containers.

Bill read first time.

Senator Perrault moved that the bill be placed on the Orders of the Day for second reading on Thursday next.

Motion agreed to.

BANKING, TRADE AND COMMERCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Standing Senate Committee on Banking, Trade and Commerce have power to sit while the Senate is sitting tomorrow, Wednesday, December 7, 1977, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

RULES OF THE SENATE

ORAL AND WRITTEN QUESTIONS

Senator Fournier (Madawaska-Restigouche): Honourable senators, I trust I am not out of order, and that this is an appropriate point at which to make these remarks.

I learned today that in future all notices of inquiries are to be written and given to the Clerk, and to that I have no objection. However, I do want to bring to the attention of honourable senators the fact that on August 2 last, some five months ago, I gave notice that I would inquire of the government certain facts related to the CNR, and I have not yet received an answer.

I do not blame the Leader of the Government or his staff, for I know that they did everything possible to obtain the information requested. The fact that this information has not been forthcoming is but a further example of the attitude on the part of some crown corporations, including the CNR, when it comes to providing information that the public should have.

Senator Perrault: Honourable senators, I can only suggest that this session Senator Fournier may wish to present another notice of inquiry with respect to the same matter. Certainly, I shall extend my fullest co-operation in efforts to obtain the desired information.

Senator Fournier (Madawaska-Restigouche): That has already been done.

Senator Choquette: Just send a copy of Senator Fournier's remarks to them so that they will know what he thinks of them and their behaviour.

Senator Molson: Honourable senators, in view of what Senator Fournier has just said, I would call the attention of the house to the new rule 20 which is found on the inside front cover, and the facing page, of the *Rules of the Senate*. Rule 20 deals with the Question Period and the asking of questions.

I think my honourable friend, Senator Fournier, is mistaken in what he said about inquiries. The definition of "inquiry" is found in rule 5(*e*) on page 2:

> "inquiry" means the procedure whereby a senator, after giving notice in accordance with rules 43 and 44, calls the attention of the Senate to a particular matter for the purpose of informing the Senate of that matter or having it considered or examined by the Senate.

On the other hand, under the new definition of "question" found in rule 5(*n*), questions are divided into oral and written questions.

I shall not read them, but the matter is clearly set out in rules 20, 20A and 20B.

Senator Fournier (Madawaska-Restigouche): I do not agree with that at all.

Senator Flynn: I suggest that Senator Fournier might simply have asked a question, which would have been in accordance with this new rule. For example, he could have

asked the government leader why he had not replied to the question put to him on August 2 last.

NUCLEAR SAFEGUARDS

NATIONAL POLICY—QUESTION

Senator Forsey: Honourable senators, I have a question for the Leader of the Government. Some days ago in the Ottawa *Journal*—the *Journal* of November 25, to be exact—there was a report of what appears to have been an interview with, or a speech by, the Minister of Industry, Trade and Commerce in Brussels in which he appears to have said that Canada has "come around" to the commercial realities of its nuclear safeguards policy. He is quoted as saying:

> As Canada makes more and more sales of its technology, it's perhaps come around to a more realistic opinion . . . I shouldn't say this . . . that it shouldn't restrict sale of its technology.

I should like to ask the Leader of the Government whether this indicates any change in government policy in the matter of safeguards for the sale of reactors. I am almost inclined to add parenthetically, although I suppose I am out of order in doing so, that, if actually this policy has been an obstacle to sales of our reactors, it presumably has saved the taxpayers a good deal of money.

Senator Perrault: Honourable senators, regrettably I do not have available to me a copy of the full text of the minister's statement. Consequently, it is not possible for me to comment on the alleged remarks. To attempt to do so would not be fair to the minister. Therefore, I should like to take the question as notice in order to determine whether the press report quoted is indeed accurate. I shall endeavour to provide further information.

FOREIGN AFFAIRS

INTERNATIONAL AGREEMENT ON WHALING—QUESTION

Senator Austin: Honourable senators, I have a question for the government leader in connection with the forthcoming meeting in Tokyo of the International Whaling Commission, and the controversy which exists with respect to the appropriate level of quota for the taking of sperm whales and other whales during 1978.

● (2010)

I would ask the government leader whether the Government of Canada is supporting the recommendation of the executive committee to limit the take of whales to under 800 as opposed to Japanese and Russian desires to have a 6,000-whale quota.

Senator Flynn: Written question.

Senator Perrault: Honourable senators, because of the detailed nature of the question, it will be taken as notice.

LEGISLATION

INTRODUCTION OF NEW BANK ACT—QUESTION

Senator Perrault: Honourable senators, Senator Austin has given me notice of two questions, which I am in a position to reply to now. First, he would like to know when the New Bank Act is to be introduced.

I can inform the house that the drafting is now being finalized by the Department of Justice, and the Minister of Finance intends to proceed with it as quickly as possible.

CANADA-UNITED STATES RELATIONS

POSSIBLE VISIT OF PRESIDENT CARTER TO CANADA—QUESTION

Senator Perrault: Senator Austin further asks whether President Carter will return the visit of the Right Honourable the Prime Minister. In reply, there is no information available on that question at this time.

ALASKA HIGHWAY PIPELINE

INTERPRETATION OF AGREEMENT—QUESTION ANSWERED

Senator Perrault: Honourable senators, a question was asked by Senator Olson on November 22 concerning the Alaska Highway pipeline. The question made reference to Canadian suppliers for the forthcoming natural gas pipeline, and asked whether any preference would be given to Canadian suppliers, particularly to suppliers who would have to set in place a production capability to supply some of the material other than pipe between now and when the construction begins.

Honourable senators, the pipeline company, in testimony before the National Energy Board, has indicated that it is dedicated to a maximization of Canadian content and that it is making an effort to work with potential sources far enough in advance of their supply deadlines to allow for the establishment of additional facilities by some of these firms if required. The company has also underlined that it is prepared to accept some penalty in order to be able to source its requirements in Canada. Officials are, and will be, reviewing with the pipeline company its procurement plans in order to achieve optimum Canadian content not only in the supply of pipe to the project but also in the supply of other goods and services.

CANADIAN BROADCASTING CORPORATION

DOCUMENTARY PROGRAM *THE FIFTH ESTATE*

Senator Perrault: Honourable senators, Senator Bosa submitted a written question on November 8 with respect to the CBC documentary program *The Fifth Estate* that dealt with Canada's foreign aid program. That was followed by an oral question by Senator Smith (Colchester) on November 29 inquiring as to when Senator Bosa's question would be answered.

I have been informed by Mr. A. W. Johnson, President of the Canadian Broadcasting Corporation, that senior officers of

the corporation in Toronto are at present putting together the information asked for by Senator Bosa. Mr. Johnson has assured me that we will have the report as soon as it is available, although no time frame has been established in terms of an exact date.

FOREIGN AFFAIRS

MIDDLE EAST—CANADIAN FOREIGN POLICY—QUESTION

Senator Bosa: Honourable senators, I should like to direct a question to the Leader of the Government in the Senate with regard to what has been happening recently in the Middle East. Canada has always had a vital interest in the area, as evidenced by the fact that the late Lester B. Pearson received the Nobel Peace Prize as a result of an initiative that he took in the mid-1950s. Is Canada taking any initiative in that area at the present time, an area which would appear to be developing as a source of either continued controversy or peace?

Senator Perrault: Honourable senators, the entire thrust of Canadian Middle East foreign policy, beginning with the establishment of Israel just over 30 years ago, has been to help bring about peace in that area. There have been efforts made by successive Canadian governments, along with governments of other countries, to advance initiatives which would see the establishment of security of frontiers, peace and economic prosperity in that area. A number of efforts in those directions have been made by a succession of Canadian Prime Ministers and External Affairs Ministers during that period of time.

Honourable senators are aware, of course, of the recent visit to the Middle East by the Secretary of State for External Affairs, the Honourable Don Jamieson. The minister met with a number of leaders and other governmental representatives in the area.

I had the opportunity in August when in Israel to meet with Mr. Moshe Dayan, Israel's Foreign Minister, and other ministers. I assure honourable senators that the entire Canadian initiative in past years and in recent months has been to offer this nation's good offices and peacemaking and peacekeeping resources in order to help achieve a settlement of outstanding differences in the Middle East. That will continue to be the thrust of Canadian efforts.

THE ESTIMATES

CONSIDERATION OF REPORT OF NATIONAL FINANCE COMMITTEE ON SUPPLEMENTARY ESTIMATES (A)—DEBATE CONTINUED

The Senate resumed from Thursday, December 1, the debate on the motion of Senator Everett, for the adoption of the report of the Standing Senate Committee on National Finance, presented on Tuesday, November 29, 1977, on supplementary estimates (A) laid before Parliament for the fiscal year ending March 31, 1978.

Hon. Jacques Flynn: Honourable senators, the report of the Standing Senate Committee on National Finance relating to supplementary estimates (A) was sober and non-controversial, and I have no objection to its adoption. However, I would say that Senator Everett, whose absence tonight I regret, was neither as factual nor as non-controversial as the report.

On Thursday, December 1—and this is to be found at page 198 of *Hansard*—he had this to say in speaking generally about the situation:

> So one looking at the figures, no matter how prejudiced he or she may be, would have to say that the government is doing extremely well.

I repeat: "extremely well." Now, I don't know if I am prejudiced—

Senator Molson: Oh no, never!

Senator Perrault: Oh, never!

Senator Flynn: Well, I challenge anyone here to be less prejudiced than I am. If what I am is prejudiced, then words have lost their true meaning.

But let us look at some of the figures. In committee it was interesting to see that we were offered a new way of explaining estimates. We were given, first, the target figure for the fiscal year, then the authorized amount, and then the real expenditures. In 1976-77 the target for expenditures was $42.150 billion, as against an authorized $41.224 billion which was lower than the target. And the real expenditures were $41.078 billion, lower yet than the target and the authorized amount.

Now, in 1977-78, the target is $44.450 billion. We don't know exactly what the real expenditures will be, but I will come back later to some of the guesses that were made. And we have an authorized minimum of $45.802 billion.

● (2020)

So, as you can see, the minimum is higher than the target by something like $1.350 billion. The difference between this year and the previous year is that the target this year is lower than the authorized, whereas in 1976-77 it was the contrary—the authorized expenditures were lower than the target.

I said that $45.802 billion is the authorized amount for this year. But I am a little confused because Senator Everett said in his speech, and in committee, that the authorized amount was $46.492 billion, or almost $46½ billion, which is something like $1.600 billion more. That is a rather important figure. He mentioned it in committee and he mentioned it again in his speech of December 1, as reported at page 198:

> Suffice it to say that the supplementary estimates total $1.910 billion, bringing the total estimated spending for 1977-78 to $46.492 billion.

The figure given by the parliamentary secretary to the President of the Treasury Board in committee was, as I said before, only $45.802 billion.

Senator Lamontagne: What about supplementary estimates?

Senator Flynn: That included supplementary estimates. As I said, there are three figures—the target, the authorized, and the real. We know the real for last year was below the

authorized, and the authorized was below the target. But this year the target is below the authorized and below it by a substantial amount if we take the figure of $46.492 that Senator Everett mentioned in his speech and in committee.

Now, how can we guess what the real expenditures of the present fiscal year will be? The only thing we know is that in committee it was mentioned that about $1.300 billion of expenditures would not be met. So that means, if we take the first figure, the official figure of $45.802 billion, not the one quoted by Senator Everett, we would have a real expenditure of $44.502 billion which would be above the target for 1977-78, whereas last year the real expenditures were not only below the target but also below the authorized expenditures. If Senator Everett considers this as the government's "doing extremely well," I would suggest that there is something different in our interpretation of "well."

I have also read the report of the Auditor General. From that we glean that as far as last year is concerned, there was more overspending and wasteful spending. If we are doing extremely well only because our wasteful spending is not running ahead of the inflation rate, that does not mean that we are doing better. It only means that the government is slowing down the rate at which it squanders the taxpayers' money.

Senator Everett said that expenditures did not really go up; it is the cost of living that did. Well, the cost of living rises as government expenditures rise. Who does he expect us to believe is responsible for inflation, if not the government which, though it speaks bravely of curbing expenditures, still has not done one hell of a lot about it in reality?

Let me go back to the report of the Auditor General. Senator Everett says the government is certainly doing extremely well in controlling the expenditures of public funds. Well, the Auditor General tells a different story: 90,000 square feet of rented government office space in Ottawa lay empty for between six to 10 months last year, at a cost of $400,000; $95 million was paid out last year to unemployment insurance claimants who were not entitled to coverage; the organizers of Habitat, the United Nations Conference on Human Settlements, held in Vancouver last year—and this is something Senator Buckwold will love, and possibly Senator Perrault too—booked too many rooms for participants and observers and it cost the government over a half million dollars. I know, of course, it is very expensive to live in Vancouver or to go there and stay in any hotel, but a half a million dollars is definitely not peanuts, despite what C. D. Howe used to say some years ago. Then there was the telecommunications agency's revolving fund which exceeded its $2 million appropriation for seven months last year, at one point going up to $1.9 million over its limit; and the Canadian Saltfish Corporation, a crown agency, paid kickbacks of over $400,000 last year by artificially increasing sales invoices to customers, then rebating the difference. Add to that the very interesting way in which the government has been paying astronomical sums to unknown agents for help in the sale of Canadian made nuclear reactors. These examples, of course, do not exhaust the list of the Auditor General's litany of waste, but I don't want to bore those of you who think this government is doing extremely well. I merely wanted to point out that the Chairman of the Finance Committee, when he says in a speech presenting his report on supplementary estimates (A) that the government is doing extremely well, sounds no more credible to us than he would to a class full of students taking freshman economics.

I will agree, of course, that the Auditor General said that the federal government's handling of money was improving. But if you will recall what he had to say last year as to how the government had virtually lost control of its spending completely, and we know that Parliament has had no practical control for years—well, government had nowhere to go but up. And I cannot really bring myself to believe that showing some improvement over what was scandalous ineptitude deserves to be described as doing extremely well.

• (2030)

The National Finance Committee, when it dealt with supplementary estimates (A), dealt with only a small portion of the problem. And to conclude from that that the government is doing extremely well was simply naive and an insult to those in the Senate who possess more than a very superficial knowledge of economics. I suggest that the National Finance Committee has, in the past, done fine work. But it will have to become involved in writing fiction if it hopes to justify its coming to us and saying that the government is doing extremely well.

On motion of Senator Grosart, debate adjourned.

RETIREMENT AGE POLICIES

MOTION TO APPOINT SPECIAL COMMITTEE—DEBATE CONTINUED

The Senate resumed from Wednesday, November 30, the debate on the motion of Senator Croll:

That a special committee of the Senate be appointed to examine and report upon

(a) the existing retirement age policies affecting workers in both the public and private sectors;

(b) the social and economic implications of mandatory retirement based on age alone;

(c) the feasibility of enabling workers, especially elderly citizens, to continue to make a worthwhile contribution to our society through flexible voluntary retirement plans to the extent of their ability and motivation;

(d) the protection for those over sixty-five against age discrimination in all employment areas; and

(e) the need for the maximum co-operation of all levels of government, labour unions, business and the public in respect of existing and future retirement age policies and retirement plans;

That the committee have power to engage the services of such technical, clerical and other personnel as may be necessary for the purpose of the inquiry; and

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

Senator Sidney L. Buckwold: Honourable senators, it is a privilege for me to join with others in this debate on Senator Croll's motion. It has become obvious during the debate that this matter has given many senators the opportunity not only to talk about the proposal, but also to pay well-deserved tributes to this worthy and respected senator, and I certainly join with my colleagues in making that expression.

I might add that when I was sworn in as a member of this august chamber some six years ago, the experience was made even more memorable by the fact that I was escorted by a man whom I had for so long greatly admired, namely, Senator Croll. That was a great introduction to the Senate, and for this I thank him, and say again that I have always been so proud of what he has done for this country.

Honourable senators, I think Senator Croll's motion is an interesting one. It is wide-ranging, and it covers quite a variety of problems facing the aged. I attempted to do some minor research into this whole subject and found that there are not many Canadian statistics that provide any sort of evidence directly related to what we are discussing tonight, namely, mandatory retirement and many of the other aspects of the motion. I was, however, able to find some material from the United States that is timely and probably applicable in our country, and I hope honourable senators will not mind if I mention some of their experience. The Americans have had an active legislative program in this regard. I might add that what I have to say was provided, to a large extent, by a Dunn and Bradstreet article on this subject.

Our near and great neighbour, the United States, is very apt at coining phrases, and the fight in that country for improved civil liberties for older Americans has been suitably named the battle for "grey rights." Canadian senior citizens are also expressing their grievances, which are serious and which include problems they face as a result of inflation, inadequate pensions and the delivery of health care.

One very great concern that has recently come into significant prominence is that of mandatory retirement. In the United States of America this matter has now reached the legislative stage. Many Americans nearing or past normal retirement age want to abolish that which limits their working lives. This would have a material impact on the economic life of that country, and, in a rare alliance, both business and labour unions are resisting the proposed change. However, powerful support from groups such as the American Association of Retired Persons and the American Civil Liberty Union have been able to influence this legislative battle.

The current focus of the "grey rights drive" is the Pepper-Findlay Bill, sponsored by Representative Claude Pepper, a Florida Democrat, and Representative Paul Findlay, an Illinois Republican. This measure would make 70 the new legal age for mandatory retirement in private industry; abolish the mandatory retirement age of 70 for federal workers; and invalidate the mandatory retirement clauses in union contracts and pension agreements. The Pepper-Findlay Bill sailed through the House Education and Labour Committee without a dissenting vote. Meanwhile, a similar bill has been approved by the Senate Labour Subcommittee. So, there is a very active legislative thrust in this direction in the United States.

A mandatory retirement age of 70 for private industry is only the first of many "grey" demands. Eventually, "grey rights" advocates want to abolish all age requirements for retirement. Their arguments in favour of a higher retirement age, or no age limit at all, are fairly simple. They point out that most people are still able to do productive work after the age of 65, and many workers simply cannot afford to retire because their pensions are inadequate. They also cite medical evidence of the illness and premature death of many older workers who were forced out of their jobs, and this has been mentioned by other honourable senators in this debate.

Industry's position on the issue is more complex. One key objection is that, without mandatory retirement, corporations would be forced to make tough decisions on who is able to do his job. They would have to weigh older workers carefully, and downgrade or discharge those failing or slowing down. Such judgments would cause disputes and problems between the company and the employees. There is also the problem of creating jobs for new and younger workers. There is a finite number of positions, and the longer older workers hang on to them the fewer opportunities there are for the young. This is also a major concern of labour unions, which have been steadily pushing for the opportunity to retire at a younger age.

According to the Exxon company, an open-ended retirement policy would tend to discriminate against blue-collar workers. While the older manager or other professional who uses his brain and has no physical demands in his job would probably be judged to be more or less able to continue, wage earners who have spent decades in jobs requiring physical exertion may not be. However, some American companies are already experimenting with the idea. A new retirement policy was recently announced by Connecticut General Insurance Corporation of Hartford, and it reflects this concern. Connecticut General's policy, which is a very unusual one in industry today, removes any mandatory retirement age for almost 12,000 employees, but it excludes from this general plan the top management and the upper half of middle-management. These groups will continue with the conventional retirement age of 65 years. Some of the companies which have no mandatory retirement age and employ older workers report that the number of employees who elect to stay on is not large and that they perform well. I think this is an interesting observation. One of the major questions that people see in the abolition of compulsory retirement is how long people will continue working.

• (2040)

It is interesting to note that the Banker's Life and Casualty Company, of Chicago, which has 4,000 employees, pioneered in the hiring and continued employment of people in their sixties, seventies and even eighties. For the most part, according to the vice-president of corporate services, the post-65-year-old population in the company has remained stable at about 4 per cent because so many people still opt to retire. I think that is rather important. Not everyone wants to keep on working.

I believe Senator Croll is looking for the limited number who feel that they can work, who would like to work, and who feel they should have the opportunity of doing so. There is some statistical evidence from the experiences of the companies to which I have made reference which would support the fact that a relatively small percentage actually will continue to work after the normal retirement age.

Paradoxically, in light of the conflict about letting people work longer, the major trend has been for workers to retire early when given the choice. Recently, the average retirement age in the United States has declined from 65 to 62. At General Motors, for example, 7,980 hourly-paid workers retired in 1976, but only 164 had reached age 68, which is General Motor's mandatory retirement age. In addition, some experts estimate that only about 10 per cent of the current post-64 generation would opt to continue working if allowed.

Why all the fuss, then? "We don't want this legislation passed because all people over 65 want to work," says John Martin, former head of the United States Commission on Aging, "We just want to have the choice of working, like anyone else."

The problem of pensions and their ever-increasing cost, because of inflation and longer life expectancy, must also be considered. In Canada, it is reported that by the year 2000 the Canada Pension Plan will be in a deficit position. Perhaps one way of easing this situation would be to drop mandatory retirement at age 65. Despite their current opposition to open-ended retirement, corporations may eventually come around to supporting the practice for financial reasons, namely, the escalating cost of pensions.

On the important question of how productive older workers are, a recent article in *Industrial Gerontology* magazine notes that this group—that is, the senior citizen workers—has a better performance record than younger employees, and that many older workers are immensely under-utilized. The authors, Elizabeth L. Meier and Elizabeth A. Kerr, cite a number of studies, including:

> A 1965 study by the U.S. Labour Department found that in factory work involving substantial physical effort, productivity decreased substantially after age 65. In office work and in mail sorting, productivity declined little if any up to age sixty, and only slightly after that. In the study of performance of office workers, the oldest age group, 65, actually had the best record.
>
> In three studies conducted recently by the Bureau of Business Management of the University of Illinois, supervisors rated more than 3,000 personnel past sixty who worked in retailing, clerical and middle-management jobs. The conclusion: A majority of the older workers were as good as, or superior to, average younger workers in such things as lack of absenteeism, work quality, work volume and human relations. The study also found that there is no specific age at which employees become unproductive.

Honourable senators, I support the appointment of a committee to study this matter. It should look at all the implications, such as opportunities for younger workers, anticipated size of the future work force, pension problems and so forth. Proposed changes should probably be phased in. For instance, if it is recommended that the retirement age be raised from 65 to 70, that could probably be accomplished over a 10-year period.

This is an opportune time to conduct this in-depth review of compulsory retirement and other problems facing the aged. The committee may not necessarily support the change because of the wide variety of problems that will, of necessity, be raised. Everything will have to be very carefully assessed.

The demographic change in our society is steadily indicating an ever larger percentage of the population over 60 years of age. In my opinion, many of these people, older in years but possessed of experience and skills that are still productive for this country, should have the opportunity, if they so wish, to continue in some form of employment.

It is my hope that this chamber will support the motion of Senator Croll so that an opportunity will be given for an in-depth study, for the first time, of this very important subject.

Senator Godfrey: Honourable senators, I move the adjournment of the debate.

Senator Croll: Honourable senators—

Senator Flynn: You cannot speak unless you are closing the debate. Senator Godfrey has moved the adjournment of the debate. You cannot speak twice on the same question.

On motion of Senator Godfrey, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, December 7, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Textile and Clothing Board, dated July 28, 1977, to the Minister of Industry, Trade and Commerce, pursuant to section 19 of the Textile and Clothing Board Act, Chapter 39, Statutes of Canada, 1970-71-72, respecting woven cotton terry towels.

Report of the Textile and Clothing Board, dated September 6, 1977, to the Minister of Industry, Trade and Commerce, pursuant to section 19 of the Textile and Clothing Board Act, Chapter 39, Statutes of Canada, 1970-71-72, respecting work gloves.

Report of the Textile and Clothing Board, dated August 31, 1977, on an inquiry respecting hats and caps.

Report of the National Arts Centre Corporation, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 17 of the National Arts Centre Act, Chapter N-2, R.S.C., 1970.

Report of the National Film Board of Canada, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 20(2) of the National Film Act, Chapter N-7, R.S.C., 1970.

THE HONOURABLE RAYMOND J. PERRAULT, P.C.

ACTING PRIME MINISTER—QUESTION

Senator Austin: Honourable senators, I understand that later today the Leader of the Government will be Acting Prime Minister. Accordingly, I would like him to tell the chamber whether he will seize this new power to advance many important interests in the Senate such as, for example, Senator Flynn's interest in having some Conservative colleagues, Senator Argue's interest in having a beef price support program, or perhaps Senator Lamontagne's interest in science policy. For Senator Frith and myself, I wonder whether he would take under consideration the construction of a squash court in the East Block.

Senator Perrault: Honourable senators, it is true that I shall assume these onerous responsibilities later this day, and serious consideration will be given to the important recommendations advanced by the Honourable Senator Austin.

Senator Flynn: It will be a change of pace if you are able to deal with all these matters tomorrow.

INDUSTRY

SUPPLIES OF AMERICAN COAL TO CANADA—QUESTION

Senator Austin: Honourable senators, in view of the strike in the United States coal industry and the reliance by Canadian utilities and the Canadian steel industry on United States coal supplies to Canada, could the Leader of the Government tell us whether there is any imminent shortage of such supplies for either utilities or the steel industry in Canada, and how long those sectors can stand a United States coal strike?

Senator Perrault: Honourable senators, I appreciate the fact that prior notice was given of this question. As yet I have not received the desired information. I am hoping that this information will be forthcoming this afternoon; if so, it will be given to the house.

THE ESTIMATES

REPORT OF NATIONAL FINANCE COMMITTEE ON SUPPLEMENTARY ESTIMATES (A) ADOPTED

The Senate resumed from yesterday the debate on the motion of Senator Everett for the adoption of the report of the Standing Senate Committee on National Finance, presented on Tuesday, November 29, 1977, on supplementary estimates (A) laid before Parliament for the fiscal year ending March 31, 1978.

Hon. Allister Grosart: Honourable senators, the numbers that are before us in the supplementary estimates, which will later come to us in an appropriation bill, have been fully discussed. I might say that in my view the report of the Standing Senate Committee on National Finance contains the best and most easy to read summary of the projected estimates that I have seen anywhere.

I will confine my remarks this afternoon to one or two major principles that arose in the discussion of these estimates in committee. The first was the relation of statutory expenditures to items in the estimates which are required to be voted by Parliament. This is an important question, the facts of which often seem to be misunderstood. In fact, the question of the relation of statutory expenditures to voted expenditures at any given time was raised in the Senate in a question directed to me. I think we should appreciate the fact that the division of proposed government expenditures into statutory and voted items—as well, of course, as into budgetary and non-budgetary items—should not be used as an excuse to defend the

totality of government spending indications. I say that because this is often done. In general terms, in the present estimates of government expenditures for this year the breakdown is approximately 50-50; that is to say, about half the expenditures are statutory, arising from the provisions of existing statutes. Now, of course, existing statutes can be amended or even repealed, and I am very glad to see a recent suggestion that the government, for the first time in history, may be engaged in an extensive examination of current statutory expenditures. We even read suggestions in the press, certainly for the first time that I can recall, that the government is even considering the abolition of certain departments of government as possibly necessary. It is true that the President of the Treasury Board and the Minister of Finance have not confirmed that, but the repeated suggestions in the press certainly appear to me to be leaks of some kind of at least what may be under consideration at the cabinet level at the present time. I for one would suggest that when we consider the estimates or appropriation acts in the future we look as carefully at the statutory items as at the items which we are asked to vote.

It is true that in the estimates, of course, the statutory expenditures are included only for information. The appropriation act asks us to appropriate public funds to meet intended government expenditures. Of course, we are concerned with the total at any given time of government expenditures, particularly in the context of the times. We are particularly concerned with the relation of the growth of government expenditures to the growth in the economy as a whole. This is a fairly new area of consideration by all governments in Canada. It was discussed at some length in committee, and I am sure that all honourable senators welcome the fact that we do appear to have a turnaround in the general approach of public servants and the government to this whole question of relating the increases in government expenditures to the growth of the economy.

I was interested that Senator Flynn, in his excellent comments yesterday, took issue with Senator Everett's statement:

> So one looking at the figures, no matter how prejudiced he or she may be, would have to say that the government is doing extremely well.

Senator Flynn took exception to that as a broad statement and I would certainly be inclined to agree with him. On the other hand, I understand what Senator Everett meant, which I believe was that the government had at long last suddenly decided to relate these two matters, that the government had finally reached that point of concern, almost panic, at the levels of government expenditure where they were then saying, "Well, we simply have to relate the increase in government expenditures to the ability of the economy to provide the necessary funds to meet those spending intentions."

● (1410)

I suggest that it may well be that there is no more important an issue facing Canada and other democratic countries today. A good case has been made to prove that the continued increase of growth in government expenditures over the ability of the economy to meet those expenditures may be the greatest single threat today to democracy as we know it, and, particularly, to individual freedom.

One very renowned economist—not that all economists agree with him on all things—is Milton Friedman. He points out that the excessive demands of government expenditure on the economy has resulted in the major crises of the democratic systems of the world. He mentions, for example, the Chilean case.

Senator Lamontagne: Is he an expert on Chile?

Senator Grosart: He certainly is an expert on Chile. He was called in by the Chilean government to advise them at the point when they reached a 400 per cent inflation rate. Out of that experience he raised this whole question as to the point at which government demands on the economy threaten the democratic system itself. He says that this did happen in Chile because Chile was one of the freest, most democratic of all South American countries at one time. Chile started on this road of steadily increasing government expenditures at exactly the same time as the United Kingdom did, and both reached similar points with respect to threats to their democracy.

In Chile, it also resulted in the end of individual freedom. There was a military takeover. Of course, it has not reached that stage in the United Kingdom, the reason being that the United Kingdom is a much wealthier nation. It has been able to stand up to the problem while Chile has not.

Mr. Friedman goes on to point out that this is what happened in New York. The City of New York lost complete control of its own expenditures. The reasons were the same: demands of the Government of New York on the ability of New York to produce and pay brought about the same situation.

He suggests that every democratic country should look very carefully at the *status quo* in this matter. In Canada we have reached just over 40 per cent. In other words, public sector demands on the economy of all levels of government are now over 40 per cent. It appears that the catastrophic point is in the neighbourhood of 50 per cent. I am sure all honourable senators hope that the government panic caused by the recent very high level of government expenditures will have the effect of avoiding this for Canada.

Senator Flynn's point was well taken. What I think he was really saying was this: Should a government really be congratulated when it has finally decided that it will not spend any more than it would seem reasonable for the economy to produce? Senator Everett felt that, because the government appears to have taken this stand in the last two years, it should be entitled to claim that it "is doing extremely well." Well, perhaps in a very limited area it is not doing badly. I would not go so far as to say it is doing extremely well. Although it is coming reasonably close, it has not yet reached its target. On the other hand, I suggest it does not make any sense to congratulate a government because at long last it is not demanding more from the economy than the economy can produce.

Some interesting questions were raised during committee consideration concerning the government policy of setting so-called targets. This was done in the spring of 1976 for the first time and again in February of this year when the government set what some call a target for total government expenditures for the year. To my mind the word "target" is a poor choice. Other words are used. The President of the Treasury Board himself was inclined to use the word "ceiling" or "objectives," although he did use the word "target". I suggest that it is a bad word because the assumption in having a target is that you are going to reach it. It would be a better incentive to curb government expenditures if the government thought in terms of not reaching a target—and that, from the evidence we heard, appears to be what it has done this year.

The President of the Treasury Board told us that as far as present indications go—and Senator Flynn referred to this yesterday—the government will not spend all that it has asked Parliament to authorize. The suggestion was made in committee, assuming that to be the case, that the government should reduce appropriations by the amount no longer required, and it was in response to that suggestion that the minister enunciated a new policy and a very important principle.

I draw it to the attention of honourable senators because it is a fact that the National Finance Committee has had a very important influence, not only on the methodology of presenting estimates but on the control of government expenditures.

To provide a little more background, the suggestion made in the National Finance Committee was that we should have "supplementaries in reverse" so that when the government finds it no longer has need of funds appropriated it should, by way of supplementary estimates, come before Parliament and return to the Consolidated Revenue Fund moneys not expended. The feeling was that this would result in disciplinary controls by government departments and agencies.

In responding to that suggestion the President of the Treasury Board said:

> I guess your question in the end is a technical one: why do we not adjust the supplementaries on the down side, too? Well, it is just not that simple yet. The day may come, senator, when we can. This is a fairly new approach to things, and I think it is a good one. The day may come in the ensuing years where we could probably do that, but at the moment we have a very strong faith—and I think it will be proven out, and I suggest the fact that we did it last year indicates some reason for this—in our ability to do it this year.

Later on he said that as a result of not only the clear statement of the ceiling at the beginning of the year but subsequent statements, it was the government's intention not to reach that ceiling, to fall short of it, and expenditures were being reduced. The effect on the public service was a good one. In that respect, he said:

> We are now finding that our senior officials, because of our preaching the need for this, are coming to us and saying, "We have looked at this and we have a very confident view that we can lapse more, not less."

● (1420)

Over the years all of us who have examined this matter of public spending have come to realize that it has become almost a fact of life for departments, towards the end of the fiscal year, to make sure they spend all the money Parliament has authorized them to spend. Now, because of this new policy, this new approach for which the Senate committee can take a good deal of credit, we find this new attitude, and it is the first time I have ever heard of a situation in which senior officials of the government are actually coming forward and saying, "We can lapse more and take some pride in it." And the minister emphasized that they could take pride in not spending and would get high marks, as he suggested, from the Treasury Board.

Other interesting matters were raised, but perhaps I can conclude my remarks by suggesting that in this and in other areas the Senate Finance Committee does have an important role to play in the immediate future. I have admitted that the government has recognized the necessity of relating the growth in government expenditures to the growth in the GNP—the national income, national productivity, whatever you like to call it—but this has been brought about by the government's panic—and I do not think the word "panic" is an exaggeration—at the obvious relationship between government spending and inflation. The realization is here now, and it has been brought about by the unexpected slowdown in the economy, by the phenomenon of unemployment and inflation at the same time. We have that situation now, but my fear is that, when this situation improves, when the economy picks up, when the employment situation is better, when inflation appears to be under control, we will go back to the old ways of government expenditures being unrelated to the ability of the economy to meet them.

I believe that our National Finance Committee has an important role to play here, because our kind of monitoring of the total expenditures, the total estimates, the total in the appropriation bills is not the kind that is normally done in the House of Commons. House of Commons committees, of course, deal specifically with estimates in departments, but they do not do it under a concept of totality in the way that we have been doing it for some years in the Senate National Finance Committee.

With that hope, honourable senators, I commend the report of the committee. It is a good one; it is concise and clear, as Senator Flynn said, and it points, I think, in the direction of further contributions by Senator Everett's committee to the public interest in Canada.

Motion agreed to and report adopted.

RETIREMENT AGE POLICIES

APPOINTMENT OF SPECIAL COMMITTEE

The Senate resumed from yesterday the debate on the motion of Senator Croll:

That a special committee of the Senate be appointed to examine and report upon

(a) the existing retirement age policies affecting workers in both the public and private sectors;

(b) the social and economic implications of mandatory retirement based on age alone;

(c) the feasibility of enabling workers, especially elderly citizens, to continue to make a worthwhile contribution to our society through flexible voluntary retirement plans to the extent of their ability and motivation;

(d) the protection for those over sixty-five against age discrimination in all employment areas; and

(e) the need for the maximum co-operation of all levels of government, labour unions, business and the public in respect of existing and future retirement age policies and retirement plans;

That the committee have power to engage the services of such technical, clerical and other personnel as may be necessary for the purpose of the inquiry; and

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

Hon. John Morrow Godfrey: Honourable senators, originally I had no intention of taking part in this debate because, although I have views on the subject of retirement, I thought I would elaborate them either before the committee or in the debate on the report of the committee. However, there are a couple of observations I would like to make, not on the subject to be referred to the committee but about the operation of the committee itself.

Before doing so I would like, along with others, to pay a personal tribute to Senator Croll. Possibly I have known him, at least politically, longer than anyone else in this chamber. The first time I met him was at a Liberal picnic in Peel County in the summer of 1935. I was president of the Peel County Young Liberals and was delighted when I found myself sitting at lunch beside Senator Croll, then the youngest member in Mitchell Hepburn's cabinet. During the course of the lunch I made a disparaging remark about the abilities of a Conservative member of the Ontario Legislature. I recall Senator Croll going to great lengths to explain that while one might disagree with a person's politics, one should not allow that to influence one's opinion as to his ability, and that in this case I was completely wrong; in fact, the individual in question was a very able man, one of the ablest in the Legislature. I never forgot that incident and, as a young man, it had a profound influence on me, and still has. I have always been very grateful to him for his advice on that occasion.

Senator Flynn: Did you follow it?

Senator Godfrey: For many years I have been a member of the Board of Governors of the Canadian Council on Social Development. In 1971 I was appointed co-chairman, along with Dr. Gerald Fortin of the University of Quebec, of a Task Force on Social Security appointed by the council. We published our report in the spring of 1973, which was before I was summoned to the Senate.

In March 1974, during the Throne Speech debate, I spoke on the subject of social security. In that speech I stated that the "bible" of the task force was the report of the Special Senate Committee on Poverty, chaired by Senator Croll. I stated that the task force did not have the resources available to the Senate committee. In fact, we got along very nicely with the services of one part-time researcher, because we could rely on the research of the Croll committee.

I mention this not only to acknowledge again my gratitude to Senator Croll, but also because the report of the Canadian Council on Social Development, *How Much Choice: Retirement Policies in Canada*, issued in November, 1975, which I am holding in my hand, covers the same ground that is to be covered by another special Senate committee to be chaired by Senator Croll. This study was referred to in Senator Croll's speech. The report is 285 pages long and contains the following passage:

> Ready co-operation was received from many federal, provincial and municipal officials, voluntary agencies, social planning councils, labour councils and senior citizen groups.

Meetings were also held which gave the public an opportunity of making an input.

In March 1976, the Board of Governors of the Canadian Council on Social Development, after making a study of the report, issued a 16-page statement on retirement policies in Canada which includes recommendations on what should be done.

I mention this to point out that the Canadian Council on Social Development can now return the compliment to Senator Croll and his Poverty Committee, because the report of the council contains most of the basic research which will be required by a Senate committee appointed to study retirement age policies. Also, the recommendations in the report and in the statement by the board of governors should be considered by the Senate committee in the same way that the task force, of which I was co-chairman, considered the recommendations in the report of the Senate Poverty Committee. That will save the Senate committee the expense of hiring a large research staff, which I am sure will please Senator Croll.

Honourable senators will recall the speech made by Senator Croll on November 3, 1976, in which he criticized the amount spent by the Banking, Trade and Commerce Committee on experts. In that speech, as reported at page 129 of *Hansard* of the last session, Senator Croll said:

> The only way by which a committee can accomplish anything, and produce a report that is worth something, is to have its members do their own work on it—

At page 130 he said:

> We have the expertise, honourable senators, and we ought to use it. We ought not to have other people provide the expertise, and what expertise we do not have in our own committee we can find in the government departments.

My only comment is that with the help of the report of the Canadian Council on Social Development, Senator Croll and his committee should be able to practise what he preached a year ago.

I would not want anyone to get the impression that I think the proposed Senate committee is redundant because of the report of the council. Not at all. The task force of the council, of which I was co-chairman, did not agree with all the recommendations of the Senate committee. In fact, the government did not agree with all the Senate committee's recommendations either, and came to the same basic conclusions in its Working Paper on Social Security in Canada, more familiarly known as the Orange Paper on Social Security, as the task force did. If the Senate committee disagrees with the recommendations in the council's report, the government may very well this time side with the Senate committee and not the council.

● (1430)

There is only one other matter about this proposed committee that I would like to comment on briefly at this time. Charles Lynch once said that the Senate investigative committees were practically putting royal commissions out of business. What he was really saying was that Senate investigative committees accomplish very much the same purpose as royal commissions and, because they do it well and more cheaply, they are replacing royal commissions.

When a royal commission is appointed, the chairman usually does not immediately announce his views as to what the recommendations of the committee should be. I was a bit surprised when Senator Croll, in his speech moving the appointment of the committee, made the following statement which appears at page 128 of *Hansard* for November 15 last:

> Clearly, what is required is some freedom of choice for the people who reach retirement age. At the present time the law states that you must retire at such and such an age. I should like to see some flexible arrangement which would take into account the differences between people.

I would say that is prejudging one of the most fundamental issues the committee has to consider, and if, as appears evident, Senator Croll is going to chair the committee, I suggest that in the future he should try to refrain from making statements like that until after the committee has had an opportunity of hearing and discussing all of the evidence.

So you see, honourable senators, after 42 years I have finally been able to repay the good advice that Senator Croll once gave me, and show my gratitude for it in a tangible way by giving him a little kindly advice of my own in return.

Hon. Jean-Paul Deschatelets: Honourable senators, may I be permitted to make some brief remarks about this motion?

I notice that all of those who have participated in this debate so far have paid well-deserved tributes to Senator Croll, who has proposed the appointment of a special committee to examine the social and economic implications of the existing retirement age policies affecting workers in both the public and private sectors. Needless to say, I associate myself with these well-deserved tributes.

Without ignoring the difficulties of the task ahead, I think that the Senate of Canada is the best equipped, both in talent and in organization, to give to this problem the thorough examination it deserves, and that such an inquiry will be welcomed and supported in every part of Canada.

I would say to Senator Croll that, although we have at the moment a few strikes in the province of Quebec that are affecting some well-known newspapers, his proposal has already been reported on in some of the French press, and I think this is important for this institution.

Of course, I intend to support this motion, but before this debate is concluded I should like to make a suggestion, which I hope will be examined by both Senator Croll and the government leader. If this motion carries—and I have no doubt that it will carry—when the time comes for the organization of this special committee I humbly suggest that we examine the possibility of limiting its membership to five or six, including the chairman, so that the five regions of Canada may be represented. I am directing my comments particularly to minor reforms that we have once in a while, and which are not always easy to implement. I think that if we could do away with some of the traditional organization we have at the moment, and reorganize our work in a different context or in a more businesslike way, this would be an advantage to a committee of this kind.

If the membership of this special committee were restricted to no more than six senators, its terms of reference could provide that where one of its members, as a result of sickness or any other cause, cannot attend a meeting, any member of the Senate, at the call of the chairman, is an eligible replacement. I do not have to emphasize the advantages of limiting the number of members of a committee of this kind. For example, if the committee travels within Canada, the travel arrangements will be much easier. If some organizational meetings are necessary they can be held in the chairman's office. Such a limit would also add to the prestige of those senators who are chosen to serve.

I think what Senator Croll has in mind is a committee that will gather information from people who would appear before it and present briefs, and it is not necessary to have a large number of members to do that. I would much prefer to have five or six interested senators who would follow the investigation closely. If a committee member is unable to serve, then there can be provision for him or her to be replaced by another senator. I am suggesting this in the hope that it will be considered, and be given an honest try.

In conclusion, honourable senators, let me say that I am not impressed at all by the argument raised over the years that all provinces of Canada must be represented on a special committee. In my view that is an argument which stands on only one

foot. It is sufficient if the five regions of Canada are represented. I consider this a minor reform that we can bring about. At least, let us give it a try. I believe that a limited membership would result in a more efficient committee. I raise this in the hope that at least it will be discussed.

• (1440)

Hon. Peter Bosa: Honourable senators, it is not my intention to participate in this debate to the extent that others have, but just to bring to the attention of the proposed committee a new perspective on the matter of retirement.

First, I would like to congratulate Senator Croll and pay him tribute for having brought this important and crucial matter to the attention of the Senate.

We are discussing the possibility of optional retirement, and doing away with obligatory retirement at a certain age. I would like the senators who are going to be members of this special committee to examine another aspect of retirement. There are people who wish to retire because they feel they are physically and mentally exhausted, and there are those who would like to continue in the same field of endeavour or occupation. I think there are thousands of people who would like to experience something new when they reach retirement age, and I would like the committee to consider creating the opportunity for these people to be engaged in other fields of endeavour.

I know of a particular case in Toronto. An executive who retired from the General Electric Company was recently sent, with his wife, to Nigeria for a period of four months to give that country the benefit of his particular expertise. There are many people who have worked all their lives at monotonous jobs who would really welcome the opportunity to be engaged in something else, and who would find the experience gratifying. I hope the members of this proposed special committee would also consider looking into this particular matter.

Hon. George C. van Roggen: Honourable senators, like Senator Bosa, I had not intended, and I do not intend now, to speak at length on this matter. But I do wish to bring to the attention of the house, and particularly to the attention of Senator Croll and those who will be serving on this committee, assuming it will be established, the fact that it has been said, and not entirely facetiously, that the resolution of this question of compulsory retirement at age 65, with more older people being permitted to continue working after that time, is the only thing that might save the Canada Pension Plan from bankruptcy by the year 2000.

There is the other problem we have in this country of the indexing of government pensions and the inability of private pension plans—which must by law be funded—to provide indexing. These are economic factors that have a close interrelationship with the study that Senator Croll might well be undertaking. I do hope that the committee will hear some evidence on the inter-relationship between pension plans, and their viability in the years ahead, and the matter of retirement age policies.

Hon. David A. Croll: Honourable senators—

The Hon. the Speaker: I wish to inform honourable senators that if the Honourable Senator Croll speaks now, his speech will have the effect of closing the debate.

Senator Croll: Honourable senators, I thank those who have participated in the debate on this motion, and also those who desisted from doing so because, as the leader pointed out to me, their contribution might extend the debate for two or three more weeks. We are really at the point now when it is necessary to establish the committee and name its members. We are going to be away for a month beginning December 23, and therefore it is necessary to get on with the job of organizing the committee. A great deal of preliminary work can be done by the staff while we are away.

Again I want to thank profusely all those who participated in the debate, and I assure them that each one of their suggestions will be looked at. How far afield we will go, no one really knows. This is something new, and we will have to listen to people.

I am reminded that when I was in the House of Commons 22 years ago—and there are six other senators here now who were also in the Commons at that time—there was a filibuster during the famous pipeline debate. It was one of the really great filibusters in Canadian parliamentary history. I vividly recall how acrimonious and bitter it was. There were no holds barred. I hoped then that I would never see another one like it. But here in the Senate we have just had what appears to be another filibuster, but it has been the nicest kind that one could possibly think of. The speeches have been important, helpful and expressive. Being as human as my colleagues, I appreciate flattery but I have learned not to inhale it. I am just hopeful that the kind words you have used will prove to have been warranted.

Honourable senators, we have indicated by what we have said in this chamber that we are not only aware of the problems that Canadians face, but we are awake to them and we deal with them in the present. We know what is happening in our country; we know what needs to be looked at.

Senator van Roggen raised two questions which will have to be seriously considered. With regard to what my friend Senator Deschatelets said about limiting the membership of the committee—and the Leader of the Government and the Leader of the Opposition were listening to him—my view is that in the light of what is going on in the country today, and in the light of comments made by the Prime Minister about Senate reform, we could not possibly think of setting up a committee of this importance without having every province and every region of this country represented. It is not that subcommittees could not study some of the things that the honourable senator has referred to, but certainly each province should be represented on the main committee by at least one member and, in some instances, by two.

The Leader of the Government's proposal that the motion be modified by deleting certain words is, of course, acceptable. I had in mind, from experience, that sometimes these meetings have to be arranged well in advance. We all understand that.

If the Senate suddenly decides, for important reasons of its own, that instead of sitting on Tuesday it will sit on Monday, it is hard to arrange for other meetings. The Leader of the Government has assured us that, under those circumstances, the Senate will deal with that matter as it did today with the Standing Senate Committee on Banking, Trade and Commerce, which was given permission to sit while the Senate was sitting. So there is no problem there.

● (1450)

The leader suggested that the motion should end with the words "in Canada." I had not really thought about that. It never even occurred to me that this would be a good time to sit in Florida. However, if that is his wish we can see to that.

Senator Rowe suggested that this matter might be dealt with by a standing committee. It does not lend itself to being dealt with by a standing committee, which is there for the purpose of seeing that the business of the Senate is done, and done as expeditiously as possible. A committee such as this one would need some concentration, devotion and commitment to a particular problem. I discussed the matter with the Leader of the Government and we came to the conclusion that the best way to deal with it is in the fashion suggested in the motion. I am sure the Leader of the Opposition would also agree with that.

Senator Manning also made a suggestion, with which I think Senator Hicks dealt in his speech. I know of no other suggestions that have been made. I am sure Senator Godfrey knows how careful I am with public money.

Senator Flynn: Like your own?

Senator Croll: There is no problem there at all. Actually what I do is make sure that the money is well spent, which is all one can do.

Honourable senators, in order to incorporate what the Leader of the Government suggested, I move, with leave of the Senate and pursuant to rule 23, that the last paragraph of the motion be modified to read as follows:

> That the committee have power to send for persons, papers and records, to examine witnesses, to report from time to time, to print such papers and evidence from day to day as may be ordered by the committee, to sit during adjournments of the Senate and to adjourn from place to place in Canada.

What I have done is to take out the words "sittings and" and add the words "in Canada" at the end in accordance with the suggestion of the Leader of the Government.

The Hon. the Speaker: Honourable senators, is leave granted?

Hon. Senators: Agreed.

Senator Croll: Honourable senators, I thank you once again for the contributions you have made to this debate. You have indicated that the matter is important, and I assure you that when the committee settles down to examine this subject it will not only look at the speeches that have been made but will give an opportunity to those of you who want to participate from time to time to do so. I think in this way we can render a service to the people of Canada, who will in time appreciate it.

I ask you, honourable senators, to support the motion as modified.

Motion, as modified, agreed to.

INTER-PARLIAMENTARY UNION

SIXTY-FOURTH ANNUAL CONFERENCE, SOFIA, BULGARIA—DEBATE CONTINUED

The Senate resumed from Wednesday, November 30, the debate on the inquiry of Senator Petten, calling the attention of the Senate to the Sixty-fourth Annual Conference of the Inter-Parliamentary Union held at Sofia, Bulgaria, from 20th to 30th September, 1977, and in particular to the discussions and proceedings of the Conference and the participation therein of the delegation from Canada.

Hon. Rhéal Bélisle: Honourable senators, I, like my honourable friend Senator Petten, was a delegate to the Sixty-fourth Inter-Parliamentary Conference held in Bulgaria last September, but the message I bring back from that meeting is, unfortunately, not one of assured peace and continued good will.

As I see it, unless the Inter-Parliamentary Union cleans up its act it will never be a credible vehicle for the promotion of better understanding among nations. The reason is simple. The IPU has, like the United Nations, allowed itself, to a great extent, to be dominated by the communist bloc countries and their obsequious supporters among the newly-developing nations of the Third World.

Senator Petten, with an obvious preference for the innocuous and the non-controversial, restricted his comments to the unanimously approved resolution on the Law of the Sea. But all the resolutions which came out of that conference were not so innocuous and non-controversial—at least not from my point of view.

For instance, there was a unanimously approved resolution on the further relaxation of international tensions and progress in the field of disarmament. There was also a resolution, adopted by the majority of nations present, which supported the inalienable right to self-determination and independence of peoples still under colonial and neo-colonial domination. This latter resolution was, in essence, an outright condemnation of the white régimes presently in power in Rhodesia and South Africa. It urged support of the so-called liberation movements in Southern Africa, and called for an economic boycott against Rhodesia and South Africa.

A further resolution that was unanimously adopted amounted to a call for diplomatic and political action against Chile because:

> Arbitrary arrests, disappearances, torture, maltreatment, threats and expulsions are continuing and that the methods of repression are assuming new forms [and] educational and cultural rights, freedom of opinion and expres-

sion and trade union freedoms continue to be violated and are subject to increasingly restrictive provisions.

Finally, there was another unanimously adopted resolution, this one in support of the Universal Declaration of Human Rights. In that resolution, we all stated how conscious we were of the high responsibility of parliaments in ensuring that human rights and fundamental freedoms were fully enjoyed in our respective countries. We also resolved that our respective parliaments should give special consideration to appropriate measures to further promote mutual understanding and international peace and co-operation, and the effective enjoyment of human rights by everyone, without distinction of any kind.

Because the subject of the behaviour of the Israeli authorities in the occupied Arab territories was placed on the agenda for the conference without previous study in Canberra, draft resolutions were accepted until the close of the plenary debate. Approximately forty spokesmen participated in this debate, including Mr. Al Khaledi, an observer representing the Palestine National Council.

● (1500)

From listening to some of the speeches you would have thought that Israel was operating concentration and labour camps the like of those in Siberia; that everything done by the Israelis has a sinister motive; and that because they refuse to be intimidated by the hammer and sickle, nothing of any value is ever done by the Jews around the world. Pretty heady stuff all this. To look at any news report of what went on, you would think this was a gathering of righteous folk agreeing that they should do their best to avoid international strife; make superhuman efforts to disarm before they end up blowing themselves into oblivion; and get together to do something about those monsters who are still denying people human rights. Well, it was not such a gathering; and that is what makes it all so alarming. Once again western nations allowed themselves to be used. Once again nations for whom peace, freedom and human rights still have a clear meaning allowed themselves to be outsmarted.

Again, as usual, the Soviet bloc made its way into the camp of the west, victimizing the uninformed with their propaganda. Here again, we allowed them to line up on our side in condemning gross offences against human rights, as though they themselves were Simon pure, as though they themselves were not guilty now and in the past of similar and even worse atrocities. It never ceases to amaze me how they can manage to speak out of both sides of their mouths. And it never ceases to depress me how naive and gullible we can be in dealing with them. How we could allow them to sign a resolution condemning regimes that do not ensure their people basic human rights without someone pointing to their guilt in this area is beyond me. How we could tolerate their posturing, their bad acting, their feigned innocence and allow these speeches to go unchallenged, I simply cannot understand.

Surely to God we are all aware of the thousands of dissidents in communist prisons, slave camps and insane asylums. Surely we cannot disregard what we are told by people like Vladimir Bukovsky, a Soviet scientist and ten-year victim of Soviet slave camps, about what goes on behind the Iron Curtain. Surely no one doubts what Amnesty International tells us about the treatment of so-called dissidents behind the Iron Curtain. And is there anyone who is not aware of the ways and means that were used by the communists to seize power in the countries that now make up the Soviet bloc?

The way opponents of the government are treated in Chile is horrendous. The South African policy of apartheid is unquestionably supremacist and, for that reason, unacceptable. All these things are true. But to allow countries which have specialized for years in arbitrary arrests, disappearances, torture, maltreatment, threats and expulsions of people who criticize the government, who persecute Christians and Jews, who wrote the book on how to establish and maintain a reign of terror—to allow these people to go unchallenged, when they hypocritically support a motion condemning offences against human rights, is itself obscene.

What about the Helsinki Accords of 1975? What about the increased civil liberties the people behind the Iron Curtain were to get in exchange for our relegating to Soviet control those European nations invaded by the communists after World War II? Well, they were never provided. The Helsinki Accords were just another piece of paper to the communists. Basic human rights, as we understand them, are still being denied in communist countries. Freedom of speech, when it means freedom to criticize the government's performance, is still anathema. The jails, insane asylums and work camps are full of people who thought Helsinki had been the starting point for a more relaxed policy on freedom of expression.

It beats me why western nations are so reluctant to work toward the sponsoring of resolutions calling for the communist countries to provide basic human rights to their own people before they have the temerity to criticize other regimes for failing to do so. As a matter of fact, I cannot understand why we do not sponsor resolutions offering moral and other support to liberation groups behind the Iron Curtain. If any people deserve to be liberated, surely these are among them. Yet, not a word is spoken. Nobody wants to give offence. The enslavers of the forties, fifties and sixties have become respectable. No one dares take them to task for their cruel and inhuman behaviour. We are the consummate compromisers. We did not want to risk any hot wars after World War II finished, so we stood by and watched as the communists enslaved dozens of innocent countries. And now we want to salve our conscience by pretending that they are really not a disreputable lot of megalomaniacs. So we allow them to carry off charades like those they put on in these international meetings of nations. It is all very alarming. The symptoms are there of our own weakness, a weakness that will eventually destroy us.

The same applies in the area of disarmament and détente. Here again we hang on every word uttered by the communist-bloc nations. We are like seven-year-olds struggling to believe in Santa Claus. Logic tells us it is not so, but we are so afraid of the consequences that we continue to believe.

Brezhnev had this to say to the Politburo in 1973:

> We communists have got to string along with the capitalists for a while. We need their credits, their agriculture and their technology. But we are going to continue massive military programs and by the mid-80s we will be in a position to return to a much more aggressive foreign policy designed to gain the upper hand in our relationship with the west.

Or perhaps you would prefer what Pravda quoted him as saying last year:

> Peaceful co-existence does not mean the end of the struggle of the two world powers. The struggle between the proletariat and the bourgeoisie, between world socialism and imperialism, will be waged right up to the complete and final victory of communism on a world scale.

And so we go to Bulgaria and sign resolutions on the relaxation of international tensions and progress in the field of disarmament. No one dares bring up what an accursed hypocrisy this constitutes on the part of the communists when the boss-man of the Soviet Union, their lord and master, has made statements like those I have just read to you. Nobody dares to raise the fact that the communists have repeatedly violated the 1972 Strategic Arms Limitation Treaty. These violations western governments ignored until 1976 when the information media began to ask embarrassing questions.

● (1510)

Dr. Henry Kissinger made himself the spokesman for the west. He was not about to give offence either, because he might have been accused of lacking understanding, and Nobel Peace Prizes are not won by men who lack understanding. Dr. Kissinger explained in velvety double-talk that the Soviet Union had not violated any specific provisions, but he did acknowledge that they took advantage of certain ambiguities.

What he did not say is that those ambiguities are always written into east-west pacts. They are written in at Soviet insistence, because they make it easier for them to violate the agreements. They can thumb their noses at the pacts they have signed and still appear to be fine upstanding international citizens, all with the help of those clever little ambiguities that we allow them to write into these pacts. International communism continues to use every device imaginable to further its ends. When the situation calls for lies and deceit, that is what they will use. When it calls for war and terror, they will use that too.

So much for sincerity. Détente, you see, is a revolutionary tactic, designed primarily to lull the non-communist world into thinking that the Soviets have abandoned their designs on the west. Well, it just is not so. The sooner we wake up and realize what they are up to the better off we will be. They are using us and we are letting them. It is time we realized this and stood up to them.

These international organizations can only be of value if nations meet to speak the unvarnished truth to one another. It does no one any good to scold the little bullies, and play up to the big ones. We must relocate our spines and stand up to all offenders. We must be consistent in our criticism. We can only begin to resolve our differences when no party is allowed to think that it is fooling the other; to think that either it does not realize it or is petrified of doing anything about it. We must change our attitude at these meetings, or they will not only become useless but positively dangerous to peace and human rights where these still exist today.

Honourable senators, I appreciate being a part of these Canadian parliamentary delegations. I am thankful for the opportunities to see first hand what is going on in the field of international relations. Our delegation was ably led by the member of Parliament for Ottawa West, Mr. Lloyd Francis, and those who composed the delegation put in long hours of listening and voicing our country's views in trying to arrive at something of value.

If I have been harsh in my criticism, it is because I do not like to see us being used. The delegation did its best, but it was hampered by the official Canadian policy in these matters. It is a policy that is naive, and one that will hopefully undergo serious change in the proximate future.

Senator Grosart: Honourable senators, I should like to ask a question of Senator Bélisle. Is it correct to say that there was no resolution or amendment to a resolution calling attention to the denial of basic human rights in countries other than those named?

Senator Bélisle: That is right. If you peruse the report made by the executive secretary to the Canadian delegation you will see that we were not allowed to do so.

Senator Grosart: May I ask a supplementary question? Is it true that the Canadian delegation remained silent, that they did not bring forward resolutions, and that they did not suggest amendments to some of these resolutions to which you referred?

Senator Bélisle: The Canadian delegation made many speeches and representations, but were divided in their votes most of the time.

Senator Grosart: Honourable senators, I should like to comment on the speech just made by Senator Bélisle.

First of all, I congratulate him on his frankness in making what is, according to my recollection, the first thorough criticism of the operation of one of these inter-parliamentary associations. I have not at any time had the privilege of attending an Inter-Parliamentary Union conference, but I must say that I am amazed to find the trend that he has just described in an institution that calls itself "parliamentary." I have some knowledge of the history of the organization, and at one time the stress was on "parliamentary" in the sense we know the word.

Senator Bélisle is certainly to be complimented on the forthright manner in which he has criticized this parliamentary association for what would appear to be a drift in a direction which would bring to the fore the whole question of Canadian participation in it. Perhaps Senator Bélisle will carry his criticism further, and add to our information. I hope he does, because it seems to me lamentable, almost disgraceful, that a Canadian delegation should be associated with the kind

of carelessness in respect of such important matters as appear to have been the theme of the discussions concerning human rights.

Senator Bélisle: If Senator Grosart had been listening, he would have realized that I did not criticize the delegation. My criticism was directed at the communists and the way they used the people who attended this conference.

Senator Grosart: So that I am not misunderstood, I will emphasize that I was not, for one minute, suggesting that Senator Bélisle had criticized the Canadian delegation. I was merely drawing to the attention of the Senate the fact that he did tell us that the Canadian delegation—and the same can be said of the other delegations, if I understood him correctly—did not introduce a resolution calling attention to the denial of basic human rights in countries other than the four he mentioned. And those four countries constitute an amazing group because of the great differences in approach that might be taken in respect of their attitudes towards human rights. As I understood Senator Bélisle, those countries are Chile, Israel, Rhodesia and South Africa. Surely, to place those four countries in the same basket by resolution of an international organization, to which Canada is attached, is impossible and ludicrous.

● (1520)

I repeat, I am in no way criticizing the Canadian delegation. I was not in attendance, and I am not aware of what opportunities there might have been to present resolutions. The opportunities to present resolutions differ in all of these international organizations. My purpose in rising was to compliment Senator Bélisle on bringing this matter to the attention of the Senate. I hope he will carry it much further.

Senator van Roggen: Honourable senators, I wonder if I might put a clarifying question to Senator Bélisle.

In your response to Senator Grosart's question as to whether or not a resolution was proposed by the Canadian delegation to broaden this group to include some of the communist-bloc countries, you said, as I understand it, that you were not permitted to do so by the secretariat, or something to that effect.

Senator Bélisle: No, my reference to the secretariat was in terms of urging my colleagues to read the report. Of course, it does not include all of the speeches that were made over the course of the 10-day conference, but it does contain a summation of those speeches.

Senator van Roggen: Was any move made by the Canadian delegation to increase the number of countries being condemned pursuant to the resolution in question?

Senator Bélisle: To be precise, some of the speeches made by members of the Canadian delegation supported the criticism I have outlined.

On motion of Senator Petten, for Senator Olson, debate adjourned.

NORTH ATLANTIC ASSEMBLY

TWENTY-THIRD ANNUAL SESSION, PARIS, FRANCE—DEBATE CONTINUED

On the Order for Thursday, 8th December, 1977:

Resuming the debate on the inquiry of the Honourable Senator McDonald calling the attention of the Senate to the Twenty-third Annual Session of the North Atlantic Assembly, held in Paris, France from 18th to 24th September, 1977, and in particular to the discussions and proceedings of the Session and the participation therein of the delegation from Canada.—(*Honourable Senator Austin*).

Senator Langlois: Honourable senators, I move, with leave of the Senate, that item No. 2 on the Order Paper for tomorrow, December 8, be brought forward now.

The Hon. the Speaker: Is it agreed?

Hon. Senators: Agreed.

Hon. Paul Yuzyk: Honourable senators, I understand that Senator Austin is willing to yield in my favour. That being so, I wonder if I might be permitted to speak now.

The Hon. the Speaker: Is it agreed?

Hon. Senators: Agreed.

Senator Yuzyk: Honourable senators, my remarks will be of a different tone from those of Senator Bélisle. However, I commend him for his frank and forthright statements, to which I subscribe.

When I first attended an annual session of the North Atlantic Assembly in Bonn, West Germany, in 1972, the discussion centred on the uselessness of the Committee on Education, Cultural Affairs and Information, and there were proposals to liquidate it. I was one of the few who took a strong stand against this suggestion. In the meantime, the usefulness of this committee has become evident, particularly since the Helsinki Agreement of 1975. Because of the phenomenal growth of the human rights movement in all parts of the world, and particularly in the democratic countries, the Committee on Education, Cultural Affairs and Information has become important in the deliberations of the North Atlantic Assembly.

It is only right that we should be reminded that NATO is a defensive alliance of democratic states that are dedicated to the principles of freedom and democracy as enunciated in the Universal Declaration of Human Rights of the United Nations—whose anniversary we shall be observing on December 10—and the principles in the Helsinki Final Act, which is being reviewed in the Follow-up Conference in Belgrade, Yugoslavia.

My report to the Senate today will highlight the important developments related to the work of this committee.

Lord Lyell of the United Kingdom, the general rapporteur, presented an excellent report, which was approved by the committee. The introduction surveyed several important

Alliance developments, positive and negative, since the Williamsburg conference in the United States last year.

The largest section of the report deals with the human rights movement and President Carter. The unexpected emergence of this new champion of human rights and the convening of the preliminary meeting of the Helsinki Follow-up Conference in Belgrade have been the two most important developments in fields that concern the committee. President Carter's strong public support of human rights has raised this issue to a new level of importance in international affairs, forming a major component in his foreign policy and administration. This policy is characterized by strength, consistency and flexibility.

The report noted that the Carter policy has had positive results in actually easing repression, as well as the notion that it may have intensified the repression of dissidents. Finally, it noted that this policy has greatly aided the committee's work, and the publicity which it generated has had important educational functions.

President Carter's human rights policy has evoked mixed official and unofficial reactions. The most negative reactions have come from the U.S.S.R., which accuses the President of the United States of meddling in the internal affairs of that country and warns him that his policy is harmful to détente.

Lord Lyell's report describes some of the reactions and responses of western countries and gave several human rights policy suggestions for Alliance countries. Despite some public differences, Alliance countries have reportedly co-operated well at the Belgrade preliminary meeting. The report concludes with a strong endorsement of President Carter's human rights efforts and policy.

Chapter III of the report was devoted to religion in the Soviet Union and in Eastern Europe. The committee expressed concern with freedom of religion in the communist-bloc countries. There is reliable evidence that in the U.S.S.R. and Rumania religious persecution has intensified since the signing of the Helsinki Declaration, which is dealt with in Mr. Goutikas' report of the Sub-Committee on the Free Flow of Information and People. This is supplemented by information from Radio Liberty and the Moscow, Ukrainian and Lithuanian Public Groups to Promote the Implementation of the Helsinki Accords, most of whose members have been arrested and imprisoned for long terms. For example, Rudenko, chairman of the Ukrainian group, was sentenced to seven years of imprisonment and five years of exile, while Tykhy, the secretary, was sentenced to a 10-year prison term and five years in exile. It appears that church-state relations in Poland and Yugoslavia have eased up somewhat.

● (1530)

Lord Lyell concludes that Carter's human rights policy is the single most important development since the committee began directing its attention to this issue. This support "demonstrates that NATO is not only a military and political alliance but an alliance for which a profound concern is the freedom and dignity of the individual human being."

[Senator Yuzyk.]

Since the Helsinki Accords of 1975, the Committee on Education, Cultural Affairs and Information has received a new impetus which has considerably increased its workload. As a result, it was decided at the Copenhagen meeting in 1975 to establish the Subcommittee on the Free Flow of Information and People, with authority to hold meetings several times a year. Last year I was elected a member of this subcommittee at our annual meeting in Williamsburg, about which I reported to this chamber.

The rapporteur of this subcommittee, Mr. C. Gontikas of Greece, presented an excellent report to the whole committee, which was unanimously adopted. The report reviewed the reactions to the Helsinki Final Act, ranging from elation to cynicism. Dissident activities in the Warsaw Pact countries have proven the importance of the Final Act to all who uphold human rights behind the Iron Curtain. The immediate highly visible result was to stimulate the formation of official and unofficial groups to monitor implementation. The report describes the activities of the unofficial groups in the Soviet-bloc countries which have documented and protested violations of the Helsinki human rights provisions. Official monitoring groups have played down these violations and have been emphasizing Basket III areas, where some progress, however slight, has been made.

The Gontikas report in Chapter III examines the attitudes and complaints about the implementation of Basket III. The present attitudes in the west convey a deep dissatisfaction at the slow pace of progress in, and an uncertainty about, its implementation, and question whether this emphasis on Basket III has eroded détente—an attitude which is sometimes described as "positive skepticism." The west complains about the slow progress of implementation but appreciates even the slightest progress. In particular, the west complains about communist selective implementation, and the continued jamming of Radio Liberty and some BBC broadcasts.

It was noted in the report that attitudes on the part of the Soviet Union and Eastern Europe have changed considerably since the signing of the Final Act. Because of dissident activities and western support for the dissidents, the earlier attitude of "victory achieved" through the CSCE at first became defensive and then aggressive, with emphasis on the deficiencies and failures of western democracies. The Soviet Union and its satellites now contend that the west never really understood the principles of the Final Act, and by overemphasizing Basket III and through support of the dissidents is interfering in their internal affairs. The report analyzes certain ambiguities and tensions within the Final Act and the key problems of selective implementation and differing interpretations which require clarification at the coming Belgrade conference. Yet the slight progress made gives grounds for cautious hope. Hard negotiating will be necessary. Mere confrontation and mutual recriminations would only retard future implementation and further erode the process of détente. Gontikas states that strategies for the Belgrade conference are beyond parliamentarians' control. However, he believes that parliamentarians in some countries such as the

U.S.A. and Canada, through their participation, can influence government policy.

The report of the Subcommittee on the Free Flow of Information and People, in the concluding section entitled "Beyond Belgrade", welcomes the decision of the signatories at the Belgrade preparatory meeting to hold another follow-up conference. Judging by the statements of dissidents, monitoring activities have been helpful and even essential. The rapporteur quotes the words of the Ukrainian Helsinki monitoring group:

> Only the support of world opinion can protect our Group from merciless reprisals. If world opinion does not lessen its moral support, if the Western news media focus more attention on the struggle for human rights in the U.S.S.R., then the coming decade will bring great democratic changes in our country.

The deliberations of the members of the Committee on Education, Cultural Affairs and Information focused on the interpretation of two important principles of the Helsinki Final Act of the CSCE, Principle VI, non-intervention in internal affairs, and Principle VII, respect for human rights and fundamental freedoms including the freedom of thought, conscience, religion or belief, both of which are found in Basket I. There was a discussion on Basket III entitled "Co-operation in Humanitarian and Other Fields," dealing with the problems of family ties, reunification of families, marriage between citizens of different states, conditions of tourism, meetings among young people and the broad field of information, including the improvement of working conditions for journalists as well as co-operation and exchanges in the fields of culture and education.

The following resolution on human rights was presented by the committee and unanimously adopted by the Assembly. Preceded by a long preamble, it urges that member countries:

> First, thoroughly review, and firmly protest at the Belgrade Conference, Soviet and East European violations of Principle VII and the slow implementation of Basket III, without letting the Conference become a series of mutual recriminations;
>
> Second, work at Belgrade toward a clarification and common understanding of Principle VI on internal interference;

● (1540)

> Third, work at Belgrade toward establishing specific timetables and agenda of implementation for various Basket III provisions;
>
> Fourth, appoint special groups to monitor their own as well as Soviet and East European compliance with Basket III and the human rights provisions of the Final Act.

There were two other resolutions. One dealt with the jamming of broadcasts by the Soviet and East European countries, in particular Radio Liberty, Radio Free Europe, Deutsche Welle and Radio in the American Sector (R.I.A.S.), and urged a forceful protest at the Belgrade conference and strong insistence that this jamming be terminated. The other resolution urged member governments to consider the appointment of parliamentarians to their Belgrade delegations, following the example of the United States. Canada immediately complied with this resolution. Four members of the Senate, including myself, and eight members of the House of Commons, have been or still are participating in the Canadian delegation at Belgrade, which will probably continue into the next year.

I am happy to report that the Canadian presence and role in the Committee on Education, Cultural Affairs and Information had never been as prominent as it was at the Assembly meeting in Paris last September. Ralph Stewart, M.P., was unanimously elected chairman of the committee and I was unanimously elected the rapporteur of the Sub-Committee on the Free Flow of Information and People.

My main task as rapporteur of this sub-committee is the preparation of the annual report to be presented at the Twenty-fourth Session of the North Atlantic Assembly, which is scheduled to be held in Lisbon, Portugal, in November of next year. My other responsibility is the publication of *The Bulletin* which monitors on behalf of the 15 NATO states the implementation of Basket III of the Helsinki Final Act. Recently issue No. 5, October 1977, was released. Canadian activities figure quite prominently in *The Bulletin* because of the fine monitoring efforts of the Canadian NATO Parliamentary Association and the recently established Canadian Parliamentary Helsinki Group, chaired by the Honourable Martin O'Connell, M.P.

I shall do my best to continue the excellent work of my predecessors. In our capacity as representatives of participating states in the Helsinki Agreement, we must continue to focus our attention and research, in a spirit of frankness and mutual understanding, on the fact that while post-Helsinki developments have fallen short of the high expectations of many who hoped that it would be an easy step toward security and co-operation in Europe, they have definitely proved that the Final Act is not just another piece of paper.

Senator Bosa: Would the honourable senator permit me a question?

Senator Yuzyk: Yes.

Senator Bosa: What approach does the honourable senator consider would be the most effective in achieving the aspirations of the West in connection with the implementation of Basket III of the Helsinki Agreement? Does he consider President Carter's approach of having a confrontation with the communist bloc to be more effective than the softer approach which Canada has used in the past in trying to obtain family unification as well as the other objectives set out in the various baskets of the Helsinki Agreement?

Senator Yuzyk: As the honourable senator is well aware, the present Canadian government follows the policy of silent diplomacy. However, the government has allowed delegations to take a strong stance. All of our delegations that have gone to NATO have been unanimous in adopting a strong stand regarding violations of the Helsinki Agreement by the Soviet-

bloc countries, and therefore we are pursuing a sort of two-pronged approach in this matter.

At Belgrade we are in line with all the NATO countries as well as with the stand taken by President Carter, particularly as expressed by Ambassador Goldberg, who represents the United States, and the stand taken by the Commission of Congress that is attending the Belgrade conference itself.

We are discussing with the leaders of the Soviet-bloc countries the fact that those violations are taking place, that they have obligations toward the Helsinki Agreement and that they should honour those obligations when it comes to the reunification of families. That is one matter upon which Canada has insisted and about which she is now speaking very loudly; and I am most happy because of that.

I believe that hard negotiations are necessary. But we must also take a strong stand. I hope that—we have been discussing this matter in the Canadian Parliamentary Helsinki Group—the Prime Minister of Canada will take a strong stand on human rights before the Belgrade follow-up conference concludes.

On motion of Senator Petten, for Senator Austin, debate adjourned.

INDUSTRY

SUPPLIES OF AMERICAN COAL TO CANADA—QUESTION ANSWERED

Leave having been given to revert to Question Period:

Senator Perrault: Honourable senators, earlier this afternoon I promised to bring to the chamber additional information with respect to the possible effect of the U.S. coal strike on the Canadian steel industry and Canadian hydro plants. With leave, I would like to make a brief statement now.

The Hon. the Speaker: Is leave granted?

Hon. Senators: Agreed.

Senator Perrault: I have received information from the Department of Industry, Trade and Commerce to the effect that Canadian companies would appear to be in no trouble at all as a result of the U.S. coal strike. The strike was anticipated by both Canadian steel companies and those entities involved in hydro-electric production. In stockpiling for their winter requirements they stockpiled more than usual in anticipation of a possible labour dispute in the United States, and there is no possibility of difficulty until at least the spring, and perhaps not then.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, December 8, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of operations under the Farm Improvement Loans Act for the year ended December 31, 1976, pursuant to section 13 of the said Act, Chapter F-3, R.S.C., 1970.

Report on the administration of the Small Businesses Loans Act for the year ended December 31, 1976, pursuant to section 11 of the said Act, Chapter S-10, R.S.C., 1970.

INCOME TAX

FIRST REPORT OF BANKING, TRADE AND COMMERCE COMMITTEE ON ADVANCE STUDY TABLED AND PRINTED AS APPENDIX

Senator Hayden: Honourable senators, I wish to table the report of the Standing Senate Committee on Banking, Trade and Commerce entitled, "The First Report on the Advance Study of the Budget Resolutions respecting Income Tax or any bill or other matter relating thereto." I would ask that this report be printed as an appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent record of this house.

The Hon. the Speaker: Is it agreed?

Hon. Senators: Agreed.

(*For text of report see appendix "A".*)

BANKING, TRADE AND COMMERCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Standing Senate Committee on Banking, Trade and Commerce have power to sit while the Senate is sitting on Tuesday next, December 13, 1977, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, I move, with leave of the Senate and notwithstanding rule 45(1)(g), that when the Senate adjourns today it do stand adjourned until Monday next, December 12, 1977, at 8 o'clock in the evening.

Honourable senators, before the question is put I should like to give a summary of our work for next week. We propose to meet in the chamber on Monday evening and again on Tuesday evening, leaving Tuesday free for committee meetings. This has been the practice when we are approaching a long adjournment.

The supply bill, covering supplementary estimates (A) for the fiscal year ending March 31, 1978, is expected to pass in the other place by 10 o'clock tonight. If permission is granted we should like to proceed with second reading of this bill Monday evening.

Senator Hayden has just given notice that on Monday he will call the attention of the Senate to the first report of the Standing Senate Committee on Banking, Trade and Commerce on the advance study of the budget resolutions respecting income tax or any bill or other matter relating thereto.

We shall also be continuing next week with our discussion on Bill S-4, an act to implement the international convention for safe containers. Senator Petten will move second reading of that bill this afternoon. In addition, some time next week we shall receive from the House of Commons Bill C-11, an act to amend the statute law relating to income tax and to provide other authority for the raising of funds. Taking into consideration what it would appear will come to us next week, it may also be necessary for the Senate to sit next Friday.

● (1410)

The committee schedule for next week, as far as can be determined at this time, is as follows: On Tuesday at 3.30 p.m. there will be a meeting of the Transport and Communications Committee on Bill C-3, respecting the reorganization of Air Canada. In attendance at that time will be the Honourable Otto Lang. At 3 p.m. there will be a meeting of the subcommittee of the Standing Senate Committee on Health, Welfare and Science, to hear witnesses on its inquiry into such experiences in prenatal life and early childhood as may cause personality disorders and criminal behaviour in later life. The Agriculture Committee will also meet on Tuesday to continue its study on the Canadian beef industry. The time for that meeting has not as yet been decided. At 8 o'clock on Tuesday evening the Honourable Mr. Chrétien, Minister of Finance, will be a witness before the Banking, Trade and Commerce Committee with respect to its advance study of the budget

resolutions respecting income tax. Senator Hayden has informed me that a final report on that advance study will be tabled in the Senate on Wednesday next. It is also expected that the Selection Committee will meet on Tuesday for the purpose of selecting senators to be appointed to the Special Committee of the Senate on Retirement Age Policies.

The Banking, Trade and Commerce Committee will meet at 9.30 a.m. on Wednesday to give further consideration to Bill S-2, to amend the Canada Business Corporations Act. The Agriculture Committee will meet when the Senate rises on Wednesday.

At 9.30 a.m. on Thursday there will be an *in camera* meeting of the Standing Senate Committee on National Finance with respect to its study of the estimates of the Department of Public Works. The Transport and Communications Committee will meet at the same hour to hear witnesses on Bill C-3, respecting the reorganization of Air Canada. At 11 a.m. there will be an *in camera* meeting of the Standing Senate Committee on Internal Economy, Budgets and Administration. As well, the Standing Joint Committee on Regulations and other Statutory Instruments is planning a meeting for Thursday, but the time for that has not as yet been set.

As honourable senators can see, we have a very heavy schedule of work for next week, which is why we will have to come back on Monday evening. It will also probably be necessary to sit on Friday of next week.

Motion agreed to.

YUKON TERRITORY
NORTHWEST TERRITORIES

ABSENCE OF SHIELDS OF ARMS ON DOORS LEADING TO SENATE CHAMBER—QUESTION

Senator Lucier: Honourable senators, I should like to ask a question of the Leader of the Government in the Senate. I have noticed that the shields of arms of the Yukon Territory and of the Northwest Territories are not displayed on the doors leading into the Senate chamber. If one looks at a map of Canada, it can be readily seen that all of the provinces hang just below the territories, and they are held there by a very thin line. I do not like to threaten anyone, but if our shields of arms are not displayed it would not be very difficult for either Senator Adams or myself to simply cut that line and let all of you fall into the United States.

Hon. Senators: Oh, oh.

Senator Lucier: We should like to have our shields of arms displayed with those of the various provinces.

Senator Perrault: Honourable senators, the distinguished senator representing the Yukon (Senator Lucier) has made a very valid point. I know it is the unanimous view of honourable senators that we proceed as quickly as possible to have the shields of arms of the Yukon Territory and the Northwest Territories placed on the doors leading to the chamber.

Hon. Senators: Hear, hear.

[Senator Langlois.]

SPORTS

TRIBUTES TO HOCKEY STAR GORDIE HOWE

Senator McElman: Honourable senators, I should like to direct the following question to the Leader of the Government in the Senate: Would he not believe it appropriate that he, on behalf of the Senate, express today our admiration for one of the greatest athletes Canada has ever produced, Gordie Howe, on the occasion of his scoring his one thousandth goal of his professional hockey career?

Senator Buckwold: Honourable senators, as you all know, Gordie Howe came from Floral, Saskatchewan. It should be made clear for the record that poor old Floral was just a little elevator community a mile or two outside the city of Saskatoon, but with the tremendous growth of that vibrant community we are almost out there now.

Gordie Howe received his education in Saskatoon and learned to play hockey there. As you are well aware, some of the very best stickhandlers in Parliament have come from that area, so I certainly appreciate Senator McElman's remarks.

Senator Lang: Right wingers.

Senator Buckwold: Right wingers and left wingers, but they are mostly "left wingers" out there.

Senator Perrault: Honourable senators, I should like to say, with respect to that distinguished craftsman of hockey, Gordie Howe, that he demonstrates on the ice that which is demonstrated in this chamber every day—the expert's ability to make an outstanding contribution in his own field of endeavour.

CANADIAN TRANSPORT COMMISSION

DOMESTIC AIR CHARTER RIGHTS—QUESTIONS

Senator Buckwold: Honourable senators, I should like to ask the Leader of the Government a question concerning the recent decision of the Canadian Transport Commission to give very limited charter rights to Air Canada and CP Air for domestic flights in the coming year. The number has been limited to 50—that is, 25 for each company—and I have no objection to that. I do, however, vehemently object to the fact that another company, Wardair, which has offered flights at a much lower rate, has been denied this privilege. In view of the fact that the government has said over and over again that Canadians should have every opportunity to see their country, I feel that decision of the CTC should be carefully reviewed.

I would ask the Leader of the Government in the Senate to discuss this matter with his colleagues, and report back to this chamber on the possibility of such a review, and the possibility of a broadening of the charter rights.

Senator Perrault: Honourable senators, I must take that question as notice. I shall endeavour to provide further information.

Senator Greene: When the Leader of the Government is looking into the denial of the Wardair application, would he also undertake to ask his cabinet colleagues to review the

position of the regional airlines, and ascertain whether they can be given a wider mandate under the present ruling of the Canadian Transport Commission?

Senator Perrault: Honourable senators, I shall endeavour to include a statement on that matter in the information which I hope to provide.

DISTINGUISHED VISITORS IN GALLERY

The Hon. the Speaker: Honourable senators, I would like you to welcome Dr. Bernhard Vogel, former President of the Bundesrat—which is, as you know, the German Senate—and now Vice-President of the Bundesrat and Minister President of Rhineland-Palatinate, and his party, who are honouring us on their visit to Canada. I would also like you to welcome His Excellency the Ambassador of the Federal Republic of Germany.

SAFE CONTAINERS CONVENTION BILL

SECOND READING—DEBATE ADJOURNED

Hon. William J. Petten moved the second reading of Bill S-4, to implement the International Convention for Safe Containers.

● (1420)

He said: Honourable senators, Bill S-4 is necessary because of the increasing use of technology that has allowed us to develop more effective means of transporting freight within Canada and internationally. One of the most important breakthroughs in this respect has been the development of containers. These range from a simple box with doors at one end, similar to a transport truck-trailer, to specialized containers with removable roofs, tank facilities, and means of freezing and heating.

Containers make possible the transportation of cargo with a minimum of handling by sea, rail and road. The use of containers is responsible for the development of new types of ships, railway cars, trucks and specialized equipment.

Today we are increasingly concerned with the construction of container terminals at our major ports. As the use of containers has grown, so has the need to ensure the safety and uniformity of the international container traffic. With the movement of container goods from one form of transport to another, and from one country to another, it has become increasingly evident that some form of international safety regulation is necessary.

The International Convention for Safe Containers was adopted by the United Nations in 1972, and the Intergovernmental Maritime Consultative Organization (IMCO) was named to administer the convention due to the predominance of the marine transportation mode in container transport. Canada has been a member of IMCO since its inception, and was one of the 92 member nations to sign the convention at that time, subject, of course, to ratification by Parliament at a later date.

On September 6 of this year the required 10 member nations ratified the convention, and it came into force internationally. It now remains for us, as well as for our principal trading partners—the United States, Great Britain and Japan—to follow suit. Those three countries are expected to ratify the convention shortly.

The main concern in the development of this convention was to safeguard human life in the handling, stacking and transporting of containers. It is imperative that the standards for container safety not be left to individual nations, but that they be international in nature to ensure that the same high standard of safety will be applied uniformly.

The containers that will be affected by this legislation are those of the International Standards Organization (ISO), the type used in intermodal international transport. The convention does not apply to containers specially designed for air transport. It allows for additional safety requirements for containers specially designed for the transport of dangerous goods and bulk liquids. Under the convention, safety approval plates will be affixed by owners to containers meeting the approved criteria.

The owner of a container will be responsible for maintaining it in a safe condition. If there is evidence that the condition of a container may create a risk, the owner will be required to take it out of service until it can be restored to a safe condition. Container owners with head offices in Canada will be required to have their containers examined by a government-approved procedure at regular intervals. That procedure will include a verification of the safety approval plate, a check on the re-examination date for the container, and an examination of the condition of the container. In Canada, inspection of containers will be carried out by Coast Guard marine surveyors, the Canadian Transport Commission, rail safety inspectors, civil aeronautics safety inspectors, and customs inspectors.

Following passage of this legislation, regulations will be promulgated to provide for implementation of the convention, including a system for safety approval of new and existing international freight containers; a system for approval of container maintenance programs submitted by Canadian container owners for containers used in international transport; government controls to ensure adherence to regulations; and the establishment of minimum repair standards.

Honourable senators, at this point I would assure you that both this legislation and the regulations that will follow its passage have been developed after a high degree of consultation with the container industry in this country. In addition, the government has co-ordinated its efforts with other government departments and agencies.

By co-ordinating the convention's safety approval requirements with existing industry practice, we will be able to keep down the cost of the additional safety requirements. The additional cost will be assumed by the container owner, and will include the cost of safety approval plates and periodic re-examination of containers used in international trade.

Although it will result in additional expenditures for container owners, it is small compared with the cost if Canadian cargo is held up in foreign ports due to the non-uniform application of safety standards.

I should point out as well that we have limited the number of safety regulations as much as possible in order to aid the movement of international containers. We have no desire to subject the transportation industry to move regulations, but we believe these are necessary and are preferable to the proliferation of numerous arbitrary national schemes which could develop in the absence of any international agreement.

Under this bill, the Minister of Transport will have authority to direct an inquiry into any accident or incident involving a container. However, the number of accidents involving containers in the past has been small, and we hope that good record will continue. This is, in fact, one of the many advantages of container freight traffic. There is increased speed of delivery associated with containers, and this has substantially reduced the incidence of damage and theft.

Honourable senators, having regard for our vital international trade, container transportation is of tremendous importance to Canada. Therefore, it is essential that we ensure a high level of safety in the handling, stacking and transporting of containers. Canada has participated in the drafting of the International Convention for Safe Containers, and it is in our best interest to proceed with the enabling legislation contained in Bill S-4.

Honourable senators, if this bill receives second reading and it is the wish of honourable senators, I will move that it be referred to the Standing Senate Committee on Transport and Communications.

Hon. John J. Connolly: Honourable senators, may I be permitted to say a few words with respect to this bill? My original intention was to ask a question, but I would like to do a little more than that.

First of all, I believe this to be the type of legislation that Parliament would welcome very much. It seems to me very sensible because the maintenance of proper standards, as the technology of shipping goods by container develops, is, in my opinion, of great consequence. However, I am speaking now primarily to the jurisdictional aspects. I believe there to be no doubt about the power of Parliament to ratify this treaty, which deals primarily with the use of containers in international trade, but I wonder what the implications are for interprovincial trade in Canada. Will the act and the regulations thereunder affect—and if so, to what extent—the use of containers in interprovincial trade?

● (1430)

I would think, without having done any research on the matter, that the Parliament of Canada has the authority to deal with this issue as it affects interprovincial trade within Canada. But I also ask whether—and I hope the committee will deal with this question—there are any provincial implications in the sense that the jurisdiction of the provinces is being invaded in any way as a result of this. If it is, I wonder whether that invasion can be avoided by agreement or otherwise.

My other point is, I think, an obvious one. It concerns the use of containers in intra-provincial trade. In that area, I would think the jurisdiction is likely to be primarily provincial, and perhaps there is a spill-over problem once you try to regulate federally the use of containers in intra-provincial trade—that is, trade inside any of the provinces of Canada.

I point out these things, in a rather amateurish way, because I think they may be of some consequence for the committee if the bill should be referred to it.

Senator Petten: There are two officials from the department in the gallery, Senator Connolly, and I am sure they have taken note of your questions and suggestions. They will certainly be dealt with in committee.

Senator Riley: Honourable senators, I would like to direct a question to Senator Petten.

With regard to the question raised by Senator Connolly (Ottawa West) in respect to extra-provincial transport of inter-modal containers, has Part III of the National Transportation Act been proclaimed yet?

Senator Petten: Honourable senators, I would have to check and find out. I feel that the honourable senator, who was involved in transportation for many years, is himself more qualified to answer that than I. That is perhaps begging the question. I do not know the answer, but I shall do my best to find out.

Hon. J. J. Greene: Honourable senators, to continue the debate so ably led by Senator Petten, I am concerned with the converse of the point raised by Senator Connolly (Ottawa West), namely, that this bill not confer the right on non-Canadian entities to commence and maintain actions based on this treaty in our courts. We had a pregnant example of this in 1932, I believe it was, when Canada entered into a treaty regarding the use of the word "champagne". This was a very important matter in the Niagara region, which I had the honour of representing in the other place. Many years later, the French champagne interests launched a suit in the Canadian courts, which suit was based on the treaty and on the Canadian statute which implemented the treaty. The Supreme Court of Canada, in its wisdom, found it to be a sufficient base of action. The French wine interests succeeded in that action, and the ludicrous result was that our wine makers could not sell champagne under the name of "Canadian Champagne".

In effect, we have a precedent that a treaty, implemented by an act of the Parliament of Canada, can form the basis for a non-Canadian commercial interest to found an action in Canadian courts. I would hate to think we have not learned from that precedent. From Senator Petten's review of the bill, it seems to me there is the possibility that some foreign interest could found a cause of action in our courts based upon the treaty, and thus gain an advantage over Canadian shippers or business concerns.

I hope that the officials from the department will take a look at this, and that the committee will carefully consider the

drafting of this bill to make sure that it does not give our foreign competitors the right to create a cause of action in Canadian courts, based on the wording of the treaty, as in the champagne case.

Senator Petten: I am sure Senator Greene will make sure that that point is raised in committee. I am sure he will be there to pursue the matter further.

On motion of Senator Choquette, for Senator Smith (Colchester), debate adjourned.

NORTH ATLANTIC ASSEMBLY

TWENTY-THIRD ANNUAL SESSION, PARIS, FRANCE—DEBATE CONCLUDED

The Senate resumed from yesterday the debate on the inquiry of Senator McDonald calling the attention of the Senate to the Twenty-third Annual Session of the North Atlantic Assembly, held in Paris, France, from 18th to 24th September, 1977, and in particular to the discussions and proceedings of the Session and the participation therein of the delegation from Canada.

Hon. Jack Austin: Honourable senators, the Canadian Parliament was represented by a delegation of 17 members when the 23rd Annual Session of the North Atlantic Assembly met in Paris from September 18 to 24 of this year. The Senate group was composed of five, namely, Senators Jacques Flynn, A. H. McDonald, J. M. Godfrey, Paul Yuzyk and myself. Each was assigned to different aspects of the session. Senator Flynn was placed on the Political Committee, where his pre-eminent talents would naturally be shown to best advantage. Senator McDonald was on the Military Committee, where he has served with highest distinction for a number of years, and where his interest and leadership have earned him the signal honour of being elected rapporteur. Senator Godfrey, new like myself to the Assembly, represented Canada as a member of the Scientific and Technical Committee, and the Senate received his most interesting report on November 29 last. Senator Yuzyk is our highly regarded representative on the Committee on Education, Cultural Affairs and Information, and is now rapporteur of the Sub-Committee on the Free Flow of Information and People. His work and that of his committee were very well outlined when he spoke to us yesterday. As for myself, I was asked to become a member of the Economic Committee, and at the end of the session was elected to the Joint Sub-Committee on Energy Policy.

● (1440)

The 23rd Session of the North Atlantic Assembly is the first which I have had the opportunity to attend, and I would like to make a few comments about the experience. While for several years I have read and talked with people about NATO, the Warsaw Pact, and the significance for Canada of the NATO grouping of many of the world's leading industrial, economic and democratic countries, nothing crystallizes more its vital role in our domestic and foreign affairs than meeting face to face in debate and dialogue with parliamentarians from countries sharing a continent with the Soviet super-power. Defence is neither remote nor academic for them. They live in an atmosphere where at every moment they have to risk their political and social stability, and their national, and perhaps personal, lives. They talk with an urgency and an immediacy that hits at complacency and demolishes any incipient desire for isolation or non-involvement. Europe is Canada's front line of defence. I don't think I will ever lose sight of that reality; nor should any of us.

For as long as I have been in public life, I have supported the concept of a collective security arrangement for Canada which links our defence with Europe and with the United States. I have believed, and now, after this first direct involvement in the general policy issues of NATO, believe even more, that the NATO grouping of countries is also an important factor in the development of our economic and technological relations with Europe. NATO is Canada's pass-key to a senior role at the table of world stability and security, and to the development of a fair and equitable share of the emerging technology and economic growth of the powerful NATO community.

In the Canadian parliamentary group at the North Atlantic Assembly sessions, Canada had an able and active delegation. Its leader was Thomas-Henri Lefebvre, M.P., who at all times ably organized and directed our work. As a result of first-thing-in-the-morning meetings, the whole delegation was able to keep in touch with what was taking place in the various committees, and thereby to identify our opportunities to make an impact and direct our activities accordingly.

Ralph Stewart, M.P., Chairman of the Committee on Education, Cultural Affairs and Information, was prominent in Assembly activity. Senator Godfrey has already spoken about the substantial role played by Ian Watson, M.P., who presented a report on Marine Resources Management. Crawford Douglas, M.P., as a member of the Military Committee, did yeoman service in advancing the concept of long-range equipment planning and production, and made a vigorous and successful speech from the rostrum of the plenary session.

In the list of hard-working Canadians, I do not want to forget Paul Langlois, M.P., who was re-elected by the Assembly as its Treasurer, nor Colonel Tom Bowie, an experienced secretary of the Canadian delegation, who kept us on time and in the right place—no easy task. Person for person, the Canadian delegation was the match of any. We enjoyed the enthusiasm and infectious good humour of the Honourable George Hees, and in those qualities we were probably ahead of most.

In turning to the more substantive side of the Assembly's work, I would like to mention the general satisfaction of NATO parliamentarians with Canada's present defence program and role. They are well aware of our commitment to increase capital expenditures in real terms by 12 per cent each year for the period 1976-1980, and our goal of ensuring that capital expenditures reach at least 20 per cent of the total defence budget. Many of us were questioned about the Canadian procurement program, the decision to purchase a

main-battle tank, the Leopard I, for our forces in Germany, and a new long-range patrol aircraft, the CP-104 Aurora. The questioning was friendly indeed.

I had no information last September on the naval side, but what is now available indicates that Canada hopes to replace all ships currently in service by about 1997, and the total cost is estimated at about $10 billion. According to information recently given to a NATO ministers' meeting, the replacement of the six St. Laurent class destroyers will be the first step, with a new class of patrol frigates taking the role of coastal patrol and submarine detection. This will enhance an already strong suit in our claim for a fair share in the defence production of the alliance. Clearly, government policy is making the role of Canadian North Atlantic Assembly parliamentarians a good deal easier than it once was.

The Canadian representatives on the Economic Committee included Ursula Appolloni, M.P., James Gillies, M.P., Peter Bawden, M.P., and myself. The Economic Committee's chairman is Erwin Lange, a distinguished West German parliamentarian, and its rapporteur is Jerry Wiggin, M.P., of the United Kingdom. The Economic Committee took two days to consider Mr. Wiggin's report on "Atlantic Economic Questions." It is an excellent document, and I shall be delighted to make it available to any honourable senator who wishes to read it.

Senator McDonald, in his virtuoso report to the Senate of November 16 last, summed up the key military issues which plague the alliance. Overlying every aspect of NATO's ability as a defensive alliance is the problem of equipment and armament interoperability and/or standardization. As he clearly outlined to us, the Warsaw Pact countries have no problem. They have one command center, one planning group and one equipment and supply production system for the military forces of their member states. In the NATO group, each member state controls its own equipment decisions, which are often competitive and incompatible with the decisions of other NATO countries. Senator McDonald mentioned the classic controversy between the German Leopard I tank and the United States XM-1 tank which, whatever the merits of the tank issue, represents a real loss for NATO co-operation and effectiveness. There are many other such controversies within the alliance, and the struggle is on to face them.

Let me now outline the impact of defence on the economic situation, and the inter-relationship of the economic situation within NATO member countries, in terms of their willingness to add to the defence capability of NATO.

The reality of NATO is that it is made up of nations who have freely aligned themselves, and whose contribution is what they decide it to be in what they see to be their own overall interests. Thus, the NATO military capability derives from political, economic, geographic and even historic traditions. Every NATO member is a political democracy, and, therefore, the NATO governments are necessarily responsive to the changing tides of public opinion about the defence risk and about the need for defence expenditures. It is trite to say that every country's economic capability is limited. How much should be put into the military budget? Today, the world economy and those of alliance members are pressed with problems of slow or no economic growth, inflation, unemployment, shortages of energy and natural resources and competing domestic policy goals such as social improvement or environmental protection. How to manage all of this without over-taxing the economy? And always to be borne in mind is that all governments of the NATO alliance see economic issues such as I have mentioned as a continuing threat to their political tenure. There are rarely as many votes in defence expenditures as in various social programs.

The result of all of these world economic pressures is that members of NATO are tending to protectionism and to an even greater reliance on international arms sales for the clear economic benefits which that trade brings to the domestic economy. Trade in conventional arms is flourishing, and Mr. Wiggin estimates the value of sales at about $20 billion annually. The United States' share of such trade in 1974 is estimated at 45 per cent, or approximately $9 billion; the Soviet Union's at 30 per cent; France's at six per cent; and United Kingdom's at 5 per cent. Canada's share is 1 per cent, which is about $200 million—not an inconsequential amount. In 1974, the leading arms importing areas were the Near East, 32 per cent; East Asia, 22 per cent; and NATO, 16 per cent.

Many of the NATO countries use arms sales as a way of strengthening their balance of payments, particularly since the oil price crisis of 1973. This leads to a domestic armament industry not tuned to NATO defence so much as it is concerned with making those things the customer needs and wants to buy. With sales abroad assured, the NATO member then tries to increase production efficiency by selling the same item to other NATO members, and if that cannot be done, well, at least some efficiency can be gained by placing the item in the domestic military forces where it may be totally unsuited militarily to the defence task but is eminently suited to the economic objective. This system—and it is one for concern within NATO—proves the old adage that the most important defence planning is usually done by a nation's minister of finance.

I do not want to leave the international armaments sale issue without noting that President Carter has called the world trade in military equipment "as cynical as it is dangerous." During his election campaign of 1976, he promised to reduce the arms trade of the United States. Whether he can do it remains to be seen. The United States withdrawing by itself would leave all the impression of a hand removed from a pail of water. Other sellers are no doubt eager to step in. Personally, I hope and expect that both NATO and the North Atlantic Assembly will address themselves to this difficult but essential problem.

● (1450)

Referring for a moment to the importance of NATO expenditures to the various domestic economies of its members, information was released a few days ago that NATO members collectively spent about $165 billion on their own defence in 1977. This is about $20 billion more than in 1976. The U.S. total is $104 billion, Western European countries $57 billion, and Canada about $4.2 billion. As a whole, the alliance spent

about 4.5 per cent of its gross national product on defence. Canada, as Senator McDonald reminded us, spends about 2.4 per cent of its GNP. However, I think straight statistical comparisons to derive some form of fairness standard would be misleading.

Senator McDonald makes a vital point when he outlines to us the build-up in Warsaw Pact military capability. We are out-gunned, out-tanked and out-manned in Europe. We rely for a balance of power on our tactical nuclear arsenal and on the development of new tactical weapons such as the cruise missile—which is capable of long-range, low-altitude flight, with pinpoint accuracy—and the neutron bomb, which kills people but does not seriously damage property. The neutron bomb essentially accomplishes its task by low-level radiation rather than explosive force.

When we are at a disadvantage in conventional weapons and have a limited economic capacity, is not the lack of weapons and equipment interoperability a great stupidity on the part of NATO members? Military thinking at least agrees that it is a stupid, even sinful, waste of limited economic resources. But domestic political and economic objectives override. Standardization and/or interoperability constitutes a key challenge for NATO, and as the challenge lies within the area of political decision-making, obviously the finger of responsibility is pointed at the politicians. In turn, the North Atlantic Assembly and, I believe, the Economic Committee have a potentially important role to play.

As the Economic Committee sees it, the key to most problems, including defence expenditures, is the control of inflation. Every international economic meeting of the last two years has said the same thing. Attention is focused on the transfer of wealth to the oil-exporting nations. Current account deficits are rising everywhere, and particularly in the United States, where the deficit is unprecedented. In 1977, the total debt of all non-oil-exporting nations is estimated at $200 billion. It is obvious this debt strains and de-stabilizes the world economy. And it is a strain on the economies of the NATO nations who collectively carry a large portion of it.

One of the critical areas for the economy of NATO countries is with respect to energy policy and energy supplies. The price of oil is essentially at the dictate of an international cartel, and this remains a source of real instability to the world economic order, in spite of the apparent recognition of oil-producing countries that they have a responsibility for a stable and growing world economy. After all, the paper they take in exchange for their oil is only as good as the economic stability and growth of the importing country.

Personally, I am not an optimist about energy price stability. I believe that the OPEC nations are holding back on their price claims because there is today a temporary over-supply on a world-wide basis. In addition, some of them, particularly Saudi Arabia and Iran, depend on arms supplies from the United States. In one sense, each side is a tiger with the tail of the other tiger in its mouth. I dread the day the oil-producing tiger lets go, and turns to face the new situation.

Honourable senators, I am basically a Woody Allen pessimist. I do not know how many of you saw Woody Allen, with Diane Keaton, in his movie called *Annie Hall*. The scene in question shows two panels. They are talking to their respective psychiatrists about their relationship. Woody Allen is asked by his psychiatrist, "Tell me, how often do you have sex?" Woody Allen replies, "Hardly ever. We hardly ever have sex. Only about three times a week." Diane Keaton is asked by her psychiatrist the same question, "How often do you have sex?" She says, "Oh, all the time. Absolutely all the time. He is really a sex maniac. We have sex three times a week."

I use this story to illustrate that the same facts can produce two completely different conclusions about their meaning. I hope the optimists about world oil price and supply are correct, but I certainly am with Woody Allen when it comes to those questions.

The greatest concern of all that I have is with respect to the oil import problem of the United States. As honourable senators know, President Carter introduced an energy package in the United States Congress which quickly passed the House of Representatives. However, it has not passed the Senate. The United States is desperate to control its mounting deficit on the acquisition of international oil supplies, a deficit which can reach in the area of $50 billion annually before the end of this decade. That is a vast amount of money, which the United States, the wealthiest country in the world, cannot really afford to pay.

President Carter has warned the United States that it faces a real crisis in its economy, and a real crisis in security of energy pricing, if it does not come to grips with this problem. The United States must deal with it in terms of new sources of energy supply within its own boundaries and in other parts of the world, and in terms of a program of conservation designed to restrict and limit use. Conservation can produce vast savings for the economy of the United States. Regrettably, the United States Congress is all tied up at the moment with the question of who gets the benefit of the higher energy pricing for oil. Should these funds go to the producing sector; should they go to the government; should they go to the consumer? I sincerely hope that they will solve that problem shortly because the energy pricing policy of the United States will determine the energy pricing policy of much of the Western World, and on it depends the turn-around in present economic conditions.

In view of all of this, it should not be surprising that the North Atlantic Assembly has established a subcommittee on energy policy. This is a central link in the stability of the world economy and offers an important focus for the NATO members, through their parliamentarians, to come to grips with the reality that if we cannot hang together over energy policy we will certainly hang separately, and the Warsaw Pact will not have to fire a shot. I am looking forward to attending the first meeting of that committee, which will take place near the end of January 1978.

Finally, honourable senators, I want to strike a ray of hope for the standardization issue, based on the resolution on Increased Co-operation in Alliance Arms Procurement, pre-

sented jointly by the Economic Committee and the Political Committee. I would ask that this resolution be printed as an appendix to the *Debates of the Senate* of today.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

(*For text of resolution, see appendix "B".*)

Senator Austin: I want to refer to one short paragraph in the resolution. As a result of work done by the Canadian delegation, the resolution was amended to include the following:

> 5. to establish a NATO procurement committee with authority to investigate industrial capabilities and determine equipment requirements for the combined NATO Forces Europe.

Believe it or not, honourable senators, there is no common procurement policy in NATO, not even with respect to long-range requirements.

● (1500)

The second cause of our ray of hope is in the position taken by the American delegation at the North Atlantic Assembly. That position was expressed by Congressman Jack Brooks, a Democrat from Texas. In support of the resolution I have just referred to, he said:

> My colleagues in the United States Congress who share my concern at the lack of progress in the area of standardization are deeply interested in the views of the representatives of this Assembly. We are particularly interested in the European effort to organize a program group to negotiate more effectively with North America on armaments issues. We hope that the European program group will be successful in producing concrete results in the very near future. We are particularly interested in establishing a trans-Atlantic dialogue with Europe at the earliest possible moment. Meanwhile, the passage of this resolution will contribute immeasurably to the growing momentum within the United States to take positive action on all matters related to our efforts to standardize NATO's weapons arsenal. I can assure you that I intend to give the provisions of this resolution maximum visibility within the United States Congress. And, I urge all of you to take similar action in your respective legislative assemblies.

By having the resolution printed in *Hansard*, I have taken the action which Congressman Brooks requested of the Assembly. I hope honourable senators will take the opportunity to read that very important resolution.

The Hon. the Speaker: As no other honourable senator wishes to participate in the debate, this inquiry is considered as having been debated.

The Senate adjourned until Monday, December 12, at 8 p.m.

APPENDIX "A"

(*See p. 219*)

THE STANDING SENATE COMMITTEE

on

BANKING, TRADE AND COMMERCE

FIRST REPORT

ON

THE ADVANCE STUDY OF THE BUDGET RESOLUTIONS RESPECTING INCOME TAX AND ANY BILL OR OTHER MATTER RELATING THERETO

Thursday, 8th December, 1977

The Honourable Salter A. Hayden, Chairman

80023—15½

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CONCLUSION

On November 2, 1977, Bill C-11, intituled "An Act to amend the statute law relating to income tax and to provide other authority for the raising of funds" received first reading in the House of Commons. This Bill is intended to implement the Notice of Ways and Means Motion that was tabled by the Minister of Finance with his Economic and Fiscal Statement of October 20, 1977. Bill C-11 replaces Bill C-56, which was tabled by the Minister of Finance on March 31, 1977 and received first reading in the House of Commons on June 15, 1977. Bill C-56 died on the Order Paper.

By resolution of the Senate on November 1, 1977, the Standing Senate Committee on Banking, Trade and Commerce was authorized to examine and report upon the subject-matter of any Bill relating to income tax based on Budget Resolutions including the 31st March 1977 Budget Resolutions as subsequently changed, the Ways and Means Motions of October 20th, 1977 to amend the Income Tax Act and Income Tax Application Rules, 1971 or any matter relating thereto.

In accordance with the order of reference, your Committee has given careful consideration to the said Bill C-11 arising from the said Ways and Means Motions and the said Budget Resolutions and in connection with such examinations has engaged the services of Messrs. Charles Albert Poissant and Helmut Birk of Thorne Riddell & Co., Chartered Accountants, and retained as its counsel, Mr. Thomas S. Gillespie of Ogilvy, Montgomery, Renault, Clarke, Kirkpatrick, Hannon & Howard. The Committee has also heard Dr. E. P. Neufeld, Acting Assistant Deputy Minister, Mr. R. A. Short, Director, Tax Policy Legislation Division, Mr. R. A. Friesen, Special Advisor, and Mr. T. Morris, all of the Department of Finance (Tax Policy and Federal-Provincial Relations Branch), Mr. R. M. King, Acting Director, Current Amendments Division, Revenue Canada-Taxation. In addition the Committee has heard submissions from the Life Underwriters Association, Mr. D. P. Hays, counsel on behalf of Leurerleut Hutterian Brethern, as well as submissions from the Excelsior Life and on behalf of Western cattlemen.

Bill C-11 provides authority for the borrowing of additional sums up to nine billion dollars (Clause 116) and contains an amendment to the Old Age Security Act and a series of amendments to the Income Tax Act and the Income Tax Application Rules.

The Bill proposes substantial changes to the taxation of life insurance corporations and their policy-holders. The Bill also contains a large number of amendments that are beneficial to Canadian taxpayers. In particular, the Bill grants increased deductions and exemptions from income to corporations and individuals. It also contains substantial amendments relating to the taxation of corporations that will facilitate corporate reorganizations and the conduct of business.

The Bill deals with the taxation of communal organizations and deals also with multi-national insurance companies and amends provisions relating to the method of accounting for Canadian investment income and loss carry forward in connection therewith as provided in the Act and proposes changes in relation thereto.

Your Committee proposes to discuss the following matters dealt with in the Bill:

LIFE INSURANCE

Part XII Tax

Life insurance companies are required to pay a 15% tax on investment income. In effect, this tax is a tax on the policyholder that is collected by the insurer. It was imposed so that it would not be more attractive to save money through the ownership of a life insurance policy or certain annuities than through other forms of savings. The introduction of the $1000 exemption for interest and dividend income created a bias against saving through life insurance. It is therefore proposed (Clause 91) to repeal the Part XII 15% tax. In conjunction therewith other amendments are proposed which will affect policyholders.

Taxation of Policyholders

Bill C-56 had proposed to extend to maturities arising on death the existing tax on the surrender of policies. It was proposed that with respect to deaths occurring after March 31, 1978 there be taxed the excess of the cash surrender value over the net cost of the policy less a $10,000 exemption.

The Minister of Finance announced on October 20, 1977 that the government, pending further study, has decided to withdraw this proposal to tax certain life insurance policies realized on death.

Policy Loans

Bill C-11 proposes (Clauses 68(17), 68(19) and 74) that a policy loan made after March 31, 1978 will be treated as a disposition of an interest in a life insurance policy and the amount of loan received in excess of a policyholder's adjusted cost base will be included in computing his income subject to tax. (A policyholder's adjusted cost base will, in most cases, be an amount equal to the total amount of premiums paid by him.*) The repayment of a policy loan will increase a policyholder's adjusted cost base as will the payment of interest on that loan.

The officials of the Department of Finance justify the taxation of policy loans in part by maintaining that policy loans are not loans in law because policyholders are not under any legal obligation to repay their loans. In support, they cite the case of The Equitable Life Assurance Society of the United States v. Larocque 1942 S.C.R. 205. In that case Rinfret, J. held that a policy loan was an advance and the insurer could not sue the policyholder or beneficiary for repayment of the money loaned. Representatives of the Life Underwriters Association of Canada have argued that the holding of Rinfret, J. was *obiter dicta* and not essential to the judgment.

* In some instances it will be increased by the amount by which the cash surrender value of the policy as at its first anniversary date after March 31, 1977 exceeds the adjusted cost base of the policy as otherwise determined.

The Department also states that the life insurance industry has argued before a Parliamentary Committee that policy loans are not true loans. Your Committee does not consider this to be a relevant consideration.

The officials also point out that if policy loans were not taxed in some manner, tax avoidance could result. That is to say, if policies are surrendered or mature prior to death, policyholders are taxed on the investment portion of the policies paid to them. They could borrow against their policies, never surrendering them and thereby avoid payment of such tax. They would, in effect, never be taxed on the investment income earned by their policies. The Department argues that this would not only give taxpayers the opportunity to avoid paying tax but would unfairly prejudice competing investment institutions which could not offer their customers corresponding tax treatment.

Your Committee feels that policyholders who are subject to tax upon receipt of a policy loan should be entitled to proper tax relief. The mere adjustment by an increase in the adjusted cost base of their interests in their policies is insufficient. To include part of the proceeds of their loan in income and only to increase their adjusted cost bases in their policies upon its repayment will put them in a position of paying tax at the time of receiving the loan but not receiving credit at the time of repayment. Indeed, they will receive no credit at all should they die before maturity as there will be no tax then payable.

It is therefore your Committee's recommendation that Bill C-11 be amended to allow policyholders repaying loans a deduction from income in the year of repayment of such portion of the amount of the loan as was previously taxed.

Your Committee feels further consideration should be given to exempting from tax, policy loans that are repaid within one year. Further consideration should also be given to exempting from tax, loans made shortly before death and loans made to enable or assist policyholders in the purchase or erection of dwelling houses or the purchase of shares of corporations of which they are officers or employees or the purchase of automobiles to be used in the performance of their duties as officers or employees, provided bona fide arrangements are made for the repayment of loans within a reasonable time. This suggestion resembles in some respects the tax treatment given to loans to shareholders.

Interest on Policy Loans

The Act is silent as to the treatment of the deduction of interest on policy loans. In keeping with the spirit of the Act, Revenue Canada—Taxation has allowed the deduction of interest on policy loans where the proceeds of such loans are used in earning income from a business or property. Reference is made to Interpretation Bulletin IT-355 which reads in part as follows:

> "Notwithstanding the general commentary in the preceding paragraph, the Department has adopted the policy of allowing a deduction in respect of interest on a policy loan where the proceeds of the loan are used in earning income from a business or from property. The Department does not view interest on a policy loan under an annuity as deductible where the proceeds of the loan are used to pay any part of the premiums for that or any other annuity contract."

Bill C-11 proposes (Clause 14(2)) to disallow the deduction of interest paid on policy loans made after March 31, 1977. Rather, interest paid on such policy loans will only increase the adjusted cost base of a policyholder's interest in his policy. Most policyholders are not entitled to deduct interest as most loans are incurred for purposes other than the earning of income from a business or from property. By giving policyholders the right to increase the adjusted cost base of their policies, Bill C-11 is helping a vast majority of policyholders who are receiving loans. To the extent that such policyholders can benefit, your Committee is in agreement with the proposal. Your Committee is not in agreement that other policyholders who borrow for the purposes of earning income from a business or from property should be prejudiced by not being able to deduct interest incurred on such a loan in the year of payment. As seen earlier, some policyholders will never get any tax benefit from interest payments should they hold their policies until death.

Your Committee therefore proposes that Bill C-11 be amended to allow policyholders who borrow for the purposes of earning income from a business or from property a deduction from income of interest payments made by them and to allow others an increase in the adjusted cost base of their interest in their policies by the amount of interest payments made.

Branch Accounting

Since 1969 multi-national insurers have had two methods to choose from when computing the portion of their worldwide investment revenues that relate to their Canadian operations, namely, the proportional method and the branch accounting method.

The Bill proposes (Clause 68(12)) to eliminate the proportional method available to multi-national insurance companies and make changes to the branch accounting method in order to provide an appropriate level of gross investment revenue that will be comparable with the gross investment revenue of domestic insurance companies. Hereafter multi-national insurers will have to include in computing income from business carried on in Canada that portion of gross investment revenue that is gross revenue from property used by them or held by them in the course of carrying on business in Canada.

Multi-national insurance companies using the branch accounting method in 1975 were entitled under the provisions of the Act to elect to compute their investment income by determining a level of assets that was intended to approximate those related to the Canadian part of their business and then to identify the assets in question. The revenue from those

assets was deemed to be the revenue of the insurer for the year for Canadian income tax purposes. There developed a practice of selecting investments that greatly reduced the amount of Canadian investment revenue that had to be reported. For example, assets acquired immediately before the end of the taxation year, head office buildings and other low or non-revenue producing assets were chosen. In effect, the Act and Regulations, as drafted, permitted multi-national insurers to minimize their Canadian investment revenues thereby permitting them to create loss carry forward positions and deductions which could be used to reduce income in future years.

The Bill proposes (Clause 68(22)) to eliminate loss carry forward positions and deductions arising from the present provisions of the Act and Regulations that would otherwise have entered into the computation of income of an insurer in 1977 and subsequent taxation years.

Your Committee has constantly opposed retroactive legislation that operated to the detriment of the taxpayer. The Departmental officials have stated that the proposals do not constitute retroactive legislation. However, it can be argued that the effect is the same; that is to say, the benefits that arose in 1975 because of the present provisions of the tax legislation are now to be denied.

Losses on Dispositions of Debt Instruments

Insurance companies have found it necessary over the years to dispose of older bonds, mortgages and similar debt instruments constituting Canadian securities, as defined in the Act, bearing low rates of interest at a loss. The proceeds were reinvested in higher yielding investments. The Act required that the full amount of the higher yield be included in taxable income. The loss incurred was deductible from income. Undeducted losses could be applied against future income. Pursuant to Clauses 6(11), 54(4) and 68(4) of the Bill, it is understood that it is the intention of the Department to introduce regulations whereby such companies will be required to continue to include in income the higher income yielded by the new investments while disallowing a deduction for losses incurred on the sale of lower yielding securities. Compensating benefits will be extended to insurance companies but the extent of such benefits is as yet unknown to your Committee.

It is recommended that a thorough study be made of these proposals, including a review of any submissions by interested insurance companies, and the results of the study published. The results of the study should be made available for consideration by your Committee when considering further amendments to the Act at the next session of Parliament.

CORPORATE DISTRIBUTIONS

The Bill contains major changes with respect to corporate distributions including, in particular, the change in taxation of dividends received by individuals from taxable Canadian corporations, the elimination of tax on designated surplus and the phasing out of tax-free distributions from surplus accounts arising before 1972.

Dividends from Taxable Canadian Corporations

It is proposed (Clause 36(1)) to increase the gross-up in respect of dividends from taxable Canadian corporations received by individuals from one-third to one-half. It is also proposed (Clause 58(1)) to adjust the dividend tax credit from four-fifths to three-fourths of the dividend gross-up. The proposed system will benefit all taxpayers receiving dividend income from taxable Canadian corporations, the greater benefit to be enjoyed by taxpayers in lower income brackets. For example:

TAXATION OF DIVIDEND INCOME AND CAPITAL GAINS, 1977 and 1978

Marginal Rates		$7,095 to $9,932* (30%)		$19,866 to $34,055* (46%)		Over $85,140 (62%)	
		1977	1978	1977	1978	1977	1978
Dividend		$ 90.00	$ 90.00	$ 90.00	$ 90.00	$ 90.00	$ 90.00
Gross up	⅓	30.00		30.00		30.00	
	½		45.00		45.00		45.00
		$120.00	$135.00	$120.00	$135.00	$120.00	$135.00
Federal Tax		25.20	28.40	38.40	43.20	51.60	58.10
Less Federal Credit 75% of Gross up		22.50	33.75	22.50	33.75	22.50	33.75
Federal Tax Payable		$ 2.70	$ (4.35)	$ 15.90	$ 9.45	$ 29.10	$ 24.35
Ontario Tax (44%)		1.19	(1.91)	7.00	4.16	12.80	10.11
Total Tax		$ 3.89	$ (6.26)**	$ 22.90	$ 13.61	$ 41.90	$ 35.06
Effective Tax Rate on Dividends		4.3%	(7%)	25.4%	15.1%	46.5%	39%

TAXATION OF DIVIDEND INCOME AND CAPITAL GAINS, 1977 and 1978

Marginal Rates	$7,095 to $9,932* (30%)		$19,866 to $34,055* (46%)		Over $85,140 (62%)	
	1977	1978	1977	1978	1977	1978
Effective Tax Rate on Capital Gains	15%	15%	23%	23%	31%	31%
Net Retained on Dividends	$ 86.11	$ 96.26	$ 67.10	$ 76.39	$ 48.10	$ 54.94
Net Retained on Capital Gains	$ 76.50	$ 76.50	$ 69.30	$ 69.30	$ 62.10	$ 62.10

* 1977 tax brackets—resident of Ontario
** reduction of tax on other income
The above computations assume reciprocal amendments by the provinces.

This proposal will more closely equate the tax on dividends and capital gains thereby eliminating the need for many of the complexities of the taxation of corporate distributions. Taxpayers with a marginal tax rate of 50% will pay approximately the same amount of tax on dividend income received from taxable Canadian corporations as they will on the same amount of capital gains incurred. Taxpayers with higher marginal tax rates will pay less tax on capital gains than on dividends; taxpayers with lower marginal rates will pay less tax on dividends than on capital gains.

Tax Bracket*	Marginal Tax Rate	Net after Tax: Dividend $100	Net after Tax: Capital Gain $100	Difference
$17-21,000	40%	$94	$80	$14
$21-37,000	46	85	77	8
$37-59,000	52	76	74	2
$59-91,000	56	70	72	(2)
$91,000	62	61	69	(8)

* 1978 rates, Ontario resident

Elimination of Pre-1972 Surplus Accounts

In order for a company to make distributions out of special surplus accounts, it must first pay a 15% tax on 1971 undistributed surplus. Dividends may then be paid tax free out of tax-paid undistributed surplus as well as 1971 capital surplus on hand and private companies' capital dividend accounts. The Department of Revenue and taxpayers have encountered increasing difficulties in maintaining records establishing taxpayers' adjusted cost bases. As indicated earlier, the Bill proposes to equate more closely the tax treatment given to dividend and capital gain income received by individuals. The advantages of receiving tax-deferred dividends will be reduced or eliminated. It is therefore proposed that after 1978 distributions out of tax-paid undistributed surplus, 1971 capital surplus on hand and 1971 undistributed income on hand be no longer available. After 1978, pre-1972 capital surplus may only be distributed tax free upon liquidation. In the interim period, it is proposed to simplify the order of surplus distributions. Prior to 1979, tax-paid undistributed surplus, 1971 capital surplus on hand and a company's capital dividend account may be distributed without first paying a 15% tax on 1971 undistributed income on hand.

The time limit placed on tax-free corporate distributions is in conflict with the guidelines issued by the Anti-Inflation Board on dividend payments now in effect. Your Committee feels that companies should be given sufficient time to permit determination of the various surplus accounts and unrestricted payment of dividends out of pre-1972 surplus accounts. If the AIB restrictions on dividend payments persist, it will be impossible for many corporations to make the desired distributions of pre-1972 surpluses.

This conflict, which interferes substantially with the distribution of pre-1972 surplus accounts, must be quickly resolved in the interests of both the administration and the taxpayer.

Elimination of Designated Surplus

The elimination of tax on designated surplus will facilitate corporate planning and reorganization and is welcomed by your Committee.

The repeal of the designated surplus is in line with the government's decision to reduce the tax on dividends and to forego the small difference in tax on taxable dividends compared to tax on capital gains for taxpayers in high tax brackets.

Under the proposal a corporate purchaser may acquire the shares of a Canadian corporation without creating designated surplus, i.e., the retained earnings of the company at the beginning of the year during which control is acquired. Thus in future the surplus of the acquired corporation can be passed up to the parent without attracting tax. This allows considerable flexibility to the parent company since the excess funds of the subsidiary may flow up tax free either through the payment of dividends or by way of amalgamation or liquidation.

Future corporate acquisitions by individuals will be further facilitated by using a holding company to make the acquisition. Funds can then be paid from the acquired corporation

through the holding company to the individual shareholder to permit him to recover the full cost of his investment before receiving taxable distributions. Furthermore where the holding company has no other income and has borrowed funds to make the acquisition, it may liquidate the acquired subsidiary without tax on designated surplus and thereby deduct the interest expense against the income of the acquired corporation. The existence of designated surplus prevented in the past a deduction for interest expense where the holding company had no other income.

The phasing out by the end of 1978 of the tax-free distribution of pre-1972 surplus requires special rules in the case of non-arm's length transactions. In the absence of such rules a shareholder would be in a position to receive tax-free pre-1972 surplus after the prescribed deadline of December 31, 1978. This would be achieved by transferring shares of an operating company to a holding company at V-day value under a tax-free rollover and a subsequent payment of dividends by the acquired corporation to the holding company followed by a reimbursement of capital to the shareholder. For this reason a new Section 84.1 is proposed (Clause 39) which is designed to prevent the tax-free distribution of pre-1972 surplus and unrealized goodwill in a non-arm's length transfer of shares by an individual to another corporation. The disposition of shares of a controlled corporation to another non-arm's length corporation will subject any accrued gain at V-day over paid-up capital of the shares to tax immediately as a capital gain or will reduce the adjusted cost base of any shares or debt received as consideration. This rule will not apply to the sale of shares in an arm's length transaction.

Part IV Tax

A private corporation receiving taxable dividends from corporations that are not controlled by it must pay a tax equal to one-third of such dividends. This tax is refunded when the private corporation makes its own dividend distributions.

Clause 85 of the Bill proposes that the tax be reduced from one-third to one-quarter. It also proposes that the exemption from Part IV tax be extended to dividends received by a corporation that does not control the paying corporation but owns more than 10% of the fair market value of the shares of the paying corporation, except to the extent that

(a) the cumulative deduction account of the recipient corporation and other corporations associated with it exceeds in the aggregate $750,000 for the year in which it received the dividends, or

(b) the paying corporation receives a "dividend refund" in respect of those dividends.

The widening of the exemption from Part IV tax to minority interests of more than 10% is intended to encourage companies to participate with others in joint ventures by forming a subsidiary in which each company will hold more than 10% of the subsidiary's shares.

It also increases the benefit that may be derived from the small business deduction. As indicated above, a Canadian controlled private corporation can receive dividends free from Part IV tax until it has a cumulative deduction account of $750,000. The cumulative deduction account is increased by four-thirds of taxable dividends received and reduced by four-thirds of taxable dividends paid. Thus dividends of $562,500 will reduce the cumulative deduction account of the paying corporation by $750,000 and increase the account of the recipient by an equal amount. The small business deduction of the paying corporation is thus preserved where the recipient corporation does not control alone or with non-arm's length persons the corporation paying the dividend.

Under the proposed rules, 'large' private corporations, that is to say, private corporations with cumulative deduction accounts in excess of $750,000, may not enjoy the exemption from Part IV tax, unless they control the corporation paying the dividend.

It is therefore recommended that further consideration be given to extending the exemption from Part IV tax to all dividends between private corporations in which more than a 10% interest is held where neither corporation benefits any longer from the small business deduction.

Paid-up Capital Deficiency

It is also proposed that the concept of paid-up capital deficiency be repealed and the definition of paid-up capital be amended to conform to paid-up capital as determined under relevant corporate law. Distributions upon winding-up, liquidation, redemption or reduction of capital will deem the recipient to have received a dividend if the distribution is in excess of the company's paid-up capital.

Stock Dividends

It is proposed (Clause 98(2)) to amend subsection 248(1) of the Act to exclude the following categories of stock dividends from the definition "dividend":

1. Stock dividends paid after March 31, 1977 by a public corporation to a person resident in Canada (other than a non-resident owned investment corporation owning more than 10% of the class of shares on which the stock dividend was paid);
2. Stock dividends paid after March 31, 1977 by a public corporation to a non-resident provided that he together with persons related to him does not own more than 10% of the shares of the class on which the stock dividend was paid; and
3. Stock dividends paid after 1976 by a non-resident corporation.

In these cases the stock dividend is not included in the income of the recipient and the cost base of the shares so acquired is nil. At the time of disposition of the shares the shareholder may realize a capital gain.

In future it will therefore be possible for a public corporation to capitalize surplus tax free and distribute same by way of a stock dividend that will result in a capital gain on disposition of the shares.

OTHER RULES RELATING TO CORPORATIONS

Dispositions of Property to a Controlling Shareholder

Clause 21(3) of Bill C-11 proposes that, where a corporation has disposed of property to its controlling shareholder and has incurred a loss on the disposition that is deemed nil by virtue of paragraph 40(2)(e) of the Act, the loss will be added to the adjusted cost base of the property. The loss will be taken into account on a subsequent sale. This will correct an anomaly in the Act as no such relief is presently available.

Capital and Non-capital Losses

Capital and non-capital loss carry forward positions may be passed on by amalgamation and on the winding-up of a wholly-owned Canadian corporation—Clause 42(6) and Clause 43(1). This simplifies considerably the planning of corporate structures. Heretofore the existence of such loss positions often prevented the consolidation of corporate entities.

Section 85 Elections

Section 85 of the Act allows for the deferral of tax upon disposition of capital property other than real property, eligible capital property, (e.g., goodwill) and inventory other than real property, and resource property to a Canadian corporation provided the consideration for the disposition includes shares of the capital stock of the Canadian corporation and both parties file an election. The election must be filed on or before the day that is the earliest of the days on or before which any taxpayer making an election is required to file an income tax return. An election may be filed within one year thereafter provided a penalty is paid. Elections filed after the one-year period are invalid. Bill C-11 proposes to extend the time for electing, subject to the paying of a penalty, from one year to three years and increasing the maximum penalty from $2500 to $4000. Many taxpayers may become aware, upon receiving notices of assessment, that they have incurred a tax liability in excess of that anticipated. The extension of the period for filing an election may enable them to defer their tax liability by filing the election and paying the penalty.

Elimination of Part II Tax

Section 181 imposes a tax of 25% on the amount by which a corporation purchasing its shares in the open market makes a payment therefor in excess of the lesser of the paid-up capital of the shares and the paid-up capital limit of the corporation. Section 182 imposes a tax of 20% on premiums paid on redemption or acquisition of preferred shares. Bill C-11 proposes to eliminate these taxes—Clauses 81 and 82.

Tax on Excessive Elections

Corporations electing in accordance with sub-section 83(1) of the Act to pay dividends out of tax-paid undistributed surplus on hand (1971 undistributed income less 15% tax paid thereon) and 1971 capital surplus on hand were required to pay a 100% tax on the amount of the dividend in excess of the amount remaining in the account elected. It is proposed (Clause 83) that the tax be repealed for payments of dividends after 1978 and for the interim period the tax on the excess be limited to 50% of the amount overpaid. It is also proposed that tax on excess elections made pursuant to Subsection 83(2) of the Act out of a private company's capital dividend account be reduced from 100% to 75% of the excess.

Change of Control

Change of control of a corporation may have many important tax ramifications. Under the present Act, undeducted exploration and development expenses may no longer be deductible and capital and non-capital loss carry forward positions may be lost and in certain cases a private corporation's capital dividend account may be eliminated.

Clause 99(1) of the Bill proposes that persons shall be deemed not to have acquired control of a particular corporation by virtue of the acquisition of shares by persons related to the corporation or by executors of an estate or by beneficiaries related to the deceased.

The Minister of Finance has introduced an amendment before the Committee of the Whole of the House of Commons that, if adopted, will deem administrators and trustees of estates not to acquire control of corporations by virtue of the acquisition of shares.

Your Committee considers these amendments represent a positive step in the direction of the consolidation of corporate tax returns and are beneficial as they will facilitate corporate reorganizations. This is to say, these amendments will facilitate the joining together of profitable and non-profitable corporations.

Investment Tax Credit

Taxpayers acquiring qualified depreciable property are entitled to a credit that is deductible in full against the first $15,000 of federal tax otherwise payable and to the extent of one-half of any such tax in excess of $15,000. The maximum credit presently available is 5% of the capital cost of the qualified property acquired in the year and in the five previous years. It is proposed (Clauses 61(2) and following) that the credit (i) be made available in respect of scientific research, (ii) be extended three years to July 1, 1980 and (iii) be increased to 7½% for qualified property acquired primarily for use in the provinces of Saskatchewan, Manitoba, Northern Ontario and designated regions in Quebec other than the Gaspé Peninsula and to 10% for qualified property acquired primarily for use in the Atlantic Provinces and the Gaspé Peninsula.

EMPLOYEE AND SHAREHOLDER LOANS

Heretofore companies have been able to extend low interest and interest-free loans to employees and shareholders without a taxable benefit arising therefrom. This form of tax-free compensation has been abused and the Bill proposes to tax the benefit on loans made without interest or at favourable interest rates to employees and shareholders—Clause 35. Such benefits will be taxable to the extent the prescribed rate exceeds the

actual rate of interest charged. The prescribed rate will be adjusted yearly by reference to the prime rate charged by chartered banks. To encourage labour mobility in Canada, relocation loans of up to $50,000 made by an employer to facilitate the purchase of a home by an employee will be excluded from the proposed taxable benefit. It is to be noted that the exclusion will not apply to an employee transferring to Canada from elsewhere. Consideration should be given to extending the exclusion. Furthermore, loans made to officers and employees to enable them to purchase their employer corporation's shares will not be deemed a taxable benefit. An exclusion will also be made for small loans by taxing only the benefit in excess of $500 per year. This will ensure that no taxable benefit will arise on interest-free loans of $6250 or less. These measures will become effective January 1, 1979.

It is also proposed (Clause 8(3)) to extend the rules requiring the loan to a shareholder of a corporation to be included in that shareholder's income to persons with whom he does not deal at arm's length and to loans made by a related corporation or a partnership of which the corporation or related corporation is a member.

INVENTORY ALLOWANCE

The Bill proposes (Clause 14) an annual deduction, in computing business income, of 3% of the cost amount of the taxpayer's inventory at the commencement of his fiscal year that will consist of tangible moveable property of a business. This deduction will be available for fiscal periods commencing after the end of 1976 and for periods ending after March 31, 1977.

It should be noted that companies with fiscal periods commencing prior to January 1, 1977 will be prejudiced as they will lose the benefit of computing the period from January 1, 1977 to March 31, 1977 in determining the inventory allowance.

RESOURCE PROPERTIES

Successor Corporations

Bill C-11 contains several rules (Clause 29(5)) respecting the transfer of resource properties from one corporation (a predecessor corporation) to another corporation (a successor corporation). A successor corporation is entitled to deduct a predecessor's undeducted exploration or development expenses with certain limitations. The Bill proposes to extend the benefits available to successor corporations.

The Act presently requires a successor corporation to acquire all or substantially all the property of the predecessor corporation used by it in carrying on business in Canada to preserve the undeducted expenses incurred by the predecessor corporation. The new rule will require only the acquisition of the predecessor's resource business properties.

It is proposed that a successor corporation need no longer be a principal business corporation (a corporation primarily engaged in the resource industry) to have the right to deduct without limit the predecessor's exploration expenses. Prior to the Bill a successor corporation was obliged to be a principal business corporation.

The Bill will also allow income arising from the disposition by a successor corporation of resource properties acquired from a predecessor corporation to be reduced by the amount of the predecessor corporation's exploration or development accounts.

The Act presently provides that a predecessor corporation must have the right to take or remove the resource from the property before the income from that property qualifies as income that could be offset by the carried-across exploration and development expenses. This caused problems where predecessor corporations had an interest in a resource property but did not have the right to take or remove the resources from that property. Bill C-11 will eliminate this restriction.

Expropriation of Resource Properties

It is proposed (Clause 24(1)) that taxpayer's who, within ten years after an involuntary disposition of a Canadian resource property, invest their proceeds in Canadian exploration or Canadian development expenses, will not attract tax otherwise payable on the deemed disposition.

REGISTERED RETIREMENT SAVINGS PLANS (RRSP's) AND REGISTERED HOME OWNERSHIP SAVINGS PLANS (RHOSP's)

The Bill proposes amendments to prevent further abuses of RRSP's and curtail the benefits extended by RHOSP's.

Taxpayers were entitled in 1976 to deduct contributions to RRSP's under which their spouses were annuitants. This enabled taxpayers whose spouses received little or no income to share part of their income with their spouses by contributing to a plan and having the spouse immediately thereafter remove the amount contributed to the plan. The spouse would then be taxed at a low rate or not taxed at all on amounts that would have otherwise been taxable in the taxpayer's hands. To prevent this abuse, the Bill provides (Clauses 72(2) to (4)) that taxpayers contributing to plans, of which their spouses are annuitants, will include in their income amounts paid and deducted by them in the year of withdrawal and the two preceding taxation years. This rule will not apply in the year of a taxpayer's death. Your Committee questions whether the proposed amendment will be adequate in preventing further abuse. It is suggested that consideration be given to extending the period during which amounts paid and deducted are included in the taxpayer's income.

The following changes are proposed with respect to RHOSP's:

(a) A transfer of funds from an RHOSP to an RRSP or pension plan will no longer be permitted. Taxpayers may still purchase an income averaging annuity with the proceeds received from an RHOSP.

(b) The maximum time allowed for accumulation of savings and eventual investment in an owner-occupied home be limited to twenty years from the time of creation

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of the plan. Thereafter, funds accumulated in the plan will be included in the beneficiary's income.

(c) For 1978 and subsequent years, neither a taxpayer wishing to deduct contributions to an RHOSP nor his spouse with whom he is residing may own a home in Canada or elsewhere. Heretofore, a taxpayer living with a spouse who owned a home in Canada was able to deduct contributions to an RHOSP.

(d) The purchase of home furnishings will no longer qualify for tax-free withdrawal of funds as of January 1, 1978.

(e) Taxpayers will be entitled to deduct contributions made in the year they acquire a home.

(f) Measures are included to prevent tax-free refunds of excess contributions.

OTHER BENEFITS TO INDIVIDUALS

Federal Tax Deduction

Individual taxpayers are entitled to a federal tax deduction equal to the greater of $200 or 9% of tax otherwise payable. The maximum deductible is $500. Bill C-11 proposes to aid lower income families by entitling every taxpayer to a deduction of at least $300 for 1978 only and adding a deduction of $50 per dependent child under eighteen resident in Canada. The maximum deduction of $500 will remain—Clause 57(2).

Employment Expense Deduction

It is proposed that the amount of deduction from net employment income on account of expenses incurred in earning employment income be increased from $150 to $250—Clause 4(1).

Annuity Income

Taxpayers over sixty-five are entitled to deduct up to $1000 of pension income received in the year. Bill C-11 proposes that such taxpayers be entitled to elect to have the taxable portion of annuity income (other than annuity payments under Registered Retirement Savings Plans, Deferred Profit Sharing Plans or Income Averaging Annuity Contracts) be deemed to be interest. Should they so elect, such annuity income would qualify for the $1000 deduction available for interest and dividend income. This will benefit taxpayers receiving pension income but little or no investment income as they will be able to claim two deductions in respect of annuity income, namely, the pension income deduction of $1000 and the interest and dividend deduction of $1000—Clauses 52(3) and 53(1).

Interest and Dividend Deduction

Individuals and testamentary trusts have been able since 1974 to deduct in computing taxable income the amount of their interest income to a maximum of $1000 per year. They were entitled in 1975 and subsequent taxation years to include grossed-up dividends in arriving at their deduction. Clause 52(1) proposes that such taxpayers be entitled to include their taxable capital gains incurred from dispositions of Canadian securities for 1977 and subsequent years in determining the $1000 deduction.

The Bill also proposes that the $1000 deduction available would be reduced by amounts deducted as related interest expenses. Taxpayers would otherwise be entitled to a double deduction in respect of interest paid on monies borrowed to acquire securities.

Capital Losses

It is proposed to entitle taxpayers to deduct net capital losses incurred in the year preceding death as well as the year of death against other income received by an individual in those years—Clauses 32(1) and 54(3).

The amount of allowable capital losses an individual may deduct from other income will be increased from $1000 to $2000—Clause 1.

Stock Options

Under the present Act, employees acquiring shares pursuant to stock option plans are taxable in the year they acquire shares on an amount by which the value of the shares at the time acquired exceeds the amount payable by them therefor. They are also taxable on the ultimate disposition of those shares should they incur any capital gain. This tax treatment has discouraged the use of stock options as a means of employment incentive.

Bill C-11 proposes (Clause 3(2)) that employees of Canadian controlled private corporations be only taxable upon the ultimate disposition of shares received by them pursuant to stock option plans on one-half the difference between the proceeds of disposition and the option price paid by them. Your Committee welcomes this amendment as providing employee incentive and assisting estate planning.

NIL ASSESSMENTS

Last year, in its review of Bill C-22, your Committee studied proposed amendments designed to give taxpayers relief from an anomalous situation they might find themselves in if they received a "nil" assessment. Jurisprudence has held that a nil assessment is an assessment of tax and not of income and therefore no appeal may lie. Reference is made to the decision of the Supreme Court in *Okalta Oils Ltd.* v. *M.N.R.* (1964) C.T.C. 562. In referring to the clause in question found in Bill C-22, your Committee noted in part:

> "Your Committee notes, however, that this Clause, as presently drafted, does not oblige the Minister to determine the amount of a taxpayer's loss. It is felt that in the absence of such obligation, the taxpayer may be left with the same problem if the Minister refuses to determine a taxpayer's losses and issues a "nil" assessment. Your Committee feels that the Act should be amended to provide that an assessment showing no tax payable shall be deemed to be an assessment. Alternatively, your Committee suggests that in recognition of the administrative difficulties which the Department of National Revenue might face if it had to determine all taxpayers' losses, the amendment proposed in Clause 61(1) could be modified to oblige the Minister to assess if a loss is applied against

prior or subsequent years' profits by a taxpayer or upon a taxpayer's request."

In response to your Committee's report the Minister of Finance and the Minister of National Revenue undertook to amend the Act to conform to the following statement made by the Minister of National Revenue in a letter dated December 23, 1976, and addressed to your Committee's Chairman:

> "Where my Department has determined the amount of a taxpayer's loss, and that amount differs from the loss reported by the taxpayer, our official determination of the loss will be issued when the taxpayer requests it. This will allow the taxpayer to appeal the determination immediately in all cases where he wishes to do so. My Department will be publishing information to taxpayers to explain how they may obtain a loss determination."

Pursuant to such undertaking, Clause 76 of Bill C-11 was inserted. Your Committee notes that this clause, as drafted, is deficient in giving taxpayers the desired result. It only gives a taxpayer the right to force the Minister to make a determination of his loss if the Minister should ascertain his loss to be different from that reported. An official of Revenue Canada has indicated to your Committee that it is rare that the Minister will ascertain the amount of a taxpayer's loss. In most cases, the provisions of Clause 76 will not apply to allow a taxpayer to obtain a determination of his loss and the procedure set forth in Clause 76 will not be available to him. We have been advised that it will be the Department's practice to make a determination of a taxpayer's loss upon request. We feel that this right should be provided by statute. It is your Committee's wish that taxpayers be provided the right in all cases to require the Minister to make a determination of their losses.

ADVERTISING EXPENSES

Taxpayers are not entitled to make deductions for advertising in periodicals the contents of which are substantially the same as the contents of an issue of a periodical that was printed, edited or published outside Canada (Section 19 of the Act). When studying Bill C-58, which came before your Committee during the last session of Parliament, the Minister of Revenue Canada undertook to define the phrase "substantially the same" in the Act.

Your Committee is pleased to note that clause 12(1) defines "substantially the same" as being more than 20% the same.

COMMUNAL ORGANIZATIONS

Clause 71 of the Bill proposes that for 1977 and subsequent years, Hutterites and other communal organizations, other than charities, which carry on business and whose members live communally and do not own property in their own right as a matter of religious conviction, be required to pay tax as though such organizations were an *inter vivos* trust, but be given an option to calculate their tax payable as the aggregate of the taxes that would have been payable by the families in the organizations had the income of the organizations been apportioned and taxed in the families' hands. The proposal would approximate the present tax treatment extended by way of informal agreement with Revenue Canada.

As has been pointed out by counsel for the Lehrerleut Hutterian Brethren, organizations prevented from electing to have their income so apportioned and taxed would be greatly prejudiced. As *inter vivos* trusts, they would be taxed at minimum rates of 48½% in Alberta without the benefit of any exemptions or deductions. One of the conditions precedent to being able to make an election is contained in paragraph 143(3)(b) to the effect that all tax, interest and penalties payable under Part I of the Act have been paid within the time required. Your Committee feels such proposal is too inflexible as any late payment of tax or instalment thereof, or even a miscalculation of tax payable made in good faith could prevent future elections being made. It is recommended that more flexible provisions be inserted in the Bill.

CATTLE HERD SALES

It has been suggested that changes be made in the Act for the benefit of farmers who have disposed or who may have to dispose of herds because of severe drought conditions in certain areas of Canada. Remedial legislation could be made to apply to dispositions under distress conditions.

No amendments to this end are contemplated in Bill C-11. Before appropriate remedies are proposed, evidence of need for relief would have to be considered by the governmental departments concerned.

CONCLUSION

As a review of this report will indicate, your Committee has examined and considered Bill C-11 in accordance with its terms of reference. It should be noted it has reviewed the Bill in advance of it coming before the Senate, heard witnesses, prepared a report and made recommendations with respect thereto (a summary of which follows as an Appendix) before the House of Commons has completed its consideration of the Bill.

It is to be noted that proposed amendments to the Bill have been introduced that conform to your Committee's recommendations made with respect to the tax treatment afforded to (i) policyholders repaying loans, (ii) policyholders making interest payments with respect to policy loans made for the purpose of earning income from a business or from property and (iii) officers and employees transferring to Canada from elsewhere receiving low interest and interest-free loans. Whether such amendments will appear in the Bill when it reaches the Senate will depend on whether they are dealt with prior to time limitation being imposed in the House of Commons.

There will be further sittings of the Committee, as part of its examination and consideration of the Bill, to hear the Minister of Finance.

The Bill is a lengthy one. It represents substantial amendment to our income tax legislation, primarily with a view to facilitating corporate reorganization, relief to most taxpayers and, in some instances, the correction of deficiencies in the

Act. A bill of such proportion will necessarily contain deficiencies, some of which have come to the attention of your Committee and are noted above. Nevertheless, in view of the substantial benefits extended to taxpayers, many of which have been urged by your Committee in the past, your Committee strongly supports the Bill.

Your Committee wishes to express its appreciation for the services rendered in the review of the Bill by Messrs. Charles Albert Poissant, Helmut Birk and Thomas S. Gillespie.

Respectfully submitted,

SALTER A. HAYDEN,
Chairman.

APPENDIX TO REPORT

BILL C-11

SUMMARY OF RECOMMENDATIONS

1. Policy Loans

   (a) Bill C-11 be amended to entitle policyholders repaying loans to deduct from income in the year of repayment such portion of loans previously taxable.

   (b) Consideration be given to exempting from tax the following policy loans:

   (i) policy loans made within a reasonable period of time prior to death;

   (ii) policy loans repaid within one year; and

   (iii) policy loans made for the purposes of acquiring dwelling houses, shares of corporations of which the policyholder is an officer or employee, or the purchase of automobiles to be used in the performance of the policyholder's duties as an officer or employee.

2. Interest on Policy Loans

   The Bill be amended to entitle policyholders who borrow for purposes of earning income from a business or from property to deduct interest payments. Other policyholders would be entitled to increase the adjusted cost base of their policies.

3. Losses on Disposition of Debt Instruments

   A study be made of the proposal to disallow deductions for losses incurred on prior dispositions of low yielding debt instruments together with the proposal to extend compensating benefits and the results of the study made public.

4. Elimination of Pre-1972 Surplus Accounts

   The conflict between the time limit placed on 'tax-free' corporate distributions and restrictions imposed by guidelines issued by the Anti-Inflation Board be quickly resolved.

5. Part IV Tax

   Further consideration be given to extending the exemption from Part IV tax to all dividends between private corporations in which more than a 10% interest is held where neither corporation benefits any longer from the small business deduction.

6. Employee and Shareholder Loans

   Consideration be given to excluding from tax low interest or interest-free loans made to employees transferring to Canada from elsewhere.

7. Registered Retirement Savings Plans

   Consideration be given to extending the period during which amounts paid to a spouse's registered retirement savings plan are included in a taxpayer's income.

8. Nil Assessments

   The Minister should undertake to study the Committee's recommendation that all taxpayers be provided the right in all cases to require the Minister of Revenue Canada to make a determination of their losses.

9. Communal Organizations

   The Bill be amended to provide more flexibility in order that communal organizations wishing to allocate income of the organizations among the families comprised therein be prevented from doing so solely because such families have not paid the full amount of tax, interest and penalties owing by them within the time required by the Act.

APPENDIX "B"

(*See p. 226*)

NORTH ATLANTIC ASSEMBLY

RESOLUTION ON INCREASED CO-OPERATION IN ALLIANCE ARMS PROCUREMENT

PRESENTED JOINTLY BY THE ECONOMIC COMMITTEE AND THE

POLITICAL COMMITTEE—PARIS, FRANCE

The Assembly,

Recognising that greater co-operation in the research, development and production of armaments would considerably enhance the collective security of the Alliance by ensuring a more efficient and cost effective use of the combined resources allocated to NATO's defence;

Recognising, however, that standardisation alone does not represent a complete panacea to NATO's problems, but certain that if co-operation is pursued on a selective and fully coordinated basis it will bring significant advantages in terms of military efficiency, shared economic benefits, and greater political cohesion;

Stressing the considerable economic and political benefits to be gained from greater standardisation through eliminating waste, realising economies of scale, spreading economic benefits, mitigating divisive competition for arms sales, and strengthening political and economic relations between North America and Europe;

Concerned, however, that as these benefits are long term they are normally obscured by more immediate requirements of a national, and frequently parochial nature, particularly the reluctance of member states to adopt weapon systems which they cannot themselves produce;

Convinced that these obstacles can only be overcome by giving co-operation in arms procurement political visibility and involvement at the highest levels;

Convinced that co-operation in arms procurement can only work successfully through the establishment of a coordinated programme within which offsets and compensation can be viewed across a board spectrum;

Recognising the need to develop a more balanced relationship between the European and North American members of the Alliance in the procurement of defence equipment;

Recognising the need for a coordinated European approach to armaments planning and the necessity for the European allies to organise themselves into a cohesive unit in order to negotiate effectively with North America;

Welcoming the progress made so far by the European Programme Group (EPG) but hoping that the Group will now produce concrete results and particularly establish a transatlantic dialogue with North America;

Concerned that despite repeated Assembly exhortations there has been insufficient support for cooperative efforts in the respective national legislatures to mandate the requisite level of co-operation;

Welcoming the public commitments to increased co-operation made by both the United States Administration and Congress and hoping that the European allies will make similar supportive commitments;

Anticipating that these statements of intent will be followed by positive action;

Recognising that in the short term many measures short of standardisation can be implemented that would improve NATO's combat effectiveness, particularly measures to increase the interoperability of NATO's forces and weapons;

URGES

(a) member countries of the Alliance:

1. to give armaments co-operation maximum political visibility and support by giving direct responsibility for procurement co-operation to officials of the highest rank and authority;
2. to take the necessary actions in their respective legislative bodies to increase awareness and concern for the goals of interoperability and standardisation and to make their commitment to these goals publicly known;
3. to intensify their efforts to establish an overall mechanism within which to coordinate effectively armaments co-operation on a large scale;
4. to ensure maximum implementation of the recommendations of the NATO Ad Hoc Group on Interoperability.
5. to establish a NATO procurement committee with authority to investigate industrial capabilities and determine equipment requirements for the combined NATO Forces Europe.

(b) member countries of the European Programme Group:

1. to intensify their efforts to develop a coordinated European approach to armaments planning including the formation of a permanent secretariat;
2. to move as rapidly as possible to establishing a dialogue with North America.

THE SENATE

Monday, December 12, 1977

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

Prayers.

THE HONOURABLE EUGENE A. FORSEY

NEWSPAPER REPORT—QUESTION OF PRIVILEGE

Senator Forsey: Honourable senators, I rise on a question of privilege which affects not only myself but the Honourable Senator Graham. In fact, I think it affects the Honourable Senator Graham rather more than it does me. But, in his absence, I am going to venture to raise it.

This afternoon I received, by the kindness of Her Honour The Speaker,—

[*Translation*]

—a clipping from a Granby newspaper, *La Voix de l'Est*, which, on November 16 published an article by a certain Mr. Gerald R. Scott, a Conservative candidate, in which I find this, which, frankly, honourable senators, surprised me a little:

> "It must not be forgotten," says Mr. Scott, "that the President of the Liberal Party of Canada is Mr. Eugene Forsey, a unilingual anglophone, who is far from being known as an avant-garde figure."

Well, first of all, honourable senators, I don't know whether I am avant-garde or not; perhaps yes, perhaps no. If it is a question of sculpture or painting, as Senator Grosart can bear witness, perhaps I am a bit behind the times, but I leave that aside. However, when I am promoted to the position of President of the Liberal Party of Canada, that surprises me considerably. I do not say it shocks me, but it did considerably surprise me, and I think Senator Graham has cause for complaint.

As for my being a unilingual anglophone: I am very conscious of the deficiencies of my French, but, at the same time, the word "unilingual" wounds me a little, because I think my French, poor as it may be, is not altogether pidgin-French. Frankly, I flatter myself on being, let's say, almost or partially bilingual.

So I have raised the question of privilege to correct this worthy Mr. Scott, who is a trifle odd, it seems, and poorly informed. I have also sent a letter to the editor of *La Voix de l'Est*, but I thought it my duty to raise the question of privilege in the Senate.

Senator Bourget: I hope you will send that to the newspapers.

Senator Marchand: Mr. Scott is a unilingual anglophone.

[*English*]

THE SENATE

HEATING OF OFFICES—QUESTION OF PRIVILEGE

Senator Macdonald: Honourable senators, I rise on a question of privilege. I have a complaint to make. I do not know to whom it should be made, so I will address it to the Leader of the Government.

As some of you may know, my office on the fifth floor, room 571-S, is a large one and probably one of the nicest in the building. However, the temperature in that room today never got above 68 degrees Fahrenheit. While I am all for conserving energy, my first obligation is to conserve myself, and with that in mind I would ask that someone do something about getting more heat into my office.

Senator Cook: Mine, too.

Senator Bourget: Yours is not the only office without sufficient heat.

Senator Perrault: Honourable senators, I understand that there is some sort of informal investigation under way with respect to the alleged abnormally low temperatures, during cold weather, in at least some of the offices in the Parliament Buildings. It may be that there has been a malfunction in the system.

Senator Hicks: Honourable senators, to preserve the balance, my complaint is quite a different one. My office was very warm and stuffy when I arrived this evening, and I couldn't open the windows because they were frozen closed.

Senator Fournier (Madawaska-Restigouche): You can't please everyone.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Baker (Grenville-Carleton) had been substituted for that of Mr. McCleave on the list of members appointed to serve on the Standing Joint Committee on Regulations and other Statutory Instruments.

● (2010)

APPROPRIATION BILL NO. 3, 1977-78

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-15,

for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1978.

Bill read first time.

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

Senator Perrault: Honourable senators, with leave of the Senate and notwithstanding rule 44(1)(f), I move that this bill be placed on the Orders of the Day for second reading at the next sitting of the Senate.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Cape Breton Development Corporation, including its financial statements and auditors' report, for the fiscal year ended March 31, 1977, pursuant to section 33 of the Cape Breton Development Corporation Act, Chapter C-13, R.S.C., 1970.

Copies of letters, dated December 9, 1977, from the Prime Minister of Canada to the provincial First Ministers relating to the future development of the Canadian economy.

ADJOURNMENT

Senator Petten: Honourable senators, I move, with leave of the Senate and notwithstanding rule 45(1)(g), that when the Senate adjourns today it do stand adjourned until tomorrow, Tuesday, December 13, 1977, at 8 o'clock in the evening.

Motion agreed to.

PENITENTIARIES

QUALIFICATIONS OF NEW COMMISSIONER—QUESTION

Senator Forsey: Honourable senators, I should like to ask the Leader of the Government a question about Mr. Yeomans, the newly appointed Commissioner of Penitentiaries. The question is: What knowledge or experience does this gentleman possess in the field of criminology?

I ask the question because the official announcement of his appointment is wholly silent on this point, although it has an immense amount to say about his managerial experience and his being a professional engineer and a professional industrial accountant.

Senator Perrault: Honourable senators, if available, that information will be obtained as quickly as possible and provided for senators.

[The Hon. the Speaker.]

INCOME TAX

CONSIDERATION OF FIRST REPORT OF BANKING, TRADE AND COMMERCE COMMITTEE ON ADVANCE STUDY—DEBATE ADJOURNED

Hon. Salter A. Hayden rose pursuant to notice of Thursday, December 8, 1977:

That he will call the attention of the Senate to the report of the Standing Senate Committee on Banking, Trade and Commerce entitled: "First Report on the advance study of the Budget Resolutions respecting income tax and any bill or other matter relating thereto," tabled in the Senate on December 8, 1977.

He said: Honourable senators, last Thursday I tabled the first report of the Standing Senate Committee on Banking, Trade and Commerce in connection with its study of the subject matter of the several budget resolutions of March 31 and October 20, and the proposed legislation to implement the same. Tonight I propose discussing, although not in great detail, the provisions of that report.

First, I think I should indicate the scope of the report. It deals with the subject matter of the budget resolutions and the contemplated implementing legislation. For that reason the members of the committee felt that they should be a little more exhaustive in their study of the various clauses and provisions in the bill. When the bill itself comes to us, we will try to be a little more particular in the manner in which we present various points to the Senate, but we felt that in dealing with the subject matter we should expose the whole scope and extent and application of the bill.

That is why you find the report to be quite a lengthy document involving some 43 or 44 typewritten pages. It had to be lengthy in order to indicate the present state of the law in relation to the various subjects dealt with; to indicate what difficulties, if any, have been experienced in connection with administration; and to show the reasons why amending legislation has been put forward. So much for the report.

The bill itself is remarkable, and the budget resolutions in connection with it are remarkable documents in themselves. It is not often—even in my experience with income tax bills, which goes back over quite a number of years—that you find so much that is so good for so many people. That is a remarkable thing, and the only explanation I can offer for expecting to find, and finding, that proposed in the present implementing legislation is that the effect of the measures—many of them proposed—would be to leave more money in the hands of individuals, and in the hands of industry and business, on the assumption that such money will increase the purchasing power of these various groups and classes of people. This should be a good stimulus to the economy.

● (2020)

Having said that, I do not want honourable senators to think that all the proposals are decked in garlands, and that we had no criticism of any of the sections that came before us. As might be expected, there are zealous people even in the departments charged with determining tax policy, and honour-

able senators will find, as I develop the position held in our report, that there are some things in the report that do not partake of the quality of goodness about which I spoke earlier. I propose to deal with those right away. They have to do with life insurance policies, and the treatment that was proposed in connection with them and with the policyholders and life insurance companies.

First, with regard to life insurance companies, the bill proposes to repeal the provision under which a 15 per cent tax was levied some years ago on the investment income of life insurance companies, the theory being at that time that while the investment may be referable to the policyholders and their so-called investment interest in a policy practical difficulties in respect of administration presented themselves. We were told in committee at that time that by levying a tax on life insurance companies, the tax on investment income was accomplished; and, sure enough, the life insurance companies rearranged their accounts as between themselves and their policyholders so that the ultimate payer of the tax was the policyholder.

In the budget resolutions of March 31, 1977, it was proposed, in connection with life insurance policies which mature at death, that there be a determination of the gain made by the policyholder, by virtue of what he paid in order to get the insurance and the larger amount that came out at the end of the road when he died. It was proposed, therefore, that the excess between the cash surrender value of the policy at that time and the cost to the policyholder would be treated as a gain, and would be taxable as income in the hands of the policyholder's estate, because at that time, on maturity, he would have died.

There were many protests at the time that this provision was incorporated in Bill C-56, the predecessor of Bill C-11, the present bill, and during the many months that intervened a change was made. It was proposed that there should be a threshold of $10,000, which would mean, in effect, that the policyholder would only be taxed on the excess of the cash surrender value of the policy over his cost plus $10,000. The present Minister of Finance, however, announced in his fiscal statement of October 20 last that he had decided, in effect, to suspend, or not proceed with, the proposal to tax that element in relation to those particular life insurance policies, pending further study of the question. Whether that is the acknowledged way of bowing away from a matter that causes a lot of complaint, and an easy way to forget about it without too many implications, I do not know, and whether there will be any attempt to pick this up again, I do not know, but that is not the end because there were two other provisions in the October 20 fiscal statement which are carried into Bill C-11, the present tax bill.

One of these provisions had to do with policy loans, and the other with interest that was paid by the policyholder on outstanding policy loans. The department, even before the committee at our first hearings, took the position that a policy loan is not a loan, because the company cannot sue the policyholder to repay the loan. There is no convenant in that regard, and therefore the policyholder does not have the true character of a borrower. Some comfort or solace for that was found in a decision of the Supreme Court of Canada, but in that decision the principle in issue was something else; it was not as to whether a policy loan was a real loan or as to the character of the loan. In his judgment, one of the judges made the statement that a policy loan was not a true loan; it represented an advance on account of the investment interest that the policyholder had in the proceeds of the policy. All that was happening was that the policyholder was being given an advance payment.

So the proposal was that so far as a policy loan is concerned, it would be brought into the policyholder's income with the cost factors reflected—the difference would be brought into the income of the policyholder in the year in which he negotiated the loan, and then he would pay income tax on that. If he subsequently repaid the loan he was not given the right to deduct the amount of tax that he paid out of his current income, and he was not given the right to deduct the portion of the loan which had been repaid. All he was offered was that the portion of the loan represented by the repayment would be added to the adjusted cost base as and when, at some point in time, a determination would have to be made as to what part of the excess over the cash surrender value was gain or income, and should be brought into the policyholder's income.

The other element was that of interest, and what is proposed in the budget resolution of October 20, and also in Bill C-11, is that interest should not be allowed as a deductible item of expense. It is true that the revenue department issued an interpretation bulletin about a year and a half ago reflecting, over a whole page, the history of the question, "When is a loan not a loan?" and referring to legal decisions.

● (2030)

At the end of the interpretation they decided to treat interest on the policy loan as deductible if it had a business purpose. The bill and the budget resolutions proposed allowing no deduction, so it would stultify the interpretation ruling by the revenue department. This was the situation which confronted your committee.

We heard a group of witnesses from the Life Underwriters Association, the agents representing the policyholders. It could be said there is a more direct point of contact between the life underwriters and the policyholders than between the policyholders and the life companies. Those witnesses presented their case.

We then heard from the departmental officers. At the outset they were adamant in their position that these were not loans, that this was not true interest, and that the provisions in the bill were correct. However, perhaps we wore them down, like drops of water that persistently and continuously fall in the same spot, because ultimately, as a result of our discussions in committee and conferences between the departmental officials and our advisers, including the chairman, and then discussions with the minister, amendments were introduced during the clause-by-clause study at the second reading stage of Bill C-11 in the Commons.

The amendments reflected interest being a deductible item for business purposes. If it is not for business purposes, then the amount of the interest is added to the adjusted cost base of the loan.

So far as policy loans are concerned, the amendment provided that the portion of the policy loan on which tax was paid by the policyholder in the year in which the loan was taken out should be deductible from income of the policyholder in the year in which the loan was repaid. It provided that if, as and when the loan was repaid, that portion would be deductible from the income of the policyholder in the year in which it took place. If the loan was not repaid, then the amount of the loan would be part of the adjusted cost base.

We have dealt with those two amendments in our report. In their clause-by-clause study of the bill in the Commons, it became important that the items to be amended should be dealt with before the Commons' time limitation rule applied, otherwise the proposed amendments would be dead. Fortunately these amendments had been considered in time.

There was one particular amendment that was not so fortunate. The item had not been reached in time, and so the amendment died. The minister, whom we will see in committee tomorrow evening in connection with the various recommendations we made, has already indicated that the amendment he proposed, and which died because of the application of the time limitation, will be reintroduced in the next budget in the next session. So that we are gaining some yards there.

Honourable senators, if I were asked to indicate what I think was one of the substantial functions we performed in our committee study, I would say it was the securing of these amendments, especially when you bear in mind that there are some 12 million policyholders in Canada. While it cannot be said that all of them borrow on their policies, I am sure that many of them do, because of the low interest rates. In many cases the rate is 6 per cent or lower, which is very favourable compared to what they would have to pay in the marketplace, assuming they were creditworthy.

I am not trying to attract undue acknowledgements for the work of the committee, but I think it was a job well done.

Hon. Senators: Hear, hear.

Senator Hayden: By a strange coincidence, the next item the committee regarded as being important was that of multinational insurance companies. Some difficulties developed under the present Income Tax Act in relation to the accounting methods that should be followed by these companies. Several methods are set out in the act. You will notice that I am speaking of the act now, not the bill. One is called a "proportional method" of accounting for Canadian investment income, because that element would be taxable in a multinational insurance company. The other is called the "branch accounting method."

By some manipulation, apparently, the companies, in their accounting, have availed themselves of the scope of the provisions in the act. The act requires that a level of assets be determined as a base, and the income on that level of assets is taxed. In building up that level of assets, as the department officials indicated, the insurance companies followed the multinationals. There were two objectives. One was that they acquired low-interest yielding securities—head office properties and things of that kind—which were designated by the departmental officials as being "adverse selection." I am speaking of adverse selection to the revenues of the Crown, not adverse selection to the companies. The other was what they called "short holds." That was accomplished by buying investments in the last month or two of the fiscal year of the company, so that the earning period of interest would not be very great. In this way some of these companies were able to build up a substantial loss-carry-forward position that would take them forward a number of years. This created a non-competitive position as against the domestic insurance companies, who did not have the privilege of using this accounting method. It was stipulated to apply only to the multinational companies.

[Senator Hayden .]

● (2040)

The bill proposed methods for dealing with this. In other words, the competitive position was going to be re-established by the proposals contained in the bill and by the rules and regulations that are to be brought forward. We did not have the rules and regulations; they had not apparently as yet been brought into being, or had been brought into being in a way in which we could get at them. Therefore, while the methods were going to be developed methods of accounting rules and regulations, we were not in a position to know what they were.

Thus, it was difficult to pass judgment on the merits or demerits, if the objective, as it appeared to be from the statements made before our committee, was to re-establish the competitive position between the two groups of life companies, and to establish compensating features, as they called them, to reduce the amount of the loss carry forward, which would persist, as you know, for a period of five years forward. In doing this it was indicated to us that with the loss carry forward it would be affected in the amount by the adjustment of the actuarial reserves downwards. That sounded pretty awful, to think that they were going to be a factor of computation that would be brought into play to deal with actuarial reserves, because actuarial reserves are designed to give stability and protection, not only to the companies but to their policyholders.

We were in the position where we saw things, but we were not able to get any companies coming forward as witnesses with the explanation, which I thought was that their association was made up of both groups of insurance companies and it was difficult to secure a unanimous presentation. However, one of the smaller companies made a submission in which it said that the proposals would have the effect that they had sold out of their investment portfolio securities of a period which carried a low rate of interest. I think in some cases they paid $100 and the market at the time they sold, because of the low interest rates, was $75 to $78, so they had a substantial loss. They used the money that they got to buy high-interest yielding securities that were available in the current market.

Then they were in the position where they had to include the interest as income on these high-yielding securities. Under these proposed amendments they would not be permitted to make use of the amounts of low interest as a deduction or as a set-off, in whole or in part, or as part of the loss carry forward. We could understand the significance of this, because that was an experience they were undergoing in the normal course of business operations.

The other things that were done with adverse selection and short holds may, I suppose, be designated as manipulating within the framework of the act to achieve the best result for your company. There are some people who say you can do whatever the Income Tax Act allows you to do, even though it was not so intended when the language was settled on and the act brought into being, and until it is corrected it is fair and reasonable for you to carry on that way. So we have recommended that a study of this question be made in the department concerned, and that the report of that study be made available to the public. We have also recommended that when the regulations are prepared they be printed and published, so that if this is our function in another year in connection with any income tax bill arising out of a budget we will be able to make some determination based on facts, and not be in the state in which we are at the present time. The minister is aware that this is one matter we will discuss with him tomorrow evening.

I am sorry I have taken much longer than I intended in discussing these two items, but to me they are the most important. I could mention others. For instance, there is the inventory allowance, which is designed to provide money to a business or a company that has inventory as its stock in trade. It is entitled to an allowance each year. There is no termination date provided in the bill, and the business is allowed to write off 3 per cent of the cost of that inventory each year. This will be of particular benefit, because I am sure a great many inventories of businesses and companies have been slow-moving, yet their acquisition or production has cost money. Therefore, I believe that the inventory allowance is something that is bound to be helpful to the industries and businesses concerned.

The period for the determination of the cost is the end of December 1976, or any fiscal year ending after March 31, 1977. If a business has a fiscal year ending after March 31, 1977, it does not receive the full year's allowance, but an allowance for whatever the period of the inventory acquisition is of the current fiscal period ending after March 31, which would be nine months. That number of days over 365 is the fraction of the 3 per cent of the value of the stock in trade that the business would be entitled to by way of the allowance.

A few of the other items I might mention include that old bugbear with which lawyers and businessmen have to deal, known as designated surplus. This was an invention of the income tax department some years ago to deal with the situation in which there was what they called dividend stripping. By this designated surplus concept they provided that every time there was change of control, the surplus at that point in time became frozen. If one were to make use of it, one had to make use of it in terms which involved meeting that tax collectors and paying them their dues.

● (2050)

There has been a great deal of discussion regarding a "nil assessment". A nil assessment occurs when a taxpayer files a return which shows a loss. The taxpayer gets notice from the Income Tax Department giving him what they call a nil assessment. The courts have held that a nil assessment is not an assessment which is appealable. All the nil assessment determines is whether one owes taxes or not; it does not determine what one's income is.

A year ago we insisted, in the face of this decision, that if a taxpayer requests a determination of his loss position, the minister should undertake to furnish him with that information. An amendment was made to Bill C-11 dealing with this. I received a letter from the minister undertaking to do just this. This letter is dated December 23, 1976. It is addressed to myself as chairman of the committee, and in it the minister states:

> Where my Department has determined the amount of a taxpayer's loss, and that amount differs from the loss reported by the taxpayer, our official determination of the loss will be issued when the taxpayer requests it. This will allow the taxpayer to appeal the determination immediately in all cases where he wishes to do so. My Department will be publishing information to taxpayers to explain how they may obtain a loss determination.

Unfortunately, the wording of the proposed amendment does not impose an obligation on the minister to determine the amount of the loss at the request of the taxpayer. The explanation received from representatives of Revenue Canada at our meetings was that they could not afford to commit themselves to giving information to that extent with their present staff. They indicated that they would have to engage substantially more staff to deal with this. We are persistent in our recommendation that this undertaking be implemented. However, this is an item which will be discussed tomorrow night with the minister.

On the other hand, I should point out to you that there was an undertaking given by the minister last year with respect to the bill dealing with advertising in publications published, edited or printed inside Canada the material content of which was substantially the same as the material content of publications published, edited or printed outside Canada. The minister had undertaken to substantially define the same in the law, because we insisted that the percentage should not be determined by the department by regulations or interpreting rules, but that it should be determined by the law. This has been done. In other words, the undertaking has been fully honoured. I thought I should bring that to the attention of the Senate.

There are many other items in the bill, but it is just impossible for me to mention them all this evening. I should point out that in connection with the distribution on pre-1972 surpluses—capital surplus, tax-paid undistributed surplus and

undistributed income on hand—the Income Tax Act has contained provisions for a number of years under which this pre-1972 accumulation of different surpluses can be paid up by making an election settling one's amounts and paying a 15 per cent tax on the undistributed income on hand. This bill provides for a termination date, after which one will no longer be able to extract these pre-1972 surpluses, except only the capital surplus, which may be done on liquidation.

At this point I should mention that the obligation to pay the 15 per cent tax which had to be paid under the act before one could start this machinery for distribution has been changed. It is not proposed that you be obliged to pay the 15 per cent. You might be short of money or want to get out of the company at that time. That would not be a *sine qua non* of starting the distribution of these services. In this regard we found that the Anti-Inflation Board had issued guidelines on dividend policy, and its guidelines on dividend policies did not permit the distributions. The amounts were restricted under the guidelines of the Anti-Inflation Board.

We discussed that with the departmental representatives, and they indicated that they had discussed it with the minister. This is an item which we will deal with in committee tomorrow night. I fully anticipate that the necessary amendments or corrections will be made in the guidelines. It is part of the government's policy to get rid of as much of this pre-1972 surplus as it can. They do not want that haunting them forever because, as time goes on, it becomes more difficult to make a reliable calculation. This is the explanation received. There were also administrative problems in this regard. There are several other items with which I should deal were it not for the time constraints which I have imposed upon myself, and which I have breached already. However, I think I have taken it far enough this evening.

● (2100)

Stock dividends have been honoured in that the bill would provide greater freedom in their declaration. A company can capitalize its surplus, and issue stock dividends with a nil value. Of course, when those stock dividends are disposed of they attract a capital gains tax, but that is something in the future. This provision at least provides an opportunity for distribution now. Under this provision, a public company may pay a stock dividend and that stock dividend, for purposes of the Income Tax Act, would not be subject to tax under the definition of "dividend".

Dealing with gross-up and tax credit on dividends, which was part of the package of income tax proposals in 1970, a dividend of $400, under the current gross-up provisions, is increased by one-third, and on the dividend tax credit side the recipient is entitled to deduct four-fifths of the gross-up figure. Bill C-11 proposes that the gross-up be by one-half. In other words, in the case of a $400 dividend, the gross-up figure would be $600, with the tax credit being three-quarters of the gross-up figure. The result is a more favourable position for the recipient of the dividend. The effect is that it just about equates the tax position in relation to capital gains and dividend tax credits, the idea being to attract greater investment interest in the private sector. Judging by the corporate reaction and the reorganization of capital structures, it is certainly working in that direction.

There still remains a lengthy list of what I refer to as "goodies" hanging on this tree. With very few exceptions, one does not expect to find these types of provisions in tax bills year after year. It is a good thing that every once in a while the department thinks of the taxpayers operating in these areas. In order for investors to take the risks associated with private sector ventures, some tax advantages and benefits have to be provided.

Honourable senators, that is about as far as I intend to take the matter this evening. The bill is a good bill. It is a good bill from the point of view of the taxpayers; it is a good bill, in my opinion, from the point of view of stimulating the economy. It is not going to work miracles, but it is at least one measure that is aimed in the right direction, and one which has the right purposes in mind. I am sure that the conclusion of the committee, in its final report, having heard the minister tomorrow evening, will be just that—that the bill is a good bill and should be passed. The problems we have found that have not at this point been corrected can be dealt with by way of undertakings so as to ensure that the bill passes into law as quickly as possible.

Hon. H. A. Olson: Honourable senators, I should like to raise one matter dealt with in the committee's report, namely, the one under the heading "Cattle Herd Sales." I do so at this time in the hope, however slim it may be, that some change might still be made to what has properly been described as a good package of income tax amendments for the year 1977.

I want to say at the outset that I appreciate the consideration given to my suggestion in committee regarding cattle herd sales, notwithstanding the fact that the reference to cattle herd sales in the report more or less sets aside or rejects my proposal for amendment of Bill C-11. I am also mindful of the fact that the idea of deferring receipts from cattle herd sales into another year could come up in the next set of budget resolutions and the legislation stemming therefrom. The effects of the drought in some parts of western Canada have been felt in 1977, but any bill that may come out of budget resolutions in the spring of 1978 would not be applicable to 1977.

I know there is little chance of the acceptance of this proposal, but I would like to explain what is involved. In doing so, I shall read briefly from the committee's report, as follows:

> It has been suggested that changes be made in the Act for the benefit of farmers who have disposed or who may have to dispose of herds because of severe drought conditions in certain areas of Canada. Remedial legislation could be made to apply to dispositions under distress conditions.

Well, I do not think that remedial legislation could be made to apply to 1977 unless it is dealt with in this particular bill. It may be that remedial action could be taken by some amended interpretation of the tax laws already on the books.

The committee report goes on to state:

> No amendments to this end are contemplated in Bill C-11. Before appropriate remedies are proposed, evidence of need for relief would have to be considered by the governmental departments concerned.

That may be the opinion of the departmental officials at this time, but it does not coincide with my opinion of the situation in 1977. I know of a large number of producers who were forced to substantially reduce their cattle herds in 1977 with the intention of replacing those herds as soon as conditions changed. In other words, they would replace their sold cattle as soon as they had grass and water, and whatever else it takes to maintain cattle herds.

● (2110)

But I think I should give a slightly different interpretation of what is involved in this suggestion that I made, and that is that it is not only for relief of distress conditions that arise from drought. There are many instances when it is necessary to dispose of a herd of cattle. It may be because of disease, fire, flood, drought, and it may even be for the purpose of improving the quality of the herd. But under the present tax law, as far as I understand it, there is no way that a farmer or a rancher can dispose of his herd in one taxation year and use the proceeds from the sale to repurchase the herd in a following tax year. There are many other things you can do. You can elect for forward averaging of the income for as long as 15 years or you can make the election for a shorter period; you can also average the income over a five-year period. They are all good provisions, but the fact remains that once the receipts from the sale of a herd of cattle get into taxable income category, whether you do it on forward averaging or averaging over the five-year period, if you are going to repurchase the herd you have to arrange the financing through some other source, because the proceeds of the sale are then in the taxable income stream, and the farmer or the rancher, however you cut it, has to pay tax on that money.

What I am really saying is that we need to have a provision in the Income Tax Act, whether we have drought conditions or not, so that we can use those receipts, provided the farmer does in fact use them for the repurchase of the herd the following year, or even in a later year, when the conditions which first caused him to sell the herd have been remedied, corrected or improved, depending on whether they involve disease or drought or something else.

This is not a new concept in taxation law. There are rollovers and deferments provided for in all kinds of different circumstances to different sectors of the Canadian economy—and for good reason. I know, for example, that you can defer for income tax purposes the receipts from grain sales for one year, if you want to. But I think we have to look behind that to find out what the reason is. The reason is very simple; it is that there is a lumping of receipts in some years on grain that may have been produced over a number of years—years in which the grain could not be sold because of quota restrictions. But when the demand for that particular kind of grain is such that market conditions and quotas allow its sale, if you have been accumulating it over several years and you sell it all in one year, then to have to pay the tax all in one year is not fair.

So a provision was made several years ago whereby you could defer as little or as much as you wanted to of those grain receipts to the following year for the purpose of evening out surpluses or for selling off inventories—which is what it amounted to— inventories produced over a number of years.

I suggest that exactly the same principle is involved in a cattle herd. It is built up over a number of years, and if for any reason you have to sell it in one year so that the receipts become taxable income in that one year, then that is unfair taxation. But there is no provision for deferring it. A more important consideration is that when there is a large dispersal or a complete dispersal of a herd of cattle in one year because of drought or desease or whatever the reason, in most cases the taxpayer intends to repurchase that herd as soon as conditions allow him to do so. I hope that the minister and this committee will try to understand this problem and realize that it is not one that affects only 1977 or is occasioned only by dispersals required because of drought. I hope there is still time to make a suitable change for the 1977 tax year, but if there is not I still think it is useful to understand this problem better than it is understood today so that a suitable change can be made as soon as possible.

Now, honourable senators, as I said, somewhat similar situations arise in other businesses. It is not so long ago—and I was not here at the time that I heard about it—that, for example, lawyers wanted to have a provision in the income tax law whereby if they had done some work in one year and had actually charged the fee and sent the bill in that one year they could have some provision for averaging that income out. I am not sure just what happened to that, but I think they were faced with essentially the same problem. I think there are other provisions in the income tax law, and I am not going to go into them now, that allow you to adjust inventory from time to time so that you are not faced with these "lumped" payments that have to be made.

That is the major reason for my intervening at this point. I think there may still be time for an amendment to the bill when it comes. At any rate I hope so. Apparently it is not convenient to introduce an amendment at the stage the bill has now reached in the House of Commons. But in the event that they cannot make a change in the bill itself— I should never say "cannot" because I know that if everybody is agreeable just about anything is possible—but if it is inconvenient to do it for the year 1977, then I hope that the department will find one of those other provisions that can be interpreted slightly differently so that those people who have had to sell off their herds way beyond what they ever intended to do for ongoing business purposes, and have an opportunity to repurchase the herd in 1978, in the event that conditions are better, will not have all that money going into the taxable income stream so that they will have to do the refinancing through other sources, because those receipts are already in the so-called income tax mill, however you want to average it.

Honourable senators, I should like to conclude my remarks by expressing my appreciation to the chairman and to the members of the committee for considering the proposal I made to them even though they did not recommend a change at this time. I hope I may have been able in some way to persuade them that this is a matter that should be permanently in the Income Tax Act and not just simply for one drought year, because there are a variety of reasons why such consideration is necessary from time to time, and I think it is only just to give a more equitable tax base to people who are in this situation.

Senator Denis: Honourable senators, I am much in sympathy with Senator Olson's case for farmers who are in a special category so that they could make deductions over a five-year period, but not many Canadians are allowed to do that. I know of a worse situation than has been described. I know of a judge who was accused of a crime and his case lasted for years. Finally he was acquitted and he was reimbursed for the years that he had not received any pay. But then he was assessed for tax on the amount of money he received as though it represented his income for one year rather than being that accumulated over a number of years. He told me that it cost him $17,000 more in tax than it would have cost him if the income had been divided over the years, as it is in the case of farmers.

● (2120)

Senator Hayden: If I may I answer Senator Olson, I think I should tell him what information we had before us. I had his letter, which was fairly complete, and the committee members were furnished with copies of it. The matter was discussed by the Department of Finance. We were told about the drought and the risk that could develop, and the need to sell herds this year that could well develop. We were told that the Department of Agriculture and the Department of Finance had been alerted earlier in the year, and had made a full inquiry into the situation. This was their responsibility, and not a particular responsibility of the Senate. They concluded that in their view no need was established for dealing with a situation that might develop by reason of drought.

We had the information before us. It is government policy. We do not set government policy, although we may at times amend it when we think it is not heading in the right direction. But there are two ways of doing it. My friend keeps talking about taxation, but in times of disaster we rely on special legislation—one-shot legislation—dealing with the particular thing. Perhaps what my friend wants is stand-by legislation such as they have in the United States and certain other places—legislation that can be invoked to take care of extraordinary situations. We have not had any presentation of material along those lines, however.

If we had gone any further than we did, we would have looked rather silly because we were not in a position to make such a determination based on drought in this one year. But we have this information from the Department of Agriculture and the Department of Finance, and it does show that they were looking at it; that they were interested in it and that they were alert. Perhaps if there is sufficient pressure something will develop out of it, but the point I am making is that we are not locked into income tax as the sole method of dealing with this problem. Parliament can deal with it by separate legislation. In fact, a bill could be introduced in the Senate, although that might meet a stumbling block, because a bill of this kind would almost inevitably involve the expenditure of money, and bills involving the expenditure of money must be initiated in the House of Commons.

At any rate, there was the practical situation. We went as far as we could and we did give some publicity to the matter. I am sure Senator Olson will follow up and make as good use of this situation as he can. As a matter of fact, we are meeting with the minister tomorrow night, and Senator Olson is entitled to attend the meeting. The matter is part of the report, and I say that as an indication of what might take place.

Senator Olson: Honourable senators, I appreciate the work the committee has done and I understand the situation. I am not complaining about the committee's activities in that regard.

As to whether a bill could be introduced in the Senate, it is a moot question whether such a bill would either raise or lower taxes. It would provide for averaging out, and to that extent it would be neutral so far as money is concerned. However, I am sure it could be argued that that would, in effect, lower tax receipts in some years. In any event, I still have the problem that I disagree with the findings of those departmental officials who made the survey to find out if there was need for distress legislation in 1977.

I will conclude by saying that in my opinion—and I think this is important—it is a measure that ought to be put in the income tax law on a permanent basis so that the tax law itself does not significantly interfere with good management decisions. Because the law requires every dollar of revenue to be accounted for in the year in which it is received, I am sure that in many cases it interferes with good long-term management decisions.

On motion of Senator Grosart, debate adjourned.

The Senate adjourned until tomorrow at 8 p.m.

THE SENATE

Tuesday, December 13, 1977

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

Prayers.

OFFICIAL REPORT OF DEBATES

CORRECTION IN TRANSLATION

Senator Forsey: Honourable senators, I am sorry to have to rise again, on what I suppose may be called a question of privilege, to draw your attention to an error in the English translation of what I said in French yesterday. It affects another senator. I refer to yesterday's *Hansard*, page 227, halfway down the first column. The report in French is correct, but the report in English refers to Senator Grosart where it should be Senator Graham. There are two mentions here of Senator Grosart: the first is correct and the second should be Senator Graham.

I might add that the English translation of what I tried to say in French last night is so monumentally incompetent that anybody reading the English translation will be inclined to say, "Poor Forsey, his French may be pretty bad but, if this is an example, his English is far worse."

INCOME TAX ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-11, to amend the statute law relating to income tax and to provide other authority for the raising of funds.

Bill read first time.

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

Senator Perrault: Honourable senators, with leave of the Senate and notwithstanding rule 44(1)(f), I move that this bill be placed on the Orders of the Day for second reading at the next sitting of the Senate.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Special Report of the Standing Committee on Rules, Elections and Privileges of the Yukon Territorial Council.

RETIREMENT AGE POLICIES

SECOND REPORT OF COMMITTEE OF SELECTION PRESENTED

Senator Petten, Chairman of the Committee of Selection, presented the following report:

Tuesday, December 13, 1977

The Committee of Selection appointed to nominate senators to serve on the several select committees during the present session makes its second report as follows:

Your committee has the honour to submit herewith the list of senators nominated by it to serve on the Special Senate Committee on Retirement Age Policies, namely, the Honourable Senators Adams, Bell, Benidickson, Bosa, Buckwold, Cameron, Cottreau, Croll, Deschatelets, Eudes, Fournier (*Madawaska-Restigouche*), Greene, Inman, Lucier, McNamara, Phillips, Quart, Rowe, Steuart and Williams.

Respectfully submitted,

William J. Petten,
Chairman

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Petten: I move that the report be taken into consideration at the next sitting of the Senate.

Motion agreed to.

FOREIGN AFFAIRS

INTERNATIONAL AGREEMENT ON WHALING—QUESTION ANSWERED

Senator Perrault: On December 6 the Honourable Senator Austin asked:

Does Canada support the recommendation of the Executive Committee of the International Whaling Commission (IWC) to limit the take of North Pacific Sperm Whales to under 800 as opposed to Japanese and Russian desires to have a 6,000 whale quota?

At the June meeting of the IWC in Australia, the Executive Committee agreed to set the North Pacific Sperm Whale quota at 763. This quota was derived from information provided by a scientific committee of the IWC and was based on a mathematical formula. After the quota was adopted, the Japanese and Russian delegations pointed out that, while the formula would restrict the number of whale kills for 1978, the use of the same formula would greatly increase this figure for 1979. They asked whether the scientific committee could re-study this question so as to apportion the whale kills over the two-year period.

On the basis of new information provided by the scientific committee, the IWC agreed at its recent Tokyo meeting to set the North Pacific whale quota for 1978 at 6,444. Canada supported the recommendations of the scientific committee and the setting of this new quota for 1978.

ROYAL COMMISSION ON CONCENTRATION OF CORPORATE POWER

PUBLICATION OF REPORT—QUESTION ANSWERED

Senator Perrault: Honourable senators, on November 22 the Honourable Senator Benidickson asked a question. I will not read it in its entirety, but it had to do with the royal commission dealing with corporate mergers and monopolies.

I can answer by saying in reply to the honourable senator's question that it now appears that the report, printed in both official languages, together with a number of related studies, will be available in early March.

This report is under the direction of the two remaining commissioners and will be submitted by them.

● (2010)

APPROPRIATION BILL NO. 3, 1977-78

SECOND READING

Hon. Douglas D. Everett moved the second reading of Bill C-15, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1978.

He said: Honourable senators, it is customary for the deputy leader, Senator Langlois, to explain appropriation bills. However, he has suffered a loss in his family and cannot be here this week. I extend to him, on behalf of all members of this house, our sincere condolences.

I also seek the sympathy of honourable senators because, being unknowledgeable and unpractised in this art, I will have to fumble my way through as best I can.

Senator Flynn: You don't believe that.

Senator Everett: Before I begin, I would like to reply to some points that were raised by Senator Flynn—

Senator Flynn: I expected that.

Senator Everett: —when he was speaking to the report of the Standing Senate Committee on National Finance on supplementary estimates (A) which are, of course, the subject of this appropriation bill. Senator Flynn had some considerable difficulty with the figures. He pointed out that he or, at least, his researchers calculated the total authorized expenditures so far in 1977-78 at $45.802 billion, and that the amount I had used was $46.493 billion—a difference of $691 million. Senator Flynn thought that this indicated I had not done my homework.

Senator Flynn: No, no.

[Senator Perrault.]

Senator Everett: Indeed, we were both using correct figures. Senator Flynn was using the net authorized expenditures, and I was using the gross figure. The difference of $691 million is composed of $346 million of amounts repaid on previous loans, and $345 million of advances to foreign development banks, which has been charged to the foreign exchange fund.

Additionally, Senator Flynn pointed out that the total of authorized expenditures for the fiscal year ending on March 31, 1977 was $41.224 billion, and the target of actual expenditures given in that year by the President of the Treasury Board was $42.150 billion, which, as he pointed out, was greater than the authorized expenditures themselves. He said that this looked odd in that normally authorized expenditures would be greater than actual expenditures because actual expenditures take into account normal lapses of spending and revision in programs.

However, the reason for the difference is that the 1977-78 figure of net authorized expenditures of $45.802 billion includes statutory non-budgetary expenditures for the very first time. Had those expenditures been included in the 1976-77 estimates, they would have aggregated $2.278 billion. If that amount is added to Senator Flynn's amount of $41.224 billion the total is $43.502 billion, which is comparable to my 1977-78 amount of $46.493 billion. But if you take off the figures for amounts repaid on previous loans and advances to foreign development banks paid out of the foreign exchange fund, as we did with the 1977-78 figures, then you bring that figure to $43.032 billion, which is comparable to Senator Flynn's figure for 1977-78 of $45.802 billion. So to compare the years, we have the following figures. In the year ending March 31, 1977, the net authorized figure was $43.032 billion. The target expenditure is indeed below that figure—it was $42.150 billion—and the actual expenditures in that year were below the target figures and were $41.078 billion. In 1977-78, as I pointed out in my speech on supplementary estimates (A), the net authorized figure, which is Senator Flynn's figure for 1977-78, is $45.802 billion so far this year, and the target expenditures—and the President of the Treasury Board has told us he is on target—are below that figure again. They amount to $44.450 billion, an increase of 8.2 per cent over the actual expenditures last year, which is less than the rate of inflation.

Honourable senators, I might also address some remarks to Senator Grosart in respect of the numbering of these appropriation acts. Senator Grosart has pointed out in the past that it is confusing because while the appropriation acts are numbered on a calendar year basis, the fiscal year does not correspond with the calendar year. As a result, Appropriation Act No. 1 in 1977 dealt with supplementary estimates (D) for the 1976-77 fiscal year; Appropriation Act No. 2 of 1977 dealt with interim supply for the main estimates for 1977-78; and Appropriation Act No. 3 of 1977 dealt with the balance of the main estimates for 1977-78. Normally, the bill we are dealing with here would be Appropriation Act No. 4 for 1977; however, it has been changed to Appropriation Act No. 3 for the

fiscal year 1977-78, and this covers supplementary estimates (A) for 1977-78.

Now, as honourable senators know, the Standing Senate Committee on National Finance examined supplementary estimates (A) in detail. Two revisions have been made to those supplementary estimates in the other place, and these revisions are found by comparing supplementary estimates (A) with Bill C-15. The first revision contains vote 31a of the Department of Regional and Economic Expansion. That vote appropriated $22 million to the Cape Breton Development Corporation to pay its losses. The vote sought to amend section 31(2) of the Cape Breton Development Corporation Act to allow grants to municipalities in lieu of taxes on personal property. Section 31(2) of that act permits grants in lieu of taxes, but only for property taxes, not for personal taxes. As a result, the Speaker of the other place found that the amendment was of a legislative nature and it was removed from the appropriation bill.

• (2020)

The second item is vote L56a under the Ministry of Transport. That vote sought an appropriation of $100,000 so that the Minister of Transport, in the right of Canada, could purchase all the shares of VIA rail. It also included an amendment to section 72(5) of the Railway Act, and that amendment was to exempt VIA from the 6 per cent interest limitation on borrowings under the Railway Act. Again it was found to be legislative in nature and it was removed from the estimates.

As I say, this bill is based on supplementary estimates (A) which provide additional expenditures for this year in the amount of $1.911 billion. It was reviewed in detail by the Standing Senate Committee on National Finance. I will not bore senators with too many details of the appropriation act, because those details can be found in the supplementary estimates (A) and in the report of the committee. However, I would point out that $990 million worth of funds are to be appropriated under Bill C-15. The major items consist of:

(1) $135 million to enable the financial restructuring of Atomic Energy of Canada Limited;

(2) $125 million for increased compensation payments to refiners of imported oil due to higher than anticipated volumes of imported oil and to the drop in the exchange rate of the Canadian dollar;

(3) $111 million to the Canadian International Development Agency primarily for increased food aid grants and the extension of more bilateral grants rather than loans. This item will be totally offset by freezing funds already appropriated, thus actually resulting in no increase in expenditure requirements;

(4) $72 million for formula payments to the provinces for bilingual education programs to cover increased costs and extended programs and adjustments to entitlements for prior years;

(5) $42 million for increased loans to finance regional electrical interconnections under a long-term agreement with the provinces;

(6) $35 million to pay the federal government's contributions, as an employer, to the Quebec health insurance plan;

(7) $33 million for increased federal contributions to various social and educational programs for Indians and Eskimos;

(8) $100 million to expand the government's 1977-78 employment strategy programs such as Canada Works, Young Canada Works, Local Initiatives and student summer employment;

(9) $100 million is provided for the 1977-78 portion of the recently announced $150 million federal labour itensive projects program; and

(10) $68 million for new programs—some $45 million for the Canadian Home Insulation Program and $23 million for the rehabilitation of western rail lines.

Statutory expenditures, totalling $921 million, were reviewed in detail in our committee report, and the committee also examined twenty-five $1 votes in detail.

Honourable senators, the appropriation bill is before you and I shall be glad to answer any questions that I can in respect of it.

Hon. Allister Grosart: Honourable senators, I do not think it is necessary for me to take up very much time in the chamber this evening. Senator Everett has given us an excellent and detailed explanation of the appropriation bill, and it was thoroughly discussed both in the National Finance Committee and in the chamber on the presentation of the report of that committee.

I will not comment on the battle of figures that seems to have arisen. Senator Everett has found a way to reconcile his figures with those of Senator Flynn, and I am quite sure they are both right, as usual.

The most interesting aspect of the report that has been given to us by Senator Everett is the action of the Speaker of the House of Commons in carrying out an initiative taken by the Senate—I think it is quite fair to regard it as such—in the matter of complaining about and, where possible, bringing to an end the amending of legislation by appropriation bills. The Senate committee has taken this stand for many years, first of all on $1 votes and then on more substantive votes. In this case I believe the Speaker's intervention has been in the matter of two substantial votes, but it is refreshing to note that the initiative taken by the Senate committee and the Senate itself has now reached the House of Commons, and I think for the second time the Speaker of that house has ruled that certain votes included in an appropriation bill were not properly before the house because they were legislative in nature.

We have complained about this type of legislation before, this expansion of the methodology of bringing expenditure items before Parliament, and I think there is evidence that in the Senate committee we will have to continue to do so.

I was not satisfied with the presentation that was made this year in respect, particularly, to $1 items, because it does seem

to me to be much less clear than the kind of presentation that we had insisted on and had been given earlier. It will be important for the National Finance Committee to insist that we have a full explanation of any item that, in the opinion of the Treasury Board, has the effect of amending existing legislation whether that legislation be normal, substantive legislation or appropriation bills themselves.

The Treasury Board tends to defend the position that there is nothing wrong with an appropriation bill amending another appropriation bill. The position that has been taken over and over again in the Finance Committee is that this does not make sense, when some of these appropriation bills may go back 10 or 15 years and were not justified in the first place, for example, in setting up a crown corporation by a vote in an appropriation bill.

The objection we have taken, of course, has been to the effect that there is no discussion of the purpose, the intention nor the scope of a corporation so set up. It has been the position taken over and over again by the committee that this kind of legislation should be effected in the normal way and not be "brought in by the back door," in an appropriation bill.

I might also say that in my view, as I have said before, and I think it is worth repeating, the report of the committee this year was the best I have seen. I believe that the committee is increasing its surveillance of public spending. I was glad to hear Senator Everett make special mention of the statutory items. I have also referred to that before. I hope the time is coming when we will never again hear the phrase, "Oh, half of this was statutory and, therefore, beyond control." We have heard that statement made. Of course, statutory expenditures are not beyond control at any given time.

I compliment the committee and Senator Everett on the presentation of this report. I think that is all that need be said at this time.

Senator Flynn: Honourable senators, since Senator Everett thought it necessary to discuss my observations, I just want to put on the record the intent of what I said. It is that the situation is worse this year than last year, because last year the real figures were below both the target and the authorized. The real is always below the authorized, of course, but this year the target is $44.450 billion and if we take $1.3 billion away from the authorized amount of $45.802 billion, then the net amount of real expenditure will be $44.502 billion. This is only $2 billion above the target—but $2 billion is something.

● (2030)

I am just mentioning this because you have set the target for the authorized and the real, and according to the figures given in committee we are not doing as well this year as we did last year.

Senator Everett: I feel I must differ with my honourable friend. What we are dealing with is a target for expenditures, and therefore we have to deal with all the spending that is being done. That is why the statutory non-budgetary items now are included. I am pointing out to Senator Flynn that he did not have those figures, and neither did I, but when those figures are added the comparable figure is $43.032 billion and not the figure we had before of $41.224 billion.

[Senator Grosart.]

Senator Flynn: Then what is this figure of $43 billion?

Senator Everett: That is the net total authorized expenditure for 1976-77. The target was $42.150 billion, which is some $882 million less than the net authorized figure.

Senator Flynn: I am sorry, but in committee it was stated that the target for 1977-78 was $44.450 billion.

Senator Everett: You are always ahead of me, Senator Flynn, I admit, but you are a year ahead. I am still back in 1976-77.

Senator Flynn: No, I am speaking of the present year.

Senator Everett: Well, the same thing obtains this year as obtained last year. The authorized last year was $43 billion, the target was $42 billion, and the actual was $41 billion. There you have the authorized, the target and the actual expenditures. So it has come down. Now, the net authorized this year is $45.802 billion and the target is $44.450 billion, which again is below.

Senator Flynn: And what is the figure for real expenditures?

Senator Everett: We won't know that until the end of the year.

Senator Flynn: The figure of $44.502 billion was mentioned in committee, and this is worse than last year. Of course, it is above the target.

Senator Everett: With respect, senator, I think that those who were in committee will recall that we pressed the President of the Treasury Board very hard to find out exactly where the actual expenditures were in relation to that target of $44.450 billion. He said he was unable to tell us at this time because he could not calculate the lapses in the programs until the end of the year, but he felt confident that despite some of the egregious increases in expenditures, especially the levelling of the tax points with the provinces, he could reach his target of $45.450 billion. I am sorry, but I don't know where the other figure comes from.

Senator Flynn: The figure of $1.3 billion will lapse, as mentioned in committee; if you subtract that figure from the authorized then you come to a figure which is a little over the target.

Senator Everett: That may be so, but I do not recall the $1.3 billion. It is a good point. But I have to say also that the President of the Treasury Board was firm on the fact that he would do better than the target of $44.450 billion.

Senator Flynn: But not as good as last year. That is the only point I wanted to make.

Senator Everett: All right. I have difficulty dealing with the question of whether it is as good as last year or not. I will let you have that point as long as you let me have this point—that the increase in actual expenditures this year over last year is less than the rate of inflation, and therefore there has been improvement in real economic terms by this government.

Senator Flynn: By the target established for last year and this year, we are doing less well this year. I do not think you are justified in saying that the government is doing extremely well.

Motion agreed to and bill read second time.

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

Senator Everett moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

SAFE CONTAINERS CONVENTION BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from Thursday, December 8, the debate on the motion of Senator Petten for second reading of Bill S-4, to implement the International Convention for Safe Containers.

Hon. George I. Smith: Honourable senators, I rise to perform what I think is a relatively easy task this evening. The speech of the Honourable Senator Petten was very clear, and explained very well the objectives of this bill and the contents of the Convention. This, of course, is what one would expect from such a distinguished senator, particularly one whose occupation would necessarily make him familiar with the subject matter of this bill. So I do not have much quarrel with the contents of the bill or the convention, except with respect to one point which does not bear, perhaps, on the merits of either but bears on a point on which it seems to me we must be continually and carefully vigilant.

● (2040)

It intrigues me that this convention would be placed before Parliament for approval without having in it even a clause which says that Parliament approves it. You may read this bill as carefully as you like but you cannot find a plain statement that Parliament approves the convention. What other object is there in putting this bill before Parliament?

I have not made a careful search of all the previous bills which sought the concurrence or the authority of Parliament, but one which occurred to me was the Bretton Woods Agreements Act—it occurred to me, I suppose, because we dealt with it a few months ago, in the last session—and I note that in that act there is this plain straightforward statement of law:

> The Agreements for an International Monetary Fund and an International Bank for Reconstruction and Development set out in the schedules are hereby approved.

The act then goes on to give the Governor in Council authority to make the regulations that are necessary to implement the approval of Parliament of the agreements of that day.

The reason I want to draw attention to this point is that it seems to me we are today facing a sort of impatience with Parliament, a sort of feeling that the best way to deal with Parliament is to slip by it if you can, and this seems to me to be another example of this tendency. As I say, what object is there in putting this convention before us if we are not to approve it? How simple it would be to have a straightforward statement in the bill that Parliament approves this convention. But it is not there.

I say again, honourable senators, you may read the bill as carefully as you like, but you cannot find anything that says that Parliament approves this convention. Clause 3 says:

> —the Governor in Council may make regulations for carrying out and giving effect to the provisions of the Convention.

Surely, in the ordinary way, before dealing with legislation to give the Governor in Council the right to make regulations to implement something, Parliament should set its stamp of approval upon it. I repeat, it is a simple matter, and I cannot understand why such a clause is not contained in this bill.

Of course, when one cannot understand something which seems to bypass Parliament, one naturally begins to wonder and one naturally gets suspicious. This seems to me to be another example of the tendency about which we must be eternally vigilant, the tendency to overlook the authority and importance of Parliament.

On the other hand, it is rather interesting that in the bill there appears a provision in respect of one matter where the Governor in Council is given authority. There is provision for reference to Parliament of an order made by the Governor in Council. That appears in clause 5, which says:

> Subject to this section, the Governor in Council may by order amend the schedule to reflect any amendment to the Annexes to the Convention to which Canada has not objected.

Then it goes on to provide that any order made under this clause must be laid before Parliament within ten sitting days of the time the order is made, and that it comes into force on the thirtieth sitting day, or the day named in the order unless—I emphasize "unless"—within twenty sitting days a motion is filed with the Speaker of the House of Commons signed by fifty members of that house, or, if it is filed with the Speaker of the Senate, signed by twenty senators, the object of which is to revoke the order. It then sets out a very detailed method in respect of the way Parliament is to deal with this problem.

Clause 5 then provides that debate on the motion must begin within six sitting days of the time the motion is filed. It then specifies that after there have been five consecutive hours of debate there must be a vote. If the motion is passed, it is then sent to the other house for concurrence. Then the other house must debate the motion within fifteen sitting days, and as soon as it does so for five consecutive hours a vote must be taken. If the motion is passed by both houses—that is, passed by one house and concurred in by the other—the order made is revoked. If, however, either house rejects the motion to revoke, the order comes into force, either forthwith upon such rejection or by the time named in the order.

This to me is an extremely interesting sort of provision, and one, if it were more frequently resorted to, might remove some

of the criticism that I think is correctly made so often of the reservation of the right to the Governor in Council to make regulations about so many things.

Of course, it moves me to ask what is so important about an order made by the Governor in Council giving effect to amendments to the convention, which makes it subject to all this great care and preservation of the right of Parliament to deal with it, over and above the importance of what is in clause 3, which gives the Governor in Council the right to make regulations for carrying out and giving effect to the provisions of the convention without, as I say, any base whatever of approval of Parliament for the convention itself.

I am glad to see that whoever was responsible for this bill was seized with a pang of conscience when he came to clause 5, and has demonstrated to us very clearly how the right of Parliament to exercise supervision over what is done by the Governor in Council can be preserved. I recommend to all honourable senators a very careful study of these provisions to which I have referred, and which are set out in detail in clause 5.

I have made inquiry—I do not pretend it was careful research—of some people who are knowledgeable on the subject of containers, and I believe, along with Senator Petten, that this is a bill the principle of which deserves the support of Parliament. Consequently, I do not in any way suggest that it should be rejected by this house. I draw attention emphatically to the matters which I have mentioned, and I wish also to draw attention to one other matter which might be examined carefully in committee.

● (2050)

The whole tenor of the convention is to provide for safety in handling containers. As I am sure all honourable senators know, a very high proportion of freight, international and national, is handled in these large boxes called containers. I see them every day when I am home in Truro because the rail cars pass through the centre of the town carrying these containers to and from Halifax.

They consist of large boxes, two of which will fill a complete flat car, and almost always, when they are being stored upon piers, wharves or other places of storage, are piled or stacked one upon another. They can be a real menace to those who have anything to do with their handling if they are not safely constructed. Therefore, the whole tenor of the bill is to provide some sort of assurance that in international trade the containers will be reasonably safe to handle.

I notice that the convention, in article IV, provides for inspection by each state which adheres to the convention. I understand that there were some 92 states which might be called signatories, of whom only 10 in addition to Canada so far have officially adhered to the convention. However, I believe that it is expected and hoped that all 92 will eventually adhere.

The inspection is to be made in the state or country in which the containers are built, or, if they are already in existence, in which they happen to be at a given time. One might reasonably hope for a careful standard of safety upon which the inspection will be based, and upon a well-trained, and uniformly trained, inspecting staff.

[Senator Smith (Colchester).]

In moving the second reading of this bill, I notice that Senator Petten said—this is not contained in the legislation or in the convention itself—that inspection in Canada would be done by quite a wide variety of people, such as coast guard marine surveyors, the Canadian Transport Commission, rail safety inspectors, civil aeronautics safety inspectors and customs inspectors. While I have not the least criticism of the qualifications of those people in their own fields—I know they are good—it seems to me that in providing for such a wide spectrum of people, with an equally wide spectrum of experience and training, to become inspectors we run the risk of a certain lack of uniformity. When one considers what other countries may do, one realizes that they too may decide that a wide spectrum of their public service people will be made inspectors.

It seems to me that those who are concerned with the convention and its enforcement, and particularly with inspection—"inspection" here means inspection to determine whether the containers are safe and whether the convention is complied with in that respect—must be extremely careful to ensure that there should be an effort made to achieve uniformity of inspection standards—not the standard of construction required, because that is set out in the convention itself, but the standard of inspection.

I am tempted, of course, to deliver myself of some very strong feelings about the importance of containers in today's international trade, the importance of the ports in the region to which Senator Petten and myself have the honour to belong—the Altantic region—and the importance of ensuring that the advantage, which ports in the Atlantic region have in international trade because of geography, is not minimized by lack of attention by the government; that, indeed, it should be recognized that the geographical advantage, which is of very great importance, be utilized to the greatest possible extent. This perhaps requires more careful attention than has been given in the past.

I thank honourable senators for bearing with me. I repeat that I do not oppose the principle of the bill. I believe it should receive second reading and that it should go to the committee designated by the sponsor of the bill, particularly as I myself have some interest in that committee.

Senator Godfrey: Honourable senators, I should like to point out that the procedure which Senator Smith (Colchester) has referred to in clause 5 is precisely the kind of procedure that the Committee on Regulations and other Statutory Instruments advocated in its last report. I agree with Senator Smith that that kind of procedure should be used more often with respect to the type of regulation which it is suggested should be made under clause 3.

Senator Petten: Honourable senators, unless any other honourable senator wishes to participate in the debate at this time, I would move the adjournment of the debate.

Senator Grosart: The honourable senator cannot move the adjournment. Someone else will have to do that. It is the honourable senator's own motion.

Senator Croll: Honourable senators, I move the adjournment of the debate.

On motion of Senator Croll, debate adjourned.

INCOME TAX

CONSIDERATION OF FIRST REPORT OF BANKING, TRADE AND COMMERCE COMMITTEE ON ADVANCE STUDY—DEBATE CONCLUDED

The Senate resumed from yesterday the debate on the inquiry of Senator Hayden calling the attention of the Senate to the report of the Standing Senate Committee on Banking, Trade and Commerce entitled: "First Report, on the advance study of the Budget Resolutions respecting income tax and any bill or other matter relating thereto," tabled in the Senate on December 8, 1977.

Hon. Allister Grosart: Honourable senators, when I adjourned the debate I had intended to call the attention of the Senate to the four amendments to Bill C-11 that are recommended in the report of the Standing Senate Committee on Banking, Trade and Commerce. I had also intended to draw attention to some caveats, to some questions raised, to some statements of the committee's feelings and wishes, and so on.

However, we find ourselves in a somewhat unusual position at this time in that Bill C-11 was introduced in the Senate on first reading earlier this evening and we have had a report of the committee, making certain recommendations and suggesting certain changes, before the bill came to us. I am not criticizing that procedure. It is one that we have been developing for some time to enable committees of the Senate, and the Senate itself, to be fully prepared to discuss and pass a bill, when it comes to us, as expeditiously as is reasonable under the circumstances.

For that reason, honourable senators, I have nothing further to say at this time. The bill will be before us tomorrow, in keeping with the motion made for second reading, at which time there will no doubt be comments on the bill itself, on the amendments, and on other suggestions made by the Banking, Trade and Commerce Committee which, at the present moment, is meeting to hear the minister.

The Hon. the Speaker: As no other honourable senator wishes to participate, this inquiry is considered as having been debated.

● (2100)

INTER-PARLIAMENTARY UNION

SIXTY-FOURTH ANNUAL CONFERENCE, SOFIA, BULGARIA—DEBATE CONCLUDED

The Senate resumed from Wednesday, December 7, the debate on the inquiry of Senator Petten, calling the attention of the Senate to the Sixty-fourth Annual Conference of the Inter-Parliamentary Union held at Sofia, Bulgaria, from 20th to 30th September, 1977, and in particular to the discussions and proceedings of the Conference and the participation therein of the delegation from Canada.

Hon. H. A. Olson: Honourable senators, I wish to participate in this debate, but only briefly, because, as was pointed out by Senator Petten when he called our attention to this conference, he, Senator Bélisle and I were the three members from this chamber who attended.

I have to say at the outset that I did not happen to be in the house when the two previous speeches were made, but after reading them it seemed to me almost impossible for both senators to have attended the same conference. My opinion of this conference is that it was probably the most satisfying and the most useful meeting of parliamentarians that I have attended in my entire political career. I have attended a few such conferences, so I did have some feeling for the general activity and the satisfaction that comes out of them. While the discussions I was involved in dealt generally with human rights and that sort of thing, the conference dealt specifically with the whole question of more stable and peaceful relations in the Middle East. To put it more precisely, the subject under discussion was the action of the Israeli authorities in the occupied territories.

The reason why I say this was a particularly satisfying meeting is that it took place in the latter part of September, and I am sure all honourable senators will agree that there has been a dramatic and significant improvement in the situation in the Middle East. A dialogue has begun—a dialogue that has never taken place before in the many years that Israel and the Arab states around Israel have been having problems along their borders.

When we began the discussion of this question in Sofia, it was easy to see that there was a great deal of disagreement. There were charges and countercharges respecting certain violent acts that had been committed by one side or the other against the people in those areas, and during the first two or three days of this debate such animosity was displayed by the delegates from Israel and their Arab neighbours that they would hardly recognize that there were delegates representing the other side of the question. As the debate proceeded into the third, fourth and perhaps even the fifth day, the charges and countercharges were still being made, but the fact that they were talking to each other across the conference room made them acknowledge that the other people were there. It is also fair to say that during the last few days of the conference much softer language was being used, and indeed there was a determination to try to reach some kind of an understanding.

One of the reasons for this happening is that there were delegations present from other countries. Someone has said that there were 72 countries, including the United States and the Soviet Union, represented. Representatives of Canada, Australia, Yugoslavia, and several other middle powers—if you like to refer to them as middle powers—which have no axe to grind or any great international influence to exert in the power play that goes on in the Middle East all the time,

constantly expressed their concern for the well-being and rights of the people who are directly concerned, namely, the Palestinians in and near the area in question, as well as the Israeli people who live close to the borders where these skirmishes have been occurring for so many years.

I say to honourable senators that in my opinion, although there may be different views and interpretations as to the usefulness of these international conferences of parliamentarians, they do provide a forum where parliamentarians can get together and discuss their mutual concern for the problems that exist, and thus improve understanding on all sides.

There is, however, another, equally important aspect to be noted, and that is the ability to shift world opinion, however marginally or significantly, at any time. I believe it is fair to say that that did, in fact, happen in Sofia during the latter part of September. I do not want to claim an excessive amount of credit for this, because certainly there were meetings going on in other places in the world. For example, the United Nations itself was seized with this matter at the same time, and sincere efforts were being made to get the Geneva conference functioning again.

As I said, in my opinion this was an opportunity for parliamentarians to bring to a world forum their concern about the rights of the people who are affected by the fighting that goes on across those borders. Therefore, it seems to me that we should take some credit for having made a useful contribution to the present state of affairs.

It is too early to say whether the momentum initiated by President Sadat's visit to Israel is going to lead to a satisfactory conclusion in the area in question, but there has certainly been another step forward. At least people on both sides of the dispute are attempting to talk to each other about it. We should not back too far away from accepting the idea that these meetings are useful, because, as I said earlier, there was a very perceptible change in attitude as the discussions went on.

I was concerned when Senator Bélisle suggested on December 7 that the Canadian delegation did not have the right to do certain things, and that they were almost told what position to take. I want to say categorically that never at any time during the briefing session before we left Canada, or during the discussions in caucus each morning before we went to the meetings, was I told what to think, nor was there any attempt to persuade any of us to take any particular action. We were briefed on what the official Canadian position has been at various meetings in the past, but each delegate was completely free to take any action he wished within the conference rules.

Honourable senators, I do not want to keep you any longer. In my view this was a very useful meeting, and hopefully the negotiations now going on between Israel and her neighbours will come to a successful conclusion. If we can take even the smallest amount of credit for having contributed to this understanding, I think it was an extremely worthwhile exercise.

The Hon. the Speaker: As no other honourable senator wishes to participate in this debate, this inquiry is considered as having been debated.

SCIENCE POLICY

VOLUME 4 OF REPORT OF COMMITTEE—ORDER STANDS

On the Order:

> Resuming the debate on the inquiry of the Honourable Senator Lamontagne, P.C., calling the attention of the Senate to the report of the Special Committee of the Senate on Science Policy, appointed in the last session of Parliament and authorized in that session to consider and report on Canadian government and other expenditures on scientific activities and matters related thereto, entitled: *A Science Policy for Canada,* Volume 4, *Progress and Unfinished Business,* tabled in the Senate on Tuesday, 25th October 1977.—(*Honourable Senator Grosart*).

Senator Grosart: Honourable senators, it is not my intention to speak to the order standing adjourned in my name at this time for a special reason, which I should perhaps report to the Senate. Although the Senate committee has terminated its hearings, there are one or two important matters still before the Senate in connection with the winding up of that committee. For that reason it has been suggested to me that it would be wise to keep this inquiry before the Senate until those matters are determined. I believe that will be done very shortly. For that reason, I ask that this order stand adjourned in my name until that time.

Order stands.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, December 14, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

THE HONOURABLE J. CAMPBELL HAIG

TRIBUTES ON RETIREMENT FROM SENATE

Hon. Jacques Flynn: Honourable senators, I am sure that you will be very sad to learn that our colleague, Senator Campbell Haig, has decided to retire, and that his retirement will become effective before the end of the year.

We on this side of the house were very unhappy to learn of his having made, for reasons of health, this decision to retire. I want to take this opportunity, since he will not be here tomorrow, to tell Senator Haig how much we have appreciated his contribution to the Senate during the 15 years that he has served here. During several of those years he served as chairman of the Standing Senate Committee on Transport and Communications and did an admirable job.

Hon. Senators: Hear, hear.

Senator Flynn: We wish him well. We wish him the kind of happy and enjoyable retirement he so richly deserves.

I think I should express the hope, since our numbers on this side will have again been diminished, that he will be replaced by someone who will sit with us. I am certain I express the sentiments not only of those who sit in the opposition but of the whole Senate, when I wish you, Campbell, Godspeed, good health, and many years of happy retirement. We thank you, on behalf of the Senate and on behalf of the people of Canada, for what you have done for this country and for the Senate.

Hon. Senators: Hear, hear.

Hon. Raymond J. Perrault: Honourable senators, certainly those on the government side are more than pleased to join in the well-deserved tribute which has just been paid by the distinguished Leader of the Opposition to our colleague, Senator Campbell Haig. Senator Haig and, indeed, all of the Haig family have a great and exemplary tradition of service to this nation and to Parliament.

It is truly an occasion of regret for all of us that Senator Haig has come to a decision to retire, but we understand that decision. Aided splendidly by his fine and charming wife, Senator Haig has brought ability, civility and humanity to all of his many responsibilities on Parliament Hill during his period of service in our midst.

We shall certainly miss him, and as we honour him today and as he takes his retirement he does so with our warm best wishes. He has served Canada well, he has served his province well and he has served Parliament well.

• (1410)

May I say in passing that it is to be hoped that in the not too distant future, Senator Haig will be replaced in the Senate by a person of equally outstanding ability from opposition ranks. If so, we shall be well served.

Hon. Senators: Hear, hear.

Hon. David A. Croll: Honourable senators, I would not want this occasion to pass without saying a word or two.

I served in the Senate with Senator Haig's father, a distinguished parliamentarian in his day, and now we all acknowledge Campbell Haig to be a fine public servant. It should be remembered that in his native province he was active in the field of education, and he did a great deal of work with crippled children. He devoted himself to their cause.

After spending 15 years in the Senate one makes friends here, no matter on what side of the house one sits, and one just doesn't walk away from the Senate without leaving an impression. Senator Haig never really bit too hard politically. He let you know that he was a good oldtime Conservative, but he realized there were others in the world too.

It was a pleasure to serve in this house for 15 years with Senator Haig, and I am sorry to see him leave. Both he and his father served this country admirably.

Hon. Senators: Hear, hear.

Hon. John J. Connolly: Honourable senators, I, too, wish to say a few words with respect to the retirement of Senator Haig. It came as a great surprise to me to hear this from the Leader of the Opposition today. I did not know it was being contemplated.

Like Senator Croll, I go back to the time Senator Haig's father was a distinguished member of this chamber. When I first came here he was one of the great motive forces in the ranks of the opposition, and subsequently he became Leader of the Government in the Senate.

An historic picture of the Opening of Parliament in the fall of 1957 shows Senator John Haig sitting to the left of Her Majesty the Queen. That is a very important picture, not only for the family but in the history of this institution and this nation.

I am going to say something I have never said to Senator Haig before. I can remember being in the gallery of this chamber many years ago when I was a student at the university here. I was listening to a debate in which his father was taking part. I did not realize it was his father at the time. Senator Forsey might agree with this, or perhaps he will disagree with it violently. I thought the man making the speech was Senator Meighen. After hearing Senator Meighen

speak, I was still struck by the resemblance and the kind of delivery they both had and the incisive way they attacked a problem. John Haig was then at the height of his career.

There is one thing that the present Senator Haig should know as he leaves. He has given us good example in committee. He has attended faithfully; he has never attempted to dominate a committee; and he has always asked pertinent questions. But the greatest example he gave us was that he never made a long speech in this chamber.

Hon. Senators: Hear, hear.

Senator Connolly (Ottawa West): I hope that Senator Haig's health will continue to improve, and I wish him and his wife, for whom we all have the warmest affection, every happiness in their retirement.

Hon. J. Campbell Haig: Honourable senators, as this will be the last time I shall address this august chamber, having been a member of it for the past fifteen and one-half years, let me say how much I have enjoyed it. I have enjoyed the friendships and the debates we have had, both in committee and in the house. I have enjoyed the leaders under whom I have worked, both on the government side and on the opposition side. I have enjoyed serving under the guidance and direction of the various Speakers who have presided over our deliberations since I have been here. I have now come to the last Speaker under whom I will be serving in this chamber. Madam Speaker, you have done nobly.

Hon. Senators: Hear, hear.

Senator Haig: I am greatly impressed with your knowledge, and with the improvement you have brought about in the saying of prayers in the French language.

I want to thank the Leader of the Government in the Senate, Senator Perrault; my leader, Senator Flynn; and Senator David Croll and Senator John Connolly for their kind remarks about both my father and my wife.

[*Translation*]

THE HONOURABLE JAMES JEROME

ACCIDENT INVOLVING SON OF SPEAKER OF THE HOUSE OF COMMONS—MESSAGE OF SYMPATHY

Hon. Jean Marchand: I wonder whether it would be appropriate to inform this house that the son of the Speaker in the other place met with a serious accident yesterday. I feel the Senate should extend its sympathy to the honourable James Jerome for this appalling experience.

[*English*]

LIBRARY OF PARLIAMENT

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. MacFarlane had been substituted for that of Mr. Maine on the list of members appointed to serve on the Standing Joint Committee on the Library of Parliament.

PRINTING OF PARLIAMENT

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. MacFarlane had been substituted for that of Mr. Andres (Lincoln) on the list of members appointed to serve on the Standing Joint Committee on the Printing of Paliament.

RESTAURANT OF PARLIAMENT

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. MacFarlane had been substituted for that of Mr. Guay (St. Boniface) on the list of members appointed to serve on the Standing Joint Committee on the Restaurant of Parliament.

NATIONAL CAPITAL REGION

PROPOSED SPECIAL JOINT COMMITTEE—MESSAGE FROM COMMONS

The Hon. the Speaker: Honourable senators, a message has been received from the House of Commons requesting the Senate to unite with that house in the formation of a special joint committee to consider and report upon matters bearing upon the development of the National Capital Region, including the programs and operations of the National Capital Commission.

● (1420)

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

Senator Perrault: Honourable senators, with leave, I move that the message be taken into consideration later this day.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Report, dated November 30, 1977, of the Law Reform Commission of Canada entitled "The Exigibility to Attachment of Remuneration Payable by the Crown in Right of Canada", pursuant to section 18 of the

Law Reform Commission Act, Chapter 23 (1st Supplement), R.S.C., 1970.

Report of the Department of Transport for the fiscal year ended March 31, 1977, pursuant to section 34 of the Department of Transport Act, Chapter T-15, R.S.C., 1970.

INCOME TAX

SECOND AND FINAL REPORT OF BANKING, TRADE AND COMMERCE COMMITTEE ON ADVANCE STUDY TABLED AND PRINTED AS APPENDIX

Hon. Salter A. Hayden: Honourable senators, I desire to table the second and final report of the Standing Senate Committee on Banking, Trade and Commerce on its advance study of the budget resolutions respecting income tax and any bill or other matter relating thereto. I ask that the report be printed as an appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent record of the Senate.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

(*For text of report see appendix.*)

Senator Hayden: Honourable senators, I ask leave to give a short explanation of this report.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Senator Hayden: This report results from the meeting of the committee with the Minister of Finance yesterday evening. At that meeting we dealt with the recommendations contained in the first report of the committee which was tabled on December 8. It will be recalled that subsequently—in fact, on Monday last—I gave an explanation of the substance of the report.

I should point out, in connection with those amendments, that two related to interest on policy loans, to the amount of a policy loan and its relationship to repayment or when repayment is made, and to what happens with respect to taxes paid at the time the loan is granted. The amendments relating to those items, which were introduced by the minister in the other place, were dealt with before the time limitation applied and therefore form part of the bill now before the Senate.

Another amendment, which dealt with employees' loans, tax-free or at low interest, was introduced in the Commons by the Minister of Finance. The item to which that amendment related was not reached before the expiry of the time limit for debate on clause by clause study of Bill C-11, and, as a result, it died on the order paper. The minister last night undertook to arrange to have the amendment introduced in the next budget, and in the income tax bill flowing therefrom.

With regard to the elimination of pre-1972 surpluses proposed in the bill, we found an apparent conflict between the dividend guidelines issued by the Anti-Inflation Board and the proposals for dealing with the elimination of pre-1972 surpluses. The expiry date for the guidelines is October 1978, and the expiry or terminal date for being able to avail oneself of the procedures to clear up those pre-1972 surpluses was very close, in that the bill proposed that the end of the period in which one could deal with them would be December 31, 1978.

We brought that matter to the attention of the minister, who advised that there was a directive in the course of preparation by the Anti-Inflation Board to deal with it, and there would be a public statement issued shortly to remove all fear of there being anything restrictive in the guidelines of the AIB relating to dividends, or anything that would interfere with the exercise of the right to distribute those pre-1972 surpluses.

The minister also dealt with the other phase of the matter, namely, the fact that the plan which the government had in mind in proposing elimination of the pre-1972 surpluses by distribution was intended to remove something that was giving the government great concern, because, as time passes, the records become less and less available to make determinations which are necessary in order to arrive at the amount of the surpluses under the different classifications. The minister undertook that if the time limit of December 31, 1978 did not appear to afford enough time as it worked along to that end, he would introduce an amendment so as to extend the period for at least another year.

● (1430)

In connection with the multinational life insurance companies, the minister undertook that a study would be made of the effect of eliminating certain loss carry-forward positions and deductions arising from the present provisions of the act in respect of which the evidence before us had indicated some so-called "treatment" for the purpose of accounting for Canadian investment income, which was never the intention of the legislation. He undertook that as and when that study was completed it would be provided to us and, of course, the regulations will, of necessity, come to us when they are published. We will then be free to determine whether there is any unfairness in the way of the proposed reductions in actuarial reserves, or in the denial of the right to carry forward losses in relation to the sale of portfolio investments at low prices in relation to their cost.

In connection with the nil assessment, which was quite a bone of contention as far as the committee was concerned, the minister has undertaken to make a study of this himself to determine the right of the taxpayer to be advised as to what is the amount of his loss when a nil assessment has been received. As you will recall, if a taxpayer files a tax return and he shows a loss, the department very often adopts the practice of issuing what they call a "nil assessment". In other words, they do not appear to challenge the amount of the loss. A nil assessment simply means that due to the state of a taxpayer's account no tax is payable.

The courts have held, of course, that a nil assessment is not an appealable assessment. We sought to require that the law be changed so as to require the minister to determine the

amount of the loss, and to provide it to the taxpayer at his request. The minister has undertaken to study this himself, and I can safely say that the committee had enough confidence, generated by the minister's general reactions to the questions and the matters that were discussed last night, that it was prepared to accept his undertaking in that regard.

We had submissions from the Hutterites respecting communal organizations. In connection with one of the issues raised we recommended a rewriting of the provisions governing the Hutterites' obligations to pay income taxes. There is a clause in the bill under which they can elect to be treated on an individual basis even though the funds are collected in a central pot or treasury. The returns are filed on an individual basis on behalf of the adult members of the communal organization. There is another provision in the bill under which, if any amount of their taxes or penalties remains unpaid, they lose the right of election. We thought this was too severe a penalty, and the department agreed with us and said that you should never expect there would be such an arrogant administration that a situation like this could develop.

However, the minister has agreed that amendments will be introduced if this situation exposes itself in the administration; if the Revenue Department does not extend all the extra facilities and does not deprive the Hutterite of his obligation to file an income tax return, or to have one filed on his behalf. If the administration does not go that far amendments will be introduced so that some relief will be afforded, the minister undertaking that he will introduce amendments to provide that flexibility.

These are the amendments contained in our report which were discussed with the minister last night, and this is the treatment he proposed. In some cases amendments were actually made; in other cases an undertaking to amend was given; in still other cases an undertaking was given to study or to take under consideration the points of view that were expressed.

In these circumstances, in our second and final report, we recommend in favour of the bill.

Senator Grosart: As a matter of clarification, and speaking only of the amendments where the word "amendment" was used, could Senator Hayden tell us how many of the four amendments proposed are incorporated in the bill as it comes before us? I know he spoke of the first two, in the life insurance field. Are the other two incorporated in the bill as it is now?

Senator Hayden: No, there are no others incorporated in the bill. I told you about the third one which concerns employee loans, which would be interest-free or at a low interest rate. There were conditions attached to this proposal in the bill. One situation that was not covered was that of an employee, by reason of his position, returning to a location in Canada. The minister had agreed when we raised that issue that it should be amended, and he did introduce an amendment in the other place, but it died by reason of the time limitation occurring before the item was reached in their consideration of the bill.

[Senator Hayden.]

Those are the three items in respect of which amendments were undertaken.

There are only two items that are in the bill—the interest on policy loans, and the treatment of the loan itself where the amount of the loan in the first instance becomes taxable income. If it becomes taxable income and is repaid, then in the year in which it is repaid the portion which relates to tax that was paid is deductible from the income of the taxpayer in the year.

Senator Grosart: Then is it correct to say that of the four amendments proposed in the report, two are incorporated in the bill as it is now before us?

Senator Hayden: That is right.

Senator Flynn: Did the minister indicate whether he would like the Senate to adopt the amendment that he did not have time to move in the house?

Senator Hayden: No, he did not. He said he would introduce it at the next session, and we have his undertaking in that regard.

Senator Flynn: With retroactive effect?

Senator Hayden: I am satisfied with either. I still have confidence in the minister's undertaking.

Senator Grosart: Perhaps I may ask a further question. The committee took quite a strong stand on the question of the retroactive effect of one clause, namely, that referring to the elimination of loss carry-forward positions. Was any undertaking given to the committee last night as to what the attitude of the government would be in respect of the committee's quite serious criticism of the potential or possible retroactive effect of that provision in the bill?

● (1440)

Senator Hayden: No, that did not enter into the recommendation that we made. The retroactive effect was a position that we claimed was the effect of what was proposed to be done to the extent of disallowing losses. That would mean that if they were disallowed in 1977, as the losses were earned and accumulated from 1975 to 1977, they could no longer be carried forward. Our position was that that was, in effect, retroactive.

The officials of the department, when they appeared before us, first of all, challenged the statement that it was retroactive. Then, if you read their evidence carefully, you will see that they did go so far as to agree that perhaps it was a teeny-weeny bit retroactive. But that got lost in the bigger question that we did not have sufficient facts to understand the real effect of disallowing this carry-forward of losses, and we did not know what was going to be done in the way of compensatory corrections.

We tried to get that information from the life insurance companies. It was indicated to us, since the association was comprised of domestic life insurance companies and multinational life insurance companies, that there was a difference in viewpoint. The multinationals, of course, had some objections

to some features of the proposals. The domestic life insurance companies, who were in some measure to be compensated for their less advantageous position, had the other view. That was indicated to us, and it was also indicated that they could not appear because they could not make a submission that would satisfy all their members.

We felt that we wanted all the facts, so we made a recommendation that the report resulting from the study the department is making be made available to us in order that we may then determine whether there is an essential element of unfairness. We are not in a position to do that at this time.

Senator McDonald: I would like to ask Senator Hayden a question with respect to the provision respecting loans on life insurance policies and the deductibility of interest on those loans. Does this clause apply to loans that are already in effect, or is there a date on which it will come into effect with respect to loans that are already in existence?

Senator Hayden: The legislation takes effect from March 31, 1977. As I said the other night, there is an interpretative ruling in the department that the bill would have destroyed the effect of. That ruling is that the interest on a policy loan that has a business purpose is deductible as an expense, but the bill, if it had not been changed, would have destroyed the effectiveness of that.

Senator Walker: Honourable senators, the manner in which this legislation has been dealt with is an example of the usefulness of the Senate. The Banking, Trade and Commerce Committee, under the able and distinguished direction of Senator Hayden, and with the assistance of the opposition, have gone over this bill carefully and made recommendations to the Minister of Finance, the Honourable Mr. Chrétien, who has accepted almost all of them. In respect of those that have not already been included in the bill, we have the minister's undertaking to include them in future legislation. If this is not co-operation in politics, I do not know what is.

Hon. Senators: Hear, hear.

BUSINESS OF THE SENATE

LEGISLATION—QUESTION

Senator Flynn: Honourable senators, I wish to ask the Leader of the Government, in view of the approaching Christmas adjournment, what legislation we are expected to pass before we adjourn. What is our legislative timetable?

Senator Perrault: Honourable senators, the bills to be assented to before the Christmas recess are three in number: Bill C-11, dealing with income tax; Bill C-15, the supply bill covering supplementary estimates (A) and Bill C-5, the Canada Elections Act. It is also hoped that Bill C-3, respecting Air Canada, can be given third reading in the Senate—most likely with amendments—and if the Commons agree with the amendments the bill could receive royal assent before Christmas.

The Senate should also name the senators who are to be members of the Special Joint Committee on the National Capital Region before adjourning. This resolution will be debated later this day, as honourable senators are aware.

There is a strong possibility, if events move along at the anticipated pace in the other place, that our work could be completed by Friday evening of this week. We are awaiting a report concerning events in the other place and we hope to know later today. I know that honourable senators have travel plans to make, but if certain events transpire then some of us may be leaving for our respective provinces probably late Friday night or perhaps Saturday morning.

There may be an inclination on the part of honourable senators to deal expeditiously with the measures before us. Most of the measures are not complicated or controversial. In the case of the income tax bill, for example, a great deal of preliminary study has been given by the appropriate standing committee. If this work can be completed we may be able to complete our deliberations on Friday. This is a matter I hope to be able to discuss with the Leader of the Opposition later today, but I would certainly invite the views of honourable senators with respect to their preferences.

Senator Flynn: If the bill on the Canada Elections Act reaches us on Friday afternoon, as I understand may be the case, does the leader think we might adjourn tomorrow and come back to complete our work on Monday or Tuesday?

Senator Perrault: Yes, that is a distinct possibility. However, the Canada Elections Act is not a controversial measure. It relates entirely to the House of Commons and essentially and primarily to matters in that place. It is not a measure which ordinarily would be subject to much debate in our chamber. Certainly, I think the honourable Leader of the Opposition has made a point, and we may know in a few hours the fate of that particular bill in the other place. If other honourable senators wish to express opinions, I know that all of us here would be interested in their views. I would be interested to know whether there is a general inclination to come back Monday, instead of completing the work on Friday.

Senator Croll: I don't know if I speak for all senators, but we want to go home.

● (1450)

Senator Flynn: I know very well that the senator wants to go home. I would rather go home myself than listen to him. My point is a very technical one. If the Elections Act comes to us late Friday afternoon and we pass it then, we may be too late for royal assent, because the House of Commons will be adjourning at 5 o'clock. Therefore, we would have to come back for royal assent on Monday. Now, I know we would only need a corporal's guard and we certainly would not need Senator Croll, but some of us would have to be here in any event. So it seems to me that it would be silly to deal with the Elections Act in a few minutes on Friday to meet a royal assent that may not be. Though the bill is not of direct interest to us, I would suggest that it is of great interest to the people of Canada generally, and I think we should take more than just a few minutes to look into it.

Senator Croll: Honourable senators, I understand that the last measure to be dealt with there will be the labour bill, and that the elections bill will probably be passed tomorrow. This is the information I received this morning.

Senator Perrault: Honourable senators, the situation is this. A special debate has been scheduled in the House of Commons for Monday and Tuesday of next week. It is anticipated that there will be no legislation under discussion in that house during those two days. We have no special debate scheduled in the Senate, of course, during that time. The question of whether or not we return next week is really meaningless to a number of us, because we must be back in Ottawa in any case. However, the interests of the people of Canada must always be well served, and I am sure that we are all in agreement that the remaining measures must be properly considered and debated. I am entirely in agreement with the honourable senator who made a similar observation a moment or two ago. I suggest, however, that we will be unable to know the status of legislation until we receive further information from the other place. If the Elections Bill does come to us late Friday afternoon and it is the opinion of honourable senators that there is no time to give it careful attention, then there is no doubt whatever that we should be back here next week. It may be possible, however, to obtain leave to proceed with the bill, and additionally there is a possibility of scheduling royal assent for Friday night if honourable senators feel that to be appropriate.

Senator Flynn: That is my point. It will not be possible to have royal assent Friday night because the House of Commons adjourns at 5 o'clock, and since they have to come back on Monday they will not stay here for us. That is the difficulty I am pointing out to the leader. I do not want to see the Senate stay here on Friday just waiting, without being certain that if we do wait we will be able to complete our work.

Senator Perrault: I just want to assure honourable senators that it is possible that appropriate arrangements could be made for Friday night if that is their desire.

Senator Flynn: This is impossible unless there is unanimous consent in the other place.

Senator Perrault: Yes. Nevertheless, it is possible, and an indication was given this morning that there is the possibility of obtaining that kind of consent. So I am suggesting that the possibility is very strong that this could be done. However, shall we give it a few hours to see how the legislation proceeds in the other place?

Hon. Senators: Agreed.

Senator Frith: Honourable senators, I should like to mention one factor that has not been considered at all, although it does not necessarily change what the Leader of the Opposition has to say about the Elections Act. Not only is this an act that deals with matters that concern only the House of Commons, but, as he knows, it is the subject of an all-party agreement. The legislation has been brought forward with the agreement of all parties in the other place. I mention that for the record as a possible indication of how much time it will be necessary to spend on this bill in the Senate.

Senator Smith (Colchester): Perhaps I might be permitted to make an observation or two, not to keep us here any longer but to register an objection to this practice of having our travel plans hanging on some undetermined event over which we have no control. It seems to me that, while my travel plans must be no more difficult to make than anyone else's, it would be far more satisfactory if we made a schedule of work and stuck by it. Should work come to us sooner than we expected it, we would deal with it when we intended to anyway, and if it did not come to us as soon as we expected it, at least we would be here and ready to deal with it. I don't really know whether one can make travel arrangements at the drop of a hat, but my inquiries lead me to believe that there wouldn't be much chance of my changing my travel arrangements to get me home on Friday, and I think that situation would apply to others. It seems to me that a sensible, responsible body like ours should be capable of making plans to deal with legislation that might come to us, and then stick by those plans so that we could take part in the deliberations and also make satisfactory travel arrangements.

Senator Perrault: Honourable senators, our distinguished colleague from Nova Scotia has had vast experience in the political arena. I, too, have had a number of years of service in that sphere, as have many members of this chamber, and I have yet to come across any legislative body in this country which could be absolutely certain about its sittings and adjournments. This is characteristic of politics. It certainly has been during my entire career, and I am sure it has been in the case of every other assembly, former representatives of which are now serving in this chamber.

Senator Smith (Colchester): Perhaps I might crave the indulgence and leave of the Senate to speak more than once, as my honourable friend the Leader of the Government has. He has not got my point at all. I am saying that we should make our plans so that we know that we are going to be here and available at a time well within the best calculations that can be made, so that the work we are expected to deal with will be before us, and so that we will not have to hang around here on Friday, wondering whether or not the other house is going to do something. That is my point.

I am well aware of the uncertainties of the situation; I am also well aware of the possibility of making plans, and that is all I am asking for.

Senator Perrault: I think it was Burns who said, "The best laid schemes o' mice an' men gang aft a-gley." And this is the case in politics.

If the honourable senator suggests that we should schedule our work rigidly, and, come hell or high water, should depart on a certain date, I suggest to him that under certain circumstances it would thereby be impossible for the public interest to be served.

Senator Smith (Colchester): I do not know why the honourable leader resorts, when he cannot find an answer to a

problem, to the argument of "serving the public interest." I am as much concerned with the public interest as he is. The public interest would be better served if we were to plan, as the Leader of the Opposition suggested, to deal with this legislation on Monday, if it reaches us by that time, rather than doing it the way the Leader of the Government suggests—hanging around like a trembling leaf for a high wind to knock down. Surely what we are suggesting is sensible and reasonable. The way to serve the public interest is to do what the Leader of the Opposition has said. That would enable far more of the members of this house to be here, and to apply their experience and abilities to any work that comes before us.

• (1500)

I do not yield for one moment to the Leader of the Government in my concern for the public interest, and I get just a little tired of hearing remarks as though he were the sole guardian of public interest and the rest of us didn't care about it. That is completely unfair of him, and he ought to be careful about the number of occasions on which he uses this expression "public interest" in a way that imputes to the rest of us a lack of concern.

Senator Perrault: I am not imputing any such thing. I am suggesting that in a few hours we may know how that bill is progressing in the other house. If the honourable senator is in the chamber I may be able to advise him on this.

Senator Denis: The adjournment is set for Wednesday, December 21.

Senator Flynn: You did not have to say that.

Senator Denis: I said it just in case you forgot to. All the leader is saying is that if you would like to go home a little earlier it is up to you, it is not up to him. It is up to the House of Commons as to when we will get the bill, and if necessary we will come back on Monday to deal with it. Of course, I can appreciate that this might be too simple for a Tory to understand.

Senator Flynn: It is very simple, especially if, like Senator Denis, you have no travel plans to make. Senator Denis has no problems along these lines, and he doesn't care about the rest of us.

CANADA-UNITED STATES RELATIONS

STATEMENTS BY UNITED STATES AMBASSADOR TO CANADA—QUESTION

Senator Lang: Honourable senators, I should like to change the subject and direct a question to the Leader of the Government regarding a matter of particular concern to me because of my present position as co-chairman of the Canada-United States Inter-Parliamentary Group. It is more particularly of concern not only to me but to so many other parliamentarians, because of the high regard in which we all hold the United States Ambassador to Canada, Mr. Thomas Enders.

My question is: In view of the questions asked in the House of Commons last Friday and last Monday and, I believe, yesterday, and in view of news reports arising out of these questions and the continuing uncertainty with respect to the matter, would the leader inform the Senate whether or not Canada has sent a note or made any representations to the Government of the United States respecting public pronouncements made in Canada by the United States Ambassador to Canada?

Senator Perrault: The answer is emphatically, no.

[*Translation*]

DEPARTMENT OF TRANSPORT

MIRABEL AIRPORT—STRIKE BY BLUE-COLLAR WORKERS

Senator Flynn: Honourable senators, I do not wish to start a new debate on the matter we discussed previously, but could the Leader of the Government indicate whether the airport snow removal staff have come to an agreement, or will the public be faced with problems during the coming Christmas season?

[*English*]

Senator Perrault: Honourable senators, the information provided by the Ministry of Transport which I have at my desk indicates that Mirabel airport appears to be the only airport with a current report on their difficulties in this area of clean-up.

The blue-collar workers at Mirabel airport are refusing to clear the runways. Therefore, the only airlines presently using Mirabel appears to be Quebecair and, possibly, KLM, the Royal Dutch Airlines. All other airlines have indicated that they will undertake their landings in and out of Dorval. They would prefer to do this rather than face the difficulties on the runways at Mirabel as a result of the refusal by the blue-collar workers to remove the snow.

APPROPRIATION BILL NO. 3, 1977-78

THIRD READING

Senator Everett moved the third reading of Bill C-15, for granting to Her Majesty certain sums of money for the public service for the financial year ending 31st March, 1978.

Motion agreed to and bill read third time and passed.

SAFE CONTAINERS CONVENTION BILL

SECOND READING

On the Order:

> Resuming the debate on the motion of the Honourable Senator Petten, seconded by the Honourable Senator Buckwold, for the second reading of Bill S-4, intituled: "An Act to implement the International Convention for Safe Containers".—(*Honourable Senator Croll*).

Senator Croll: I yield to Senator Petten.

The Hon. the Speaker: Is it agreed, honourable senators?

Senator Grosart: Is the Honourable Senator Petten closing the debate?

Senator Petten: I am.

The Hon. the Speaker: I wish to inform the Senate that if the Honourable Senator Petten speaks now his speech will have the effect of closing the debate on second reading of this bill.

Hon. William J. Petten: Honourable senators, a number of questions were asked last Thursday when I introduced this bill on second reading, and again last night by the Honourable Senator Smith (Colchester). If the bill receives second reading I will move that it be referred to the Standing Senate Committee on Transport and Communications, where officers of the Department of Transport will be present to answer these and any other questions which may arise.

I wish to thank honourable senators for the interest they have shown in this legislation, particularly Senator Smith, whose remarks last evening were very discerning. I am pleased that this bill will be going to the Transport and Communications Committee under his able and distinguished chairmanship.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Petten moved that the bill be referred to the Standing Senate Committee on Transport and Communications.

Motion agreed to.

● (1510)

INCOME TAX ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. John J. Connolly moved the second reading of Bill C-11, to amend the statute law relating to income tax and to provide other authority for the raising of funds.

He said: Honourable senators, let me say at the outset, for purposes of the record, that it is not to be thought that the Senate is considering Bill C-11 for the first time today. The budget of March 31, 1977 resulted in the introduction of Bill C-56, a bill to amend the Income Tax Act. Bill C-56 died on the Order Paper with the end of the Second Session of the Thirtieth Parliament. A new Minister of Finance was appointed before the opening of the current session, and on October 20 he brought in an economic and fiscal statement, followed by a ways and means motion, subsequent to which Bill C-11 was introduced for first reading in the other place. Both the ways and means motions and Bill C-56 of March-April, 1977 have been modified by the bill now before us.

On November 1 last, the Senate authorized the Banking, Trade and Commerce Committee to examine and report upon any bill relating to income tax as well as any ways and means motions for the same purpose. The committee held some 14 meetings on the subject matter of Bill C-11. They were lengthy meetings, consuming a total of some 27 hours or more.

The first two meetings were devoted to a full discussion of the provisions of the bill. The bill itself is an intricate one, containing some 116 clauses. Our experts on those two occasions gave us an overview of the existing income tax laws and the changes proposed by Bill C-11, as well as the effect of those changes upon the economy.

The individuals who were of such immense assistance to us on those occasions were Mr. Albert Poissant and Mr. Helmut Birk, both chartered accountants, and Mr. Thomas S. Gillespie, a member of the Quebec bar practising in the city and district of Montreal.

In addition to the committee's advisers, we heard evidence from officials of the Department of Finance and the Department of National Revenue, as well as representatives of such organizations as the Life Underwriters Association, and Mr. D. P. Hayes, who gave us evidence with respect to the position of some communal organizations.

The pre-study of a bill before it formally reaches the second chamber of Parliament, especially a complicated tax bill such as the one now before us, has several consequences. The first of these is that it enables the Senate, and certainly the appropriate committee of the Senate, to become thoroughly familiar with the proposals contained in the legislation and the effect of those proposals on the economy. I think it is proper to say, as Senator Walker said earlier, that the Banking, Trade and Commerce Committee has developed a special expertise in this field. The chairman of that committee is himself an expert in the field of tax legislation, and the committee members contribute materially to the work. In addition, the committee profits greatly from the assistance and expertise of the staff the chairman has retained.

A second consequence of pre-studies of this kind is that many of the committee's proposals respecting income tax bills, as the earlier debate in this chamber this afternoon indicated, result in amendments to the bill as it proceeds through the House of Commons. This, of course, has a salutary effect in that it eliminates any question of the right of the Senate to amend a money bill—and certainly such a question could arise were the Senate to amend a money bill and send it back to the other place for approval.

The Leader of the Opposition seems to be wondering whether that is a valid point. It may not be as valid a point in constitutional or parliamentary law as it is in the mind of Stanley Knowles, and for that reason alone I think it is worth noting.

A third consequence of such a pre-study is the removal of the odious issue of what the Chairman of the Banking, Trade and Commerce Committee sometimes calls "Christmas closure", and which I think can generally be called "adjournment closure". Had there not been this pre-study of the provisions of Bill C-11, it would be virtually impossible for the Senate to give the bill any real consideration in the time between now

and the date on which Parliament adjourns for the Christmas recess.

A fourth consequence of the pre-study approach is that it establishes the validity of a new, and an innovative, parliamentary process. I do not think one will find this approach being used in any of the other parliaments of the Commonwealth.

Let me deal for a moment with the reports of the committee. The first report was tabled in the Senate on December 8, and printed as an appendix to *Hansard* of that date. It consists of some 12 pages, covering 14 areas of concern and explanation, and nine specific recommendations. The second and final report, which covers the committee's meeting with the minister last evening, was tabled earlier today. The first report was thoroughly explained by the chairman on December 12 last, and he explained the second report earlier today. It is not my intention to cover the areas of concern dealt with by Senator Hayden in explaining those two reports.

● (1520)

The present position, therefore, is that we have before us, shortly before the Christmas adjournment, a bill of 225 pages and containing 116 clauses, many of them complicated, full of cross-references, pregnant with changes affecting millions of taxpayers—it hardly makes good Christmas reading! Yet I think we can deal with it honestly, responsibly and expeditiously, principally because of the work done and the recommendations made as a result of the pre-study by the Banking, Trade and Commerce Committee of this house.

Honourable senators, perhaps I might touch on one or two of the points already discussed by Senator Hayden. For example, he discussed the question of multinational corporations adequately so I need not do so. The question of the losses on the sale of debt securities he has also covered very well. Perhaps I could say something about corporate distributions and the taxation of dividends from Canadian corporations under clause 36 of the bill. There are now more beneficial rules providing gross-ups to be done at the rate of a half instead of a third, and of dividend credits at the rate of four-fifths instead of three-quarters. I think I should draw the attention of honourable senators to the table on page 5 of Appendix "A" to the *Debates of the Senate* for December 8, which is the first report of the committee. I would especially draw the attention of individual senators to a rather interesting result in one of the calculations there. In certain brackets it may be more favourable for a taxpayer to seek to have a higher return on dividends and a lower return on capital gains for tax purposes. In other categories, where the reverse situation prevails, it is easier taxwise to have a lower dividend income and a higher capital gain return.

The question of designated surpluses, and the ending of that exercise, has been adequately explained by Senator Hayden.

On the question of stock dividends, perhaps I could say that it is now proposed by clause 98 of this bill not to include stock dividends in income hereafter. They will, of course, be subject to future capital gains or losses. In other words, if stock dividends are paid by a corporation to its shareholders the value of the stock dividend is not to be added to income in the year in which it is received. It may be that when the shareholder receives the dividend the shares have a value of $10 each, and that three or four years later they may be worth $20 each. In that case, the shareholder will have accumulated a capital gain, and will be taxed at the normal rate for capital gains.

Senator Hayden has said sufficient on the question of registered retirement savings plans and the problems we had with that issue. Also, in respect of communal organizations little need be said by me in addition to what Senator Hayden has told us. However, I would like to say something about the policy loan question, although Senator Hayden has discussed the matter twice. It is significant that an amendment was made. I shall give an example rather than try to explain it in a theoretical way.

A loan taken out by a policyholder against the security of the policy of insurance he has been buying contains two elements. One of the elements is the amount of premium he has paid in. The other element is the income earned on the investment of those premiums while they are in the hands of the insurance company. The element that includes the income earned by the premiums paid over the years is treated under the bill—it was treated and still is treated—as a disposition; that is, a payment of interest earned for the policyholder. Because it is a disposition, a transfer to him of interest earned on money he has paid in, it is taxable in the year in which he takes out the loan.

If the income element in the loan is $5,000, and the borrower's marginal rate of tax is 50 per cent, he will then pay $2,500 in tax on that portion of the loan, because it goes into his taxable income. If the loan is repaid at some time, either in that year or in another year, the disposition is, of course, reversed.

Originally, honourable senators, the bill proposed that that $2,500 of tax not be refunded. Now, as a result of the minister's amendment made in the other house and proposed by the Senate committee, and incorporated in the bill before us, there will be a tax credit of the $2,500 in the year in which the loan is repaid. As Senator Hayden said this afternoon, when such a loan is taken out for business purposes then, generally speaking, the interest that is paid by the policyholder is a deductible item in his tax return.

There are a few other changes which are beneficial to the taxpayer which I should like to draw to the attention of the Senate. I have gone over these with Senator Hayden with a view to trying to ensure that I do not overlap with what he has already said.

Clause 4 provides an increase in the general employment and expense deduction from $150 to $250. These are allowances that are given to employees for expenses they incur in connection with the work they do—buying tools, providing uniforms or special equipment, and perhaps even transportation, if that is required. These benefits are not available to the self-employed, who have other means of looking after expenses in connection with their businesses. It is estimated that the

cost of this concession to six-and-a-half million taxpayers, is $115 million.

Senator Flynn: Is it applicable to senators?

Senator Connolly (Ottawa West): Well, Senator Flynn, perhaps I had better stop here and say that in the course of the discussion in committee I said to Senator Molson, "I wonder whether that should not apply to senators. I am bragging now, but in the last few months my weight has come down by about 20 pounds, and I have had to go out and buy a whole new wardrobe." He suggested to the chairman of the committee that there be an amendment to look after senators in that situation.

● (1530)

Clause 14 provides an inventory allowance, which is 3 per cent of inventories that are held by people in the private sector. It will start on January 1, 1977 and will apply to fiscal years ending after March 31, 1977. The cost to the treasury will be $300 million in a full year. This is a concession, agreed to in committee, to the inflationary process to which business is subjected.

Under clause 15, current and capital expenses for scientific research may be deducted in the year in which they are incurred. But there are other special concessions with reference to expenses incurred in connection with scientific research. Clause 61 deals with investment tax credit, and its purpose is said to provide special incentives for people to acquire buildings and machinery for the purpose of establishing research facilities.

I propose to give an example of how the clause works, rather than to explain it in a theoretical way. Let us take the case of a company which has a profit or $100,000 and pays income tax of $25,000. If it invests $1 million in building and equipment to be used for scientific purposes, it will have a 5 per cent investment tax credit on that $1 million. The potential credit, therefore—5 per cent of $1 million—will be $50,000. In the first year, the company will be entitled to claim $15,000 of that potential credit of $50,000, plus 50 per cent of the next $10,000.

It will have claimed a total credit of $20,000 in the first year against the total potential credit of $50,000. So in that year its tax, otherwise at $25,000, is reduced by the $20,000 credit to $5,000. It has a remaining tax credit of $30,000 which can be used during the next five years. It is a tax credit carried forward. The cost of that item to the treasury is $485 million.

Clause 27 permits deductions from income of legal fees and land transfer taxes which are incurred when a new house is purchased by a taxpayer.

Senator Hayden referred to clause 35 a little earlier. Interest-free loans and low-interest loans made to employees and shareholders as a way of providing tax-free compensation will hereafter be taxed under the provisions of the bill. However, there are exceptions. Loans made to employees to buy company shares are excepted, and loans to employees up to $50,000 to buy a new home will also be allowed and not taxed in the employees' hands as a benefit.

[Senator Connolly (Ottawa West).]

Under clause 52, the $1,000 "interest" and "dividend" exemption is now extended to "capital gains". Again, rather than explain it in an academic way, let me do it by a practical example. Let us say that an individual has interest income from bonds and bank accounts of $500, and dividend income of $200 and capital gains of $300 in the same year, making a total receipt of $1,000. Under this exemption, the $1,000 wipes out the taxable income. The tax is nil. The cost of this item to the treasury is said to be $10 million.

Taxpayers over 65 years of age can now deduct $1,000 from "pension" income; but if they have an "annuity", they can elect to have the annuity treated as interest or dividend income and get an additional $1,000 deduction. I say that slowly because I consider it to be a very favourable proposal, especially for low income people who are existing on investment income of one form or another. Here they have an exemption of $2,000, because not only "interest" and "dividend" income but also "annuity" income is now to be included.

Perhaps the big saving for the taxpayer will result from the federal tax deduction provided in clause 57. Formerly every taxpayer was entitled to $200 tax deduction, or 9 per cent of the tax which might otherwise be due. For 1978 only, it will be $300 plus $50 for each dependent child under 18. The maximum deduction allowed to any taxpayer under this clause will be $500. The cost to the treasury of this program will be $700 million in the first full year for the $300 tax deduction, and $275 million in the full year for the allowances in respect of children. I am told that 7.5 million taxpayers will benefit from this proposal. The proposal will be reflected in tax deductions at the source during January and February, 1978, and this will result from an amendment to the regulations touching tax deductions at the source.

I understand that a person receiving a salary of $15,000 will have his tax reduced in January and February by $100; a person receiving a salary of $10,000 will have no deductions for income tax in January and February; and a person whose salary is $8,500 or less will pay no federal income tax at all in 1978. These are items which the Chairman of the Standing Senate Committee on Banking, Trade and Commerce calls "goodies".

Here is an interesting item: heretofore capital losses incurred in the course of the year, when they exceeded capital gains, could be transferred and claimed against other income to the extent of $1,000 only. Now $2,000 worth of capital losses can be claimed if capital losses are incurred. In other words, the limit for capital losses to be offset against other income goes up from $1,000 to $2,000. Let me give an example for the sake of the record. If the capital gain of an individual in a given year is $5,000, and his capital losses are $7,000, the excess of the losses over the gain is $2,000. He can apply that $2,000 of capital loss against his other income, if he wishes, in that year. The cost to the treasury will be $45 million, and some 100,000 taxpayers are expected to benefit.

● (1540)

I am not going to deal with the changes to facilitate corporate reorganization. I think, in one way or another, they

have been touched upon adequately by the Chairman of the Banking, Trade and Commerce Committee in his various reports, and they were certainly considered by the committee.

Clause 60 refers to the production of sulphur from natural gas. There is a reduced rate of tax now available to those processers. The tax is to equate to that of other manufacturers and processers. The rate, I understand, is to be 30 per cent rather than 36 per cent.

The regulations will also provide enhanced depletion rates for high cost gas and oil. The normal depletion rate for those properties is 33⅓ per cent. The enhanced depletion rate will be 66⅔ per cent. The cost to the treasury will be $20 million.

Honourable senators, by regulation, equipment to control pollution of water and air can now be written off in two years. This privilege has now been extended to December 31, 1979 and it has been done by an amendment to the capital cost allowance regulations.

Home insulation programs, I think, should be mentioned because they were mentioned in the budget papers. The money is provided by way of a grant from Central Mortgage and Housing Corporation. The maximum grant for such home insulation is $350 and, in any event, it will cover no more than two-thirds of the cost of insulating materials.

Honourable senators, I do not think there is anything more difficult than trying to explain, on second reading, a bill to amend the Income Tax Act. It has been said in this chamber before that there is no principle in these bills; they are unprincipled bills! However, one has to talk a little about specific clauses—although that is not really appropriate on second reading—if one is to be intelligible at all. I hope I have given the kind of explanation that is satisfactory to the chamber.

Hon. Allister Grosart: Honourable senators, it is not my intention to take up a great deal of the time of the chamber in commenting on this bill for the very good reason mentioned by Senator Hayden in discussing the two reports, and by Senator Connolly in introducing the bill on second reading, namely, that this bill has been thoroughly considered over a long period of time by a committee of the Senate and is the subject of two reports.

As Senator Connolly mentioned—I believe this is the first time it has been said in the chamber—we are dealing with an extraordinary innovation in the whole legislative procedure. Senator Connolly said he believed there is no other two-chamber parliament or legislature in the world which has discovered what I have called on earlier occasions "the Hayden formula." I hasten to say I am in no way critical of that innovation. It is one of the most ingenious suggestions that has been made during my time here as to how we can improve the work of the Senate, particularly on difficult bills such as this one. It is a real innovation for which Senator Hayden and his committee deserve very great credit. I have been told that a study is being made of this innovation, and an article describing it will appear in a learned journal.

Having said that, perhaps it should also be said that this is not a static formula. It is very much an ongoing formula, and it has changed greatly since it was first adopted by the Senate. Senators will recall when the formula was merely that either the subject matter of a white paper or, later, the subject matter of a bill, should be referred to the Standing Committee on Banking, Trade and Commerce. This then developed to a further stage where the bill itself was referred to the committee before it came to us—that is, while it was under discussion in the House of Commons. In those cases the committee, in its wisdom, found various mixed types of methodologies for achieving its purpose—its purpose generally being to improve the bill and sometimes to make fairly fundamental changes to it.

As a result, we have had this unique situation of a Senate committee discussing a bill and hearing witnesses at the same time as the bill is either being debated in the Commons or being considered by a committee of that house. Therefore, there has been this cross-exchange of viewpoints and suggestions going on between the two houses. It seems to me the Senate does not very often get the credit it deserves for improving legislation. I believe this particular bill is a prime example of that.

On other occasions I have expressed the hope that as often as possible amendments suggested by the Senate would be moved and passed in the Senate, so that the amended bill could be sent back to the House of Commons. From the point of view of the Senate, that is probably the preferable method for two reasons. The first, of course, is that in time the Senate should begin to get credit for excellent work that has been done and is being done by this and other committees. My second reason is that I believe in time both the Senate and the House of Commons would get used to having amended bills sent back from the Senate.

At the present time there is concern on the part of some senators that this might upset certain people in the House of Commons who do not like the Senate—and no doubt it would. From the point of view of the Commons, I think they would get used to it, and it would be a good thing for them to assume that when a bill is sent to the Senate it will not automatically be passed without amendment. I believe that once both houses get used to this it will remove some of the objections that have arisen in the past to amending a bill even when there is a consensus that it should be amended.

● (1550)

The obvious answer to that from the point of view of the committee is that the committee has certain purposes, and it is up to it to achieve those purposes in the most practical way. It is clear that the method used by the Standing Senate Committee on Banking, Trade and Commerce has, over the years, proved to be the most practical way, if not, as I have suggested, the preferable way. Obviously the committee was concerned with accomplishing its very important purposes, and it has done so. For that reason I am not critical of the method that has been used.

The innovation has now come, I think for the first time, to the stage when the Senate has actually had a report from the committee recommending amendments—not merely suggestions, wishes or feelings, which are the words used in the report, but four amendments—before the bill was before the Senate. Again I am not objecting to that, but it is interesting to note that this is an innovation, and one which would be said, I think, by procedural experts in the other place to run contrary to an old convention, if not a rule—I believe it is a rule in the other place—that the chamber does not discuss a bill that is not before it. Again I have no worries or concern if that old convention or rule, whatever it may be, does not apply any more. It is a good example of the fact that as times change, procedures change and practices change, necessarily, and some of these old apparently sacred rules just die, and should be allowed to die. This is only one of a good many.

Another one, of course, is the suggestion made from time to time that when we dispose of a bill on second reading we have *passed* the principle of the bill. We have had a good example here of why this is, I was going to say, nonsensical, and I think that is the right word. Obviously when we have passed a bill in principle it makes no sense for one of our committees, as happened in the last session, to come back here and recommend that the bill be not proceeded with. The obvious anomaly here should indicate that there is no validity to the suggestion that we pass the principle of the bill. Our rules say we consider it. Of course we do.

The background of that particular fiction happens to be—for those who wish to read the authorities—that in saying the principle was considered on second reading is to say to the committee, "We have not gone into detail. Now you go into detail." It was never meant historically to suggest that the committee should not consider the principle of the bill, and the reports we now have before us make this very clear. The reports go very much into the principle of the bill, and rightly so.

I was very interested in the first report. Senator Connolly (Ottawa West) did give us the number of recommendations made. I have forgotten how many; I did not quite catch the number. My figure is 10, but I think he had a different figure for the total number of recommendations made by the committee. I reached 10, so I may have included something else.

Senator Connolly (Ottawa West): It was nine. Under "Summary of Recommendations" on page 12 of the appendix to *Hansard* of December 8, there are nine items. That is what I was using.

Senator Grosart: I thank Senator Connolly for that information. I had noted it, but I had found another one in the text that was not in the summary, which is quite understandable. Whether it is nine or 10, it does not matter. The essential fact to keep in mind, I think, is that these recommendations have been made. Some have already been implemented by the government through the introduction of amendments in the other place. Perhaps the two major suggestions are in the life insurance field; they are in the bill. However, as far as I can find out, the others are not.

[Senator Grosart.]

Here we come to an interesting aspect of the development in the committee last night. I am not a member of the committee and I was not there; I am reading from the information before us. The committee sat and the minister appeared before it. The committee said, in effect, "What are you going to do about these other recommendations?" The government appeared to have been trapped by its own closure ruling. Perhaps Senator Connolly, if he has not already done so, would give us some information on the number of amendments the minister said he would make to the bill but did not do so because the government had introduced closure, and, as a commentator said this morning, the minister wound up with egg all over his face. Perhaps he did. The fact of the matter is that he intended to introduce amendments in the other place, but they were not proceeded with because the government had introduced closure. Apparently one of the amendments suggested by our committee met that fate.

What is interesting is that in the second report, which was tabled today by Senator Hayden, we have a complete rundown of the undertakings given by the minister in respect to implementation of various suggestions—nine or 10; there may be others—made by the committee. We see the specific words:

> The minister gave the following undertakings to your committee.

They are listed and are nine in number, following the general summary of recommendations made in the report. It is interesting to see what the undertakings given by the minister were. First:

> Consideration will be given to amending the Income Tax Act.

That is, to go farther than the present amendments have gone in the field of policy loans.

On branch accounting, I will not go into detail, but the report says that a study will be made. As Senator Hayden told us, the study will be brought before the committee.

On losses on the disposition of debt instruments there is to be a further study.

On the elimination of pre-1972 surplus accounts, where a very important change seems to be necessary, the minister reported that he had discussed this problem with the Anti-Inflation Board, whose guidelines had caused the problem, and that the Anti-Inflation Board was prepared to review requests for exemptions from dividend restrictions and so on, and an amendment will be introduced in the next session extending the time for distribution of pre-1972 surplus accounts where there is sufficient indication that not enough time has been granted by the bill for the distribution of those accounts.

With respect to Part IV tax, further consideration will be given to extending the exemption.

On employee and shareholder loans, an amendment to the act will be introduced.

On Registered Retirement Savings Plans, consideration will be given to extending the period.

On the nil assessments to which Senator Hayden referred, as did Senator Connolly, a study will be made of the committee's recommendation that taxpayers be provided the right in all cases to require the Minister of Revenue Canada to make a determination of their losses. Here again this would appear to be a most important concession to what would seem to be the fundamental rights of a taxpayer to know exactly what disposition the Department of National Revenue would make of his claim to have a loss tax return rather than one showing some gain. Senator Hayden has gone into the detail of that, and I need not say anything further.

● (1600)

It is interesting to know that the minister has undertaken—and there was some indication of reluctance to do so previously—that a study will now be made of certain communal organizations. This has already been referred to. There is an undertaking that an amendment will be introduced to provide more flexibility. I again say that this is a useful, important and significant development of the Hayden formula. We are now at the point where on the night before a bill is being debated on second reading, a minister comes before a committee of the Senate and undertakes to amend the very bill, Bill C-11, and to give consideration to other recommendations.

Again, honourable senators, I say that with this very complete study that has been made, with the clear indications that the will of the Senate is to be implemented or given very serious consideration, there is no more that I need say at this particular time but to renew my compliments to the committee and to these two unique and excellent reports.

On motion of Senator Flynn, debate adjourned.

RETIREMENT AGE POLICIES

SECOND REPORT OF COMMITTEE OF SELECTION ADOPTED

The Senate proceeded to consideration of the second report of the Committee of Selection which was presented yesterday.

Senator Petten: Honourable senators, I move, seconded by the Honourable Senator McDonald, that the report be now adopted.

Motion agreed to and report adopted.

NATIONAL CAPITAL REGION

APPOINTMENT OF SPECIAL JOINT COMMITTEE—MESSAGE TO COMMONS

Senator Petten: Honourable senators, I move, seconded by Senator McDonald:

That the Senate do unite with the House of Commons in the establishment of a Special Joint Committee of the Senate and House of Commons to consider and report upon matters bearing upon the development of the National Capital Region, including the programs and operations of the National Capital Commission;

That eight members of the Senate, to be designated at a later date, act on behalf of the Senate as members of the said special joint committee;

That the said committee have power to send for persons, papers and records and examine witnesses, to sit during sittings and adjournments of the Senate, to print such papers and evidence from day to day as may be deemed advisable, and to adjourn from place to place within Canada;

That the said committee present a final report within 90 days of December 13, 1977, taking into account the evidence given before the Special Joint Committee on the National Capital Region established in June 1975, and the evidence given before the newly established special joint committee;

That the quorum of the Special Joint Committee on the National Capital Region be fixed at eleven (11) members, provided that both houses are represented, whenever a vote, resolution or other decision is taken, and that the joint chairmen be authorized to hold meetings to receive and authorize the printing of evidence, when a quorum is not present, so long as five (5) members are present, provided that both houses are represented;

That the Special Joint Committee on the National Capital Region be authorized to retain the services of advisers and such additional professional, stenographic and clerical staff as is required during the committee's consideration and review of matters bearing upon the development of the National Capital Region; and

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

Motion agreed to.

The Senate adjourned until tomorrow at 2 p.m.

APPENDIX

(*See p. 245*)

THE STANDING SENATE COMMITTEE
ON
BANKING, TRADE AND COMMERCE

SECOND AND FINAL REPORT
ON
THE ADVANCE STUDY OF THE BUDGET RESOLUTIONS
RESPECTING INCOME TAX AND ANY BILL
OR OTHER MATTER RELATING THERETO

Wednesday, 14th December, 1977

The Honourable Salter A. Hayden, Chairman.

By resolution of the Senate on November 1, 1977, the Standing Senate Committee on Banking, Trade and Commerce was authorized to examine and report upon the subject-matter of any bill relating to income tax based on Budget Resolutions including the 31st March 1977 Budget Resolutions as subsequently changed, in advance of any such bill coming before the Senate, the Ways and Means Motions of October 20th, 1977 to amend the Income Tax Act and Income Tax Application Rules, 1971 or any matter relating thereto.

In accordance with the order of reference, your Committee presented its First Report to the Senate on Thursday, December 8, 1977.

Your Committee has heard the Honourable Jean Chrétien, Minister of Finance, and now reports as follows.

The Minister gave the following undertakings to your Committee:

(1) *Policy Loans*

Consideration will be given to amending the Income Tax Act to exempt from tax the following policy loans:

(i) policy loans made within a reasonable period of time prior to death;

(ii) policy loans repaid within one year; and

(iii) policy loans made for the purposes of acquiring dwelling houses, shares of corporations of which the policyholder is an officer or employee or the purchase of automobiles to be used in the performance of the policyholder's duties as an officer or employee.

(2) *Branch Accounting*

A study will be made of the effect of eliminating certain loss carry forward positions and deductions arising from the present provisions of the Act and Regulations as they relate to multinational insurance corporations using the branch accounting method of reporting income. The results of the study will be made available to your Committee.

(3) *Losses on Disposition of Debt Instruments*

A further study will be made of the proposal to disallow life insurance corporations a deduction for losses incurred on prior dispositions of low yielding debt instruments, together with the proposal to extend to such companies compensating benefits.

(4) *Elimination of Pre-1972 Surplus Accounts*

The Minister of Finance reported the Anti-Inflation Board has agreed to review requests for exemptions from dividend restrictions and will grant permission where dividends are to be distributed out of pre-1972 surplus accounts. A public announcement to this effect is forthcoming.

An amendment will be introduced at the next Session extending the time for distribution of pre-1972 surplus accounts should there be sufficient indication that not enough time has been granted by the Bill for the distribution of such accounts.

(5) *Part IV Tax*

Further consideration will be given to extending the exemption from Part IV tax to all dividends between private corporations in which more than a 10% interest is held where neither corporation benefits any longer from the small business deduction.

(6) *Employee and Shareholder Loans*

An amendment to the Act will be introduced excluding low interest or interest-free loans made to employees transferring to Canada from elsewhere as taxable benefits.

(7) *Registered Retirement Savings Plans*

Consideration will be given to extending the period during which amounts paid to a spouse's registered retirement savings plan are included in a taxpayer's income.

(8) *Nil Assessments*

A study will be made of your Committee's recommendation that taxpayers be provided the right in all cases to require the Minister of Revenue Canada to make a determination of their losses.

(9) *Communal Organizations*

The Minister of Finance reported he had received assurances from Revenue Canada to the effect that Revenue Canada would administer the Act in a reasonable fashion in order not to unjustly deprive communal organizations of the opportunity of electing to allocate the income of the organizations among the families comprised therein solely because the full amount of tax interest and penalties owing had not been paid within the time required by the Act. Amendments will be introduced to provide more flexibility if the Act is not so administered.

Your Committee notes the amendments introduced during the clause-by-clause study of Bill C-11 in Committee of the Whole in the House of Commons in conformity with recommendations made by your Committee in its First Report to the following effect:

(1) Policyholders repaying loans will be entitled to deduct from income in the year of repayment the portion of policy loans previously required to be included in computing income.

(2) Policyholders will be entitled to deduct from income interest payments made by them, except in instances where the interest payments are added to the adjusted cost base of their policies.

In view of the foregoing undertakings by the Minister of Finance, as well as the beneficial provisions of Bill C-11, your Committee recommends the Bill.

Respectfully submitted,

SALTER A. HAYDEN,
Chairman.

THE SENATE

Thursday, December 15, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

LIBRARY OF PARLIAMENT

REPORT OF LIBRARIAN TABLED

The Hon. the Speaker: Honourable senators, I have the honour to table the annual report of the Parliamentary Librarian for the fiscal year 1976-77.

INTERNAL ECONOMY, BUDGETS AND ADMINISTRATION

REPORT APPROVING ADJUSTMENT OF INDEMNITY AND EXPENSE ALLOWANCES TABLED

Senator Laird, Chairman of the Standing Committee on Internal Economy, Budgets and Administration, tabled the following report:

Thursday, December 15, 1977

The Standing Committee on Internal Economy, Budgets and Administration has considered the question of the application of the adjustment of indemnity and expense allowances to be paid to senators for the year 1978, pursuant to an Act to Amend the Senate and House of Commons Act, the Salaries Act, and the Parliamentary Secretaries Act, Chapter 44, Statutes of Canada, 1974-75-76. Using the formula provided in the Anti-inflation Program, it was agreed that honourable senators should receive an increase of $1,700 in the year 1978, consisting of $1,400 in indemnity and $300 in expense allowance, representing an increase of 5.5%.

Respectfully submitted,

Keith Laird,
Chairman.

AIR CANADA BILL, 1977

REPORT OF COMMITTEE PRESENTED

Senator Smith (Colchester): Honourable senators, I have the honour to present the report of the Standing Senate Committee on Transport and Communications on Bill C-3, respecting the reorganization of Air Canada.

The Clerk Assistant (*Reading*):

The Standing Senate Committee on Transport and Communications, to which was referred Bill C-3, intituled: "An Act respecting the reorganization of Air Canada", has in obedience—

Senator Flynn: Dispense. Honourable senators, I think those who were in committee would agree with me that we might as well dispense with the reading of the report, because most of the amendments would not easily be understood without some explanation. There are two or three amendments of some technical difficulty. Therefore, I would suggest that we dispense with the reading of the report.

Senator Bourget: I agree with the Leader of the Opposition.

[*The report is as follows*:]

THURSDAY, December 15, 1977

The Standing Senate Committee on Transport and Communications, to which was referred Bill C-3, intituled: "An Act respecting the reorganization of Air Canada" has, in obedience to the Order of Reference of Wednesday, November 23, 1977, examined the said bill and now reports the same with the following amendments:

1. *Page 1:* Strike out line 10 and substitute therefor the following:

"Chairman pursuant to subsection 7 (6);"

2. *Page 1:* Strike out line 16 and substitute therefor the following:

"President pursuant to subsection 7 (6)."

3. *Page 3:* Strike out line 1 and substitute therefor the following:

"(*g*) subject to subsection (3), acquire and"

4. *Page 3:* Strike out lines 14 to 17.

5. *Page 3:* Strike out lines 18 to 20 and substitute therefor the following:

"(2) For the purposes of carrying out the activities referred to in subsection (1), the Corporation has the capacity, rights,"

6. *Page 3:* Strike out line 22 and substitute therefor the following:

"(3) The Corporation shall not, without the"

7. *Page 4:* Strike out line 4 and substitute therefor the following:

"appointed pursuant to subsection (6) and not"

8. *Page 4:* Strike out line 6 and substitute therefor the following:

"(2) In discharging its responsibilities"

9. *Page 4:* Strike out line 10 and substitute therefor the following:

"(3) No person is eligible to be appointed or"

10. *Page 4:* Strike out line 15 and substitute therefor the following:

"(4) Each director, other than the Chair-"

11. *Page 4:* Strike out lines 23 and 24 and substitute therefor the following:

"(5) Subject to subsection (3), any director appointed under subsection (4) is eligible for"

12. *Page 4:* Strike out line 27 and substitute therefor the following:

"(6) The Chairman of the Board and the"

13. *Page 4:* Strike out line 34 and substitute therefor the following:

"(7) A director is entitled to receive such"

14. *Page 4:* Strike out line 39 and substitute therefor the following:

"(8) The Board shall make by-laws not"

15. *Page 5:* Strike out line 4 and substitute therefor the following:

"(9) In the event of the absence or incapaci-"

16. *Page 5:* Strike out line 8 and substitute therefor the following:

"(10) Every director and officer of the Cor-"

17. *Page 5:* Strike out line 12 and substitute therefor the following:

"(11) No provision in a contract, the"

18. *Page 5:* Strike out lines 18 and 19 and substitute therefor the following:

"(12) A director is not liable under subsection (10) of this section or subsection 117(1)"

19. *Page 5:* Strike out line 32 and substitute therefor the following:

"(13) The fact that an act of the Corpora-"

20. *Page 5:* Strike out line 41 and substitute therefor the following:

"(14) The Chairman, the President and"

21. *Page 6:* Strike out line 6 and substitute therefor the following:

"nature given to it by order of the Governor"

22. *Page 11:* Strike out lines 9 to 13 and substitute therefor the following:

"(7) Every report laid before Parliament under this section stands permanently referred to any Committee of Parliament established for the purpose of reviewing matters relating to transportation."

23. *Page 11:* Strike out line 14 and substitute therefor the following:

"(8) The approval of the report referred to"

24. *Page 11:* Strike out line 17 and substitute therefor the following:

"(9) For the purposes of this section, "year" "

25. *Page 12:* Strike out line 10 and substitute therefor the following:

PUBLICATION AND AGENCY STATUS

"23. The Corporation is not an agent of"

26. *Page 12:* Strike out the heading preceding line 13 and strike out lines 13 to 20 and substitute therefor the following:

"24. Any order of the Governor in Council made under section 6 or 8 shall be tabled forthwith in Parliament and published in the *Canada Gazette*.

TRANSITIONAL, REPEAL AND COMING INTO FORCE

25. The by-laws of the Corporation in effect at the coming into force of this Act shall cease to have effect sixty days after the coming into force of this Act.

26. The *Air Canada Act* and subsection 16(7) of the *Aeronautics Act* are repealed.

27. This Act shall come into force on a day to be fixed by proclamation."

Respectfully submitted.

George I. Smith,
Chairman.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Smith (Colchester) moved, with leave, that the report be taken into consideration later this day.

Motion agreed to.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Perrault: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(*g*), I move that when the Senate adjourns today it do stand adjourned until Monday next, December 19, at 8 o'clock in the evening.

● (1410)

As honourable senators are aware, we had hoped to finish the business in the Senate tomorrow and then adjourn for the Christmas recess. We had been working toward that end this week. However, Bill C-5, to amend the Canada Elections Act, has not yet been passed in the House of Commons. The debate has gone on longer than anticipated. My information is that it is not likely to pass in the other place until tomorrow. It will therefore be necessary for the Senate to sit on Monday and Tuesday to deal with Bill C-5 in order that it can receive royal assent before we adjourn for the Christmas holiday.

Senator Rowe: I should like to ask a question of the Leader of the Government. What about the safe containers convention bill? Is it proposed to hold that over?

Senator Perrault: Honourable senators, in the judgment of the government it is not essential that that bill be passed before the Christmas recess. I gave a list of bills yesterday

which we felt it important and desirable to pass before the recess. The container bill is not in that category.

Senator Connolly (Ottawa West): That is a Senate bill, anyway.

Senator Grosart: Would the Leader of the Government care to indicate at what time the Senate might be sitting on Tuesday?

Senator Perrault: Honourable senators, it is the view of the government that we should sit either Tuesday morning or afternoon in order to expedite our business. This would depart from our usual custom of meeting on Tuesday evening.

Senator Grosart: Would the the leader set 11 a.m. as the time, at least tentatively?

Senator Perrault: Eleven o'clock sounds like a satisfactory time, so far as the government is concerned. Other senators may wish to express views on this point.

Motion agreed to.

TRANSPORTATION

EXTENSION OF PASSENGER FACILITIES AT WHITEHORSE AND WATSON LAKE AIRPORTS—QUESTION

Senator Lucier: Honourable senators, I have a question for the Leader of the Government. In view of the fact that airport facilities at Whitehorse and Watson Lake in the Yukon are already below standards acceptable under present traffic loads, and certainly will be severely overloaded with the building of the pipeline and other potential development in the Yukon, could the leader advise the Senate of the government's plans to expand passenger facilities at both airports, and would he use his office to make the government aware of the urgency of this situation?

Senator Perrault: Honourable senators, I thank the honourable Senator Lucier for his courtesy in providing prior notice of this question, which is somewhat detailed. It is an important question. I have made inquiries this day and expect an answer shortly. The urgency of the situation has been stressed in the strongest possible terms and if information is received this afternoon before adjournment that information will be provided for the Senate.

PUBLIC WORKS

ILLUMINATION OF GOVERNMENT BUILDINGS—QUESTION

Senator Forsey: Honourable senators, I wonder if I might ask the Leader of the Government a question about the illumination of the government buildings on the other side of the river. I have noticed on several occasions recently that they are all lit up like the Gardens of Versailles on July 14. I wonder whether this is altogether consistent with the policy of conserving energy. There may be some technical reason for this, but I hope that something will be done about it, even if it means changing the wiring system, so that the vast illumination is not such an affront to the eyes of economy-minded people.

Senator Perrault: Honourable senators, I undertook a similar inquiry just a few days ago, as a result of other representations made to me. The point made at that time was that the heating and lighting systems are, in some electronic and technological fashion, linked, and to shut off the lights in certain of those buildings would immediately plunge the temperatures to sub-zero levels.

Senator Macdonald: Something like in my office.

Senator Perrault: Be that as it may, I will undertake an inquiry to obtain more detailed information. Whether or not the information I have been given is apocryphal, I shall determine.

Senator Flynn: I suppose the plans and specifications of these buildings were drawn up at a time when there was no problem with energy, probably when Senator Greene was Minister of Energy, Mines and Resources and said there wouldn't be an oil shortage for 50 years or more.

INCOME TAX ACT

BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Connolly (Ottawa West) for second reading of Bill C-11, to amend the statute law relating to income tax and to provide other authority for the raising of funds.

[*Translation*]

Hon. Jacques Flynn: Honourable senators, I do not have much to add to what has already been said about Bill C-11. Yesterday Senator Grosart discussed the Hayden formula. I wish to join with Senator Grosart in congratulating and showing support for the members and the chairman of the Senate Committee on Banking, Trade and Commerce. I think they do excellent, valuable work which is certainly appreciated by the government and particularly by the departments concerned. Obviously the advance study of these very complicated bills is an approach that should be continued. It has given quite good results so far.

But I do not entirely agree that here in the Senate we should always be satisfied with commitments or promises from the minister to bring forth amendments when a new bill is introduced. I think that from time to time, when the issue is important, the Senate should have the guts to make amendments.

● (1620)

Nor do I accept the thesis or, rather, the suggestion from Senator John Connolly that a money bill should not be amended here, as there might be objections from the other place.

I remember that the Senate has not always adopted such an attitude. In any event, from a constitutional point of view, I think that Senator Connolly agrees with me that when it comes to money bills the Senate has exactly the same authority as the House of Commons. This is in our Constitution.

But I come back to the idea that in the past the Senate did amend money bills. I remember particularly the famous "class or kind" bill. The Senate did not hesitate at that time. Of course, the majority was sitting then on the left side of Mr. Speaker and they had a stronger motivation to seek confrontation. In any event, this objection was certainly not voiced by the Senate at that time.

In the present situation, I agree that the amendments we wanted to make are not so important that it is necessary to delay further the adoption of this bill. All taxpayers in Canada have a direct interest in this bill because it derives from measures which, for the most part, were announced on March 31 this year and which have already been implemented or will be implemented on January 1, 1978.

But, in other circumstances, I do not want the Senate to be bound by this Hayden formula and say that we shall never amend an income tax bill or a money bill if we receive the assurance that the government will bring in amendments during the following session, or a commitment, like that made the other night by the Minister of Finance, to study the matter. A commitment to study the matter is not too compromising.

The second thing I wish to say about this bill is that obviously many of the definitions are real improvements for the taxpayer. Obviously, Parliament has generally no objection in that respect.

My final point is that it will have been five years, on January 1 next, since we passed the current Income Tax Act, the so-called fiscal reform act. That may have been fiscal reform, but every year since we have had to pass legislation of this length, and this one is not the lengthiest we have been forced to pass over those five years.

I suggest the fiscal reform generally has been a failure, as far as the taxpayer is concerned, because there is not today a single taxpayer who can really know where he stands and how to use those statutes in his best advantage without the help of experts, whether they be accountants or lawyers. In my own experience, I have never attempted since then to prepare my own income tax return. I have it prepared by accountants, and even then I often notice things they could have used to my advantage but did not suggest. I know full well that in a number of other areas I could take advantage of the multiplicity of exemptions and complications in that statute, were I to put my mind to that. The result is that to take advantage of everything provided in the act, a taxpayer has to be absolutely aware of the value of each individual penny. We are heading for a mess that is beyond description. The real fiscal reform in my view will be a simplification, a significant simplification of our fiscal laws. This is only a dream for the time being, but I submit this is a dream we should address ourselves to, because the way things are going this will be absolutely inextricable. It will be impossible to have any measure of real fairness. Certainly, the result for taxpayers is disparity as regards advantages the act should be providing. When it gets to the point where we attempt to solve each invidual case through amendments, where every time someone imagines there may be a loophole, or every time we want to give something to a taxpayer we have to deal with two or three pages of substantive amendments, it will become impossible to find one's way out.

This is my point. In my view the fiscal reform is a failure; the real reform is yet to be done.

[*English*]

Hon. Daniel A. Lang: Honourable senators, the Leader of the Opposition has inspired me to rise and speak extemporaneously to this bill. I am somewhat inspired because I agree entirely with his assessment of the effects of the so-called fiscal reform of 1970-71. I remember very well saying to the then Minister of Finance, Mr. John Turner, when he appeared before the Senate committee, "I hope you will immediately consider setting up a commission to study this so-called fiscal reform in order to rectify the disaster now being imposed upon the country in the guise of a new and better income tax act." Since that reform of 1971, I have never had anything very complimentary to say about the amending legislation that has come before us from time to time and in such volume. Obviously, most of the amendments that we have dealt with to date, prior to the introduction of this bill, have been attempts to close loopholes that were opened up by the so-called fiscal reform.

Whenever an over-complication is injected into a tax measure, or radical changes are made to the structure of the tax system, loopholes inevitably result. In almost every one of the cases we have dealt with to date, the number of people taking advantage of these so-called loopholes—and I do not like that word—would amount to about one-tenth of 1 per cent of the whole population of taxpayers. These amendments deal a sledgehammer blow to all the honest, conscientious taxpayers who never knew a loophole existed.

I must say that that description does not apply entirely to this particular bill. This legislation, in my mind, is a rather refreshing breeze of realism that distinguishes itself clearly from the sort of occult imagery of the original legislation of 1970 and the subsequent amendments. There is a realism in these proposals, and there is also an obvious attempt at simplification of an overly complicated structure. For that reason alone, I think this bill deserves the support of every one in this house.

Other speakers have mentioned the work of the committee, and I cannot add much to what they have said. To me, this so-called Hayden formula is one of the most progressive devices that have been adopted by this chamber since I have been here. That was very much in evidence the other night when the Minister of Finance, Mr. Chrétien, appeared before the committee. I congratulate the minister and say that I found his approach to the committee one of intellectual honesty, reasonableness and full co-operation. That, I hope, represents a significant change in attitude among the executive.

The two reports that have been tabled are worth the consideration of all honourable senators. By and large, the major recommendations made by the committee have now been

incorporated in the legislation, and the other matters upon which the committee made comment or recommendations are subject to further consideration by the minister, in some cases with his commitment to introduce the changes upon the next amendment to the Income Tax Act.

• (1430)

I am sure we are not at the end of the road for those large volumes such as the Leader of the Opposition was displaying. We will have a lot more of them before the damage done in 1971 is fully repaired and we have a system of taxation in Canada that is, once again, based on the premise that most Canadians are honest and willing taxpayers if they are trusted, and that recognizes it is only a very small minority who try to defeat the long arm of the tax gatherer.

Hon. John J. Connolly: Honourable senators—

The Hon. the Speaker: I wish to inform the Senate that if the Honourable Senator Connolly speaks now, his speech will have the effect of closing the debate.

Senator Connolly (Ottawa West): First of all, I should like to thank Senator Grosart, Senator Flynn and Senator Lang for the comments they have made, on both the bill and the work of the committee.

Senator Grosart said that the work of the Standing Senate Committee on Banking, Trade and Commerce in its pre-study of a bill, as was the case here, is something that is not known or appreciated outside this house. That, of course, is abundantly true. Indeed, I think many members of the Senate may not fully appreciate the value of this new process.

This raises the question of having better public relations for the Senate. Frankly, I am not an expert in this field and really do not know what kind of recommendation to make. There was a time, many years ago, when we had a public relations man who issued press releases about the work of the Senate, but that has been discontinued. When a significant action is taken by, or a process is developed within, the Senate, perhaps it could be the subject of a press release by the Leader of the Government or the chairman of a committee. These are things that could be considered. In respect of publicity, the fact is that the spotlight is on the other chamber. Although today there is someone in the press gallery of this house—

Senator Flynn: That is because you are speaking.

Senator Connolly (Ottawa West): —this does not happen very often. The result is that our proceedings are not reported to any degree at all.

There is only one other point I wish to deal with, and this was mentioned by all three previous speakers. It concerns the question of a committee dealing with the minister on a bill it is studying, and the question of whether it should accept undertakings from the minister to remedy situations in future years or make the amendments there and then.

I am sure Senator Flynn will agree immediately when I say that, despite the fact that on this and previous occasions our committee has seen fit to accept undertakings by ministers of finance, the committee is in no way bound to stifle itself or say

that it cannot amend a bill. It can do so. This is a very elastic position in which the committee finds itself.

However, I must say—and I believe all honourable senators know this—that we have had very good results from undertakings given by ministers, even on the far-reaching effects of the tax reform legislation of 1971. At that time there were a great many items to which the Senate committee took objection. The Honourable Edgar Benson, the then Minister of Finance, said that he wished to study some of these items.

He did not stay in that portfolio too long afterwards, and was succeeded by the Honourable John Turner. I am sure those who were members of the committee at that time will remember that at one stage Mr. Turner brought in a bill, and announced that he had carefully gone over all the undertakings given by his predecessor with respect to tax reform and that the bill contained the amendments the Senate committee sought back-dated to the date the tax reform legislation was enacted. That is a pretty good record for us to point to in connection with that procedure. As I said, the committee does not stifle itself by proceeding in this way. It is not establishing a bad precedent if there is an issue about which it feels strongly.

The question of when a bill is a money bill is never too clear. Whenever the Senate amends a bill that has fiscal implications, notwithstanding the fact that it may not be amending a clause with fiscal implications as such, there is always a question of whether it is going beyond its power and jurisdiction.

Senator Flynn: I think you are on the wrong track. The only limitation—and this applies also to the other house—is that we cannot increase the burden on the exchequer; otherwise there is no problem.

Senator Connolly (Ottawa West): I am familiar with that argument. That much is certainly true; the Senate cannot increase the burden. I remember when we were in opposition and there were problems of this kind. When the Leader of the Government presented amendments to a taxing statute, he would say, "It is beyond the jurisdiction of the Senate to amend this bill because it would be interfering with ways and means." What else is a leader to do when he, as a member of the government, is bound by cabinet solidarity and feels he has to get this bill through? That is his job. I remember when we were faced with this problem.

This argument has been going on for many, many years, and I do not think we are going to settle it. An opinion was given one time by Messrs. Geoffrion and Tilley on this very point. I did not think that that opinion was all-inclusive—that it dealt with the whole subject matter—but certainly it covered the point Senator Flynn has just made.

Honourable senators, I have said enough. I appreciate the attention and care that has been given this bill by the Senate, and I thank all those who contributed to this debate.

Motion agreed to and bill read second time.

● (1440)

THIRD READING

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

Senator Connolly (Ottawa West): Honourable senators, I understand the intention is to have royal assent this evening. That being so, with leave of the Senate, I move that the bill be read the third time now.

Senator Flynn: Does the Leader of the Government want this bill given royal assent this evening?

Senator Perrault: Yes, if possible.

The Hon. the Speaker: Honourable senators have heard the motion. Is there unanimous consent?

Hon. Senators: Agreed.

Motion agreed to and bill read third time and passed.

ROYAL ASSENT

NOTICE

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

RIDEAU HALL
OTTAWA
GOVERNMENT HOUSE

December 15, 1977

Madam,

I have the honour to inform you that the Honourable Wishart F. Spence, O.B.E., Puisne Judge of the Supreme Court of Canada, in his capacity as Deputy Governor General, will proceed to the Senate Chamber today, the 15th day of December, at 5.30 p.m., for the purpose of giving Royal Assent to certain bills.

I have the honour to be
Madam,
Your obedient servant,
Edmond Joly de Lotbinière
Administrative Secretary to the
Governor General

The Honourable
The Speaker of the Senate,
Ottawa.

AIR CANADA BILL, 1977

REPORT OF COMMITTEE ADOPTED

The Senate proceeded to consideration of the report of the Standing Senate Committee on Transport and Communications on Bill C-3, respecting the reorganization of Air Canada, which was presented earlier this day.

Hon. George I. Smith: Honourable senators, I note that copies of the report in the French language have not as yet been distributed. They are now being prepared, and I have a note before me indicating that they will be available within the next few minutes. I am not sure whether it is the wish of the Senate that I proceed before the French language version of the report is available.

Senator Flynn: You can simply explain that fact before moving the adoption of the report.

Senator Grosart: And then you can explain it in French.

Senator Smith (Colchester): Perhaps I will ask you to do that for me, Senator Grosart.

Senator Petten: Hear, hear.

Senator Greene: No, no.

Senator Smith (Colchester): By way of further explanation, the committee continued its deliberations until almost noon today, and the officials have been busy preparing the report and doing the necessary paperwork. I think they have done extremely well in getting before us what they have.

With that explanation, I now seek some indication as to whether or not it is the wish of the Senate that I proceed now.

The Hon. the Speaker: Is it agreed?

Hon. Senators: Agreed.

Senator Smith (Colchester): Honourable senators, with leave, I move the adoption of this report.

The Hon. the Speaker: With leave of the Senate, it is moved by the Honourable Senator Smith (Colchester), seconded by the Honourable Senator McElman, that this report be now adopted.

Is it your pleasure, honourable senators, to adopt the motion?

Senator Grosart: Explain.

Senator Smith (Colchester): Honourable senators, as you will have noted, the report contains some 26 amendments. I hasten to add, however, that there are only four amendments of substance, with the balance being consequential amendments to those four. The consequential amendments are almost entirely a matter of the re-numbering of clauses and subclauses, and, in some cases, references in one clause of the bill to another clause or subclause of the bill. It is my intention to deal specifically only with the amendments of substance, although I am prepared at any time to answer questions relating to any of the amendments.

The purpose of Bill C-3, as honourable senators are aware, is to reorganize Air Canada, remove it from the umbrella of the CNR, and establish it as a crown corporation responsible directly to the government and to Parliament. To achieve that purpose, it is necessary to provide Air Canada with the powers to carry out whatever activities are necessary to conduct the business of an airline which is in competition nationally and

internationally, with other airlines, both large and small. These powers are set out in detail in clause 6(1), paragraphs (a) to (h). Those paragraphs set out the powers which the airline authorities and the minister consider necessary to enable the purpose of the bill to be accomplished. Paragraph (i), which is a usual provision, enables the corporation to do "such other things as are necessary or incidental to the carrying out of its activities."

I think it would be useful to read clause 6(2) into the record. It states:

> The Governor in Council may, by order, authorize the Corporation to engage in or carry on any activities not otherwise authorized by this Act.

In considering this subclause, the committee noted that if passed it would give very wide powers—some might say almost unlimited powers—to the Governor in Council to enlarge the scope, or completely change the nature, of the activities being carried on by Air Canada, or which Air Canada might at some future time wish to carry on. These would be powers over and above the powers specifically authorized by clause 6(1).

● (1450)

I should say that the committee had before it as witnesses the chief draftsman of the bill, and the President of Air Canada, and the Honourable the Minister of Transport. The committee was informed by the minister and by the corporation president that the powers set out in clause 6(1) would allow Air Canada to engage in all of the activities which its officers, or the minister, could envisage as now necessary. They stated, however, that in the future the corporation might wish, or find it necessary, to engage in some activity not set out in clause 6(1), and that is the reason for the very wide power given the Governor in Council by clause 6(2). It was also stated that this kind of wide power would, in case of some doubt arising about the corporation's activities in the future, enable the Governor in Council to approve them and thus remove any opportunity for argument that something is *ultra vires*.

Both the minister and the President of Air Canada indicated to the committee that, if they could have thought of any activity in which they wanted Air Canada to engage, they would have seen that it was specifically listed in clause 6(1).

I think it is correct to say—and I am sure others will correct me if I have made a mistake—that the committee considers that clause 6(2) confers too wide a power on the Governor in Council, because under it he could authorize Air Canada to carry on any activity of any nature at all, except, of course, such activities which are illegal. Some members of the committee suggested that these could include activities completely unrelated to the business of an airline as now envisaged, and, as I understand what was said by the minister and by the President of Air Canada, they did not dispute this view. Moreover, the chief draftsman agreed with that interpretation, and said further that it was precisely what the subclause was intended to do.

[Senator Smith (Colchester).]

The minister dealt with clause 6(2). He told the committee that, naturally, he preferred to have the clause left as it is in the bill, but he also said, if the committee felt it required an amendment, that of the various possible amendments which he had heard about—and he had obviously heard about all the discussion in committee—the option he would prefer is the deletion of the subclause. While I am not sure whether it is proper for me to read his words from the transcript of the committee's proceedings, I can tell the house that it is clear that he said he could live with that option—that is, the option of deletion—if that were the option the committee decided upon. He said, if the committee did decide to take that option, that he would recommend to the government that it accept that deletion, and seek the concurrence of the other place in it.

In due course, after a good deal of discussion and for the reasons I have set out, the committee came to the conclusion that the subclause should be deleted. Perhaps I should just say again that the committee felt that the subclause would give unlimited power to the Governor in Council to enlarge the scope of the activities in which Air Canada might engage. There is the additional objection that that kind of provision would constitute a dangerous precedent which might well find its way into other types of legislation, and the committee thought Parliament would probably not like to accept that.

So for those two reasons—first, because that is too wide a power to the Governor in Council, and, second, because it would be a bad precedent, the committee decided it would recommend to the Senate that subclause (2) of clause 6 be deleted.

I suppose that that is the most substantial of all the amendments in the report. Obviously, if that amendment is adopted, it will necessitate renumbering the remaining subclauses of clause 6 as well as adjusting any references to those subclauses of clause 6 which might be found elsewhere in the bill. That, I think, is done by the other amendments which you find in the report down to amendment 21, which you will see deals with clause 8 found on page 6 of the bill.

Clause 8, which is a short clause, reads as follows:

> The Corporation shall, in the exercise of its capacities and the carrying out of its activities, comply with directions of a general nature given to it in writing by the Governor in Council.

Considerable doubt was raised as to whether this particular wording would cause such a direction in writing to be a statutory instrument under the general definition of that term. The committee's opinion is that that uncertainty should be removed, because it is desirable that such a direction be a statutory instrument with all that flows from that. Accordingly, amendment 21 is intended to take out the words "in writing by the Governor in Council," and insert in their place the words "by order of the Governor in Council." The advice we have from counsel, from the chief draftsman of the bill and from the Law Clerk of the Senate is that that change would bring about the effect I have mentioned.

The next amendment is one which I think will meet with the approval of all senators. It makes a change in clause 17, on page 11 of the bill. Clause 17(6.1) reads as follows:

> Every report tabled under this section stands permanently referred to any Committee of the House of Commons established for the purpose of reviewing matters relating to transportation.

● (1500)

Amendment 22 is intended to ensure that any committee of this house would have the same right to receive any report of Air Canada as any committee of the other house.

The next amendment which I believe to be of substance is number 26. In order to gather its import, one has to look at the last page of the bill. It will be seen that there is a new clause recommended to be inserted by the amendment. It will be clause 24, which provides:

> Any order of the Governor in Council made under section 6 or 8—

Those are the two sections that I mentioned earlier.

> —shall be tabled forthwith in Parliament and published in the *Canada Gazette*.

The other amendments are simply consequential and, in my view, have no particular substance.

Honourable senators, I believe I have dealt with the substantial amendments. I shall be glad to try to answer any question on the amendments I have mentioned, or the consequential amendments, of which, if my arithmetic is correct, there are 21.

Hon. Charles McElman: Honourable senators, the chairman of the committee, the Honourable Senator Smith (Colchester), has explained well and fully the major amendments contained in the report. I would simply support and reinforce his statement that the clause which drew the most attention and concern of the members of the committee was clause 6(2), which required a good deal of discussion and negotiation. Tribute is due to the chairman and the deputy chairman of the committee, the Leader of the Government in the Senate, and the Minister of Transport, the Honourable Otto Lang, who was most co-operative and understanding even though he did not entirely agree with those of us who found the clause not to our liking.

In my view, the work done by the Standing Senate Committee on Transport and Communications, under the chairmanship of Senator Smith (Colchester), was the result of excellent co-operation among members of the committee and others. It is a good example of what can be done with a spirit of co-operation in this chamber.

Hon. Senators: Hear, hear.

Senator Greene: Would the honourable senator permit a question?

Senator McElman: Yes.

Senator Greene: The airline game is not a pink tea party. It is a tough world competitive game. Can I take it, from the assurances of both Senator Smith (Colchester) and yourself, that the President of Air Canada, speaking for the executive of the company, feels that even with these amendments the corporation will have a vehicle which will enable it to be competitive in the tough game of world airlines?

Senator McElman: Yes, I believe it fair to say that the views of Air Canada, as expressed by the president, Mr. Claude Taylor, are that this is a bill with which they are very pleased. As a matter of fact, he suggested this morning that they would consider it a mighty fine present for the holiday season if the bill should receive royal assent before the end of the current year, in which the company celebrated its fortieth anniversary.

It goes without saying that Air Canada would have been happier had clause 6(2) been retained. However, they have stated that its principal purpose was to take care of things that might develop some years down the road. The view was expressed by some of the witnesses from Air Canada—I cannot attribute it directly to Mr. Taylor; I believe it came from one of his senior officials as well as from the principal departmental draftsman—that it had taken some 10 years to get the bill to its present stage in Parliament. The assumption from that comment is that Parliament, or someone, acted too slowly, and that the company had to be in a position to grasp business opportunities which arise suddenly.

There were those of us who expressed the counterview that we did not consider it a very substantial argument; the purpose of Parliament was not to make a nuisance of itself, but to express the will of the people, and to ensure that those things that are done by airlines and other crown corporations are only those things which have received the prior approval of Parliament and not necessarily of some other intervening authority.

To return to the honourable senator's question, Air Canada does feel that this bill will put it in a position to compete with other world-scale airlines, of which there are ten. Air Canada might be said to be one of the "big ten" today. The provisions of paragraphs 6(1)(a) to 6(1)(h) are rather substantial in respect of the activities in which Air Canada may engage. The answer to the honourable senator's question is yes.

Senator Forsey: Honourable senators, I intervene simply to say how sorry I am that I was not able to stay for the whole of the committee's meeting this morning. Had I been able to stay, I hope I would have drawn attention to what I think is a bad translation in English of the phrase in the first and second lines of the French version on page 4, which is as follows:

> La société est dirigée par un conseil composé du président du conseil et—

The English version is:

> The Corporation shall be under the management of a Board of Directors comprised of the Chairman and—

That is surely very bad English. It should be "composed of". The word "comprised" means "included".

Motion agreed to and report adopted.

THIRD READING

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

Senator McElman: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(b), I move that the bill, as amended, be read the third time now.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

The Hon. the Speaker: It is moved by the Honourable Senator McElman, seconded by the Honourable Senator Smith (Colchester), that this bill, as amended, be now read the third time.

Is it your pleasure, honourable senators, to adopt the motion?

Senator Flynn: Honourable senators, we have granted leave because the committee has done such an extremely good job. By giving leave, we wanted to compliment the members of the committee.

Senator McDonald: And the chairman.

• (1510)

Senator Smith (Colchester): I rise, honourable senators, only to ask leave to say a word of appreciation to the committee, and, in particular, to the staff of the committee and of the Senate, who have worked really hard to get this report in shape so that we could consider it this afternoon. I think we owe a real debt of gratitude to them for their efforts.

[*Translation*]

Senator Bourget: I am certainly pleased to support this motion of Senator Smith.

[*English*]

Motion agreed to and bill, as amended, read third time and passed.

The Senate adjourned during pleasure.

At 5.30 p.m. the sitting was resumed.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Wishart F. Spence, O.B.E., Puisne Judge of the Supreme Court of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned, and being come with their Speaker, the Honourable the Deputy Governor General was pleased to give the Royal Assent to the following bill:

> An Act to amend the statute law relating to income tax and to provide other authority for the raising of funds.

The Honourable James Jerome, Speaker of the House of Commons, then addressed the Honourable the Deputy of His Excellency the Governor General as follows:

> May it please Your Honour:
>
> The Commons of Canada have voted certain supplies required to enable the Government to defray the expenses of the public service.
>
> In the name of the Commons, I present to Your Honour the following bill:
>
> > An Act for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1978.
>
> To which bill I humbly request Your Honour's assent.

The Honourable the Deputy of His Excellency the Governor General was pleased to give the Royal Assent to the said bill.

The House of Commons withdrew.

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

The sitting of the Senate was resumed.

The Senate adjourned until Monday, December 19, at 8 p.m.

THE SENATE

Monday, December 19, 1977

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

Prayers.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

GREEN PAPER ON LEGISLATION ON PUBLIC ACCESS TO GOVERNMENT DOCUMENTS—MESSAGE FROM COMMONS

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the Green Paper on Legislation on Public Access to Government Documents had been referred to the Standing Joint Committee on Regulations and other Statutory Instruments.

CANADA ELECTIONS ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-5, to amend the Canada Elections Act.

Bill read first time.

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

Senator Perrault: Honourable senators, with leave of the Senate, I move that the bill be placed on the Orders of the Day for second reading later this day.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Reports of the Atlantic Pilotage Authority, the Laurentian Pilotage Authority, the Great Lakes Pilotage Authority, Ltd., and the Pacific Pilotage Authority, including accounts and financial statements certified by the Auditor General, for the year ended December 31, 1976, pursuant to section 28 of the Pilotage Act, Chapter 52, Statutes of Canada, 1970-71-72.

Copies of Progress Report of the Royal Commission on Financial Management and Accountability in the Government of Canada, dated November 29, 1977, appointed by Order in Council P.C. 1976-2884, dated November 22, 1976, as revised and amended by Orders in Council P.C. 1976-3322 and P.C. 1977-45, dated December 24, 1976 and January 13, 1977, respectively, pursuant to Part I of the Inquiries Act (Mr. Allen Thomas Lambert, Chairman).

Copies of Progress Report on the Measurement of Performance in the Public Service of Canada, issued by the President of the Treasury Board on December 16, 1977.

Copies of Report of the Grain Handling and Transportation Commission, Volume 3, entitled "Grain and Rail in Western Canada", appointed by Orders in Council P.C. 1975-872 and P.C. 1975-1067, dated April 18 and May 9, 1975, respectively, pursuant to Part I of the Inquiries Act (Hon. Emmett M. Hall, C.C., Q.C., Chief Commissioner).

Report of the Department of National Health and Welfare for the fiscal year ended March 31, 1977, pursuant to section 13 of the Department of National Health and Welfare Act, Chapter N-9, R.S.C., 1970.

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans, as follows:

1. Cassiar Asbestos Corporation Limited, Vancouver, British Columbia and the group of its Clinton Mine hourly rated employees, represented by the Canadian Mine Workers, Local No. 1. Order dated December 13, 1977.

2. Laiterie Leclerc Inc., Sherbrooke, Quebec and the group of its unionized employees, represented by Le Syndicat National des produits laitiers de Sherbrooke (CSD). Order dated December 15, 1977.

Report of the Director of Investigation and Research, Combines Investigation Act, for the fiscal year ended March 31, 1977, pursuant to section 49 of the said Act, Chapter C-23, R.S.C., 1970.

CANADA ELECTIONS ACT

BILL TO AMEND—SECOND READING

Hon. Azellus Denis moved the second reading of Bill C-5, to amend the Canada Elections Act.

[*Translation*]

He said: Honourable senators, I do not wish to mar the passage of this bill on second reading, since it was carried almost unanimously in the other place.

Anyhow, since we must follow the ordinary procedure rules, I should point out that an election legislation should be adjusted to the ever-changing living conditions. New needs are constantly being felt and as legislators we should be conscious of them. In 1970, we undertook a complete review of the Canada Elections Act.

More recently, that is, some four years ago, I had the pleasure of piloting the election expenses bill through the Senate—without too much difficulty, I might add. That bill, amending the Canada Elections Act, as well as the Income Tax Act and the Broadcasting Act, unmistakenly signalled the beginning of a new era in Canadian federal elections.

A while ago I pointed out to the Leader of the Opposition that we did not have that kind of elections in those days; 1974 is fairly recent and now election expenses are restricted, whereas we were not entitled to any refund if we lost or even if we won the elections.

However, other changes have been deemed necessary since then. This is why we are considering today a new bill amending the Canada Elections Act. A few of the many amendments contained in this bill are relatively minor; others, on the other hand, have a long-reaching effect.

Generally, the amendments found in Bill C-5 include a series of housekeeping measures suggested by the Chief Electoral Officer to facilitate the administration of the act. Another group of amendments are mainly aimed at making it easier for the greatest possible number of Canadians to exercise the right to vote.

When the new Election Expenses Act was given royal assent in January 1974, all parties agreed, I think, that this was a bold legislation which might prove extremely complex and difficult to administer. It incorporated new ideas in several areas and proposed innovations which were audacious, to say the least.

In order to make things easier for all concerned, the Chief Electoral Officer called a meeting of the representatives of the four political parties with elected members in the House of Commons. At this first meeting was born a task force which has been looking into this legislation on a continuing basis, not only with respect to its application, but also to help the Chief Electoral Officer draft various guidelines and instructions.

While carrying out its duties, the task force has noted, however, a number of changes to the act which are not only desirable, but even necessary, to prevent abuses. For instance, the current provisions concerning the registration of political parties are not stringent enough to make sure that only serious political groups may have access to the rights and privileges resulting from the registration of a political party. The purpose of the bill before us is to correct this situation, without imposing conditions which would be so difficult to meet that they would preclude the registration of serious groups.

The administrative amendments are the result of a supplementary report which the Chief Electoral Officer made to the Speaker of the House of Commons in February 1976. Pursuant to section 59(1) of the Canada Elections Act, the Chief Electoral Officer must make a report to the Speaker of the House of Commons setting out any amendments which, in his opinion, are desirable for the better administration of the act. In general, these are amendments which will allow election officers at all levels to do a better job and better serve the population they cover.

Finally, many amendments are designed to improve conditions or to create new facilities for exercising the right to vote. For instance, in urban areas the returning officer will have to take the necessary measures so that incapacitated electors can vote at an advance polling station by locating those polls in appropriate locations or by issuing transfer certificates authorizing people confined to wheel chairs or other disabled persons to vote at an advance poll with level access. On the other hand, any voter who cannot go to an ordinary or advance poll will be allowed to vote in the office of the returning officer in the last two weeks before the election. This measure could be quite useful to a great many voters who otherwise might lose their right to vote or who would have to vote by proxy as it is presently permitted in some cases, such as for sailors, mining prospectors and fishermen. Airmen, who were not allowed to vote by proxy, have been added with the present amendments.

● (2010)

Among the other amendments, I would refer to the provision allowing an elector to identify himself without having to take an oath. As you probably know, many people of good faith refuse to take an oath. They believe it is a very important and dangerous thing. Consequently, the deputy returning officer will be able to identify the person who comes to the poll by asking him questions or checking his driving licence or his social insurance card, as bank managers do when they want to check the identity of someone who is asking for a loan.

Another amendent is the right for a student to vote in the community where he works during his holidays. This was another weakness in the previous legislation.

Ordinary polling stations will receive voters from 9 o'clock in the morning to 8 o'clock in the evening, instead of 8 to 7, local time. As those who have already taken part in an election probably know, at 7 p.m. there were usually two dozen people inside who wanted to vote and the polling places had to be closed because people usually came there around 7 o'clock.

The revision will last for three days instead of two. A written approval will be required from the auditor who acts as such for a political candidate or party and he will have to be a qualified accountant. This is an additional guarantee for the serious candidate or the registered party. It means it is not a candidate or a party which has registered simply to do a disservice. Consequently, the auditor, who will be a chartered accountant, will have to give his approval in writing to act as auditor for this candidate or party.

Those few examples illustrate the very positive aspect of this legislation. Our electoral system has always served well the Canadian people. The proposed amendments should make it even more flexible and better adjusted to modern living conditions and they should serve the best interests of all of us.

Therefore, I commend this bill to your favourable consideration.

The amendments which this legislation will bring about in the electoral procedure will, of course, require considerable adjustments. I am told that the Chief Electoral Officer will need a period of about three months to make the necessary adjustments. Therefore, it would be highly desirable that we pass this bill before the Christmas recess, especially if these new provisions—which, as I said earlier, are for the benefit of all electors—are to be implemented during an election that could take place in the spring or summer of 1978.

Honourable senators, as I have just talked about the Chief Electoral Officer, I must add that he will be at the disposal of honourable senators to answer any questions they would like to ask him, if they deem it necessary to refer the bill to a committee.

To close my remarks, I take the opportunity to pay a particular homage to Mr. Hamel, the Chief Electoral Officer, whose broad competence is appreciated by all those who deal with him. He has won the friendship and the admiration of all national political parties thanks to his integrity, his fair mindedness, his desire to be of assistance, and his well-known availability.

Once again, it is to him that we owe to a very large extent the advantages which the amendments contained in the bill will provide Canadians. It is to him that we owe the organization of the members from the different political parties who constituted a special committee, which is responsible for a good many of the amendments presented in this bill. It is to him that we owe the corrections and the amendments to the present law through his annual reports to the Speaker of the House of Commons.

I think I will meet the approval of all honourable senators in taking this opportunity to pay a very special homage of admiration and gratitude to Mr. Hamel and to thank sincerely the various political parties for their constructive contribution to this bill.

Honourable senators, I am honoured to propose the second reading of this bill.

[*English*]

Senator Grosart: Honourable senators, I should like to ask the sponsor of the bill a question if I may.

Senator Denis: I shall answer it with great pleasure, if I can.

Senator Grosart: I am quite sure the honourable senator will be able to.

As some very important amendments were made to the bill at the last minute before it came to us, could the honourable senator indicate what the present position is with regard to provisions in the bill concerning anonymous donors and the indexing of the limits?

[*Translation*]

Senator Denis: Honourable senators, I think it was following comments by the major political parties that the proposed indexing of allowable expenses and anonymous donations were initially proposed for adoption, but following the protests of the Conservative party, the New Democratic party and certain Liberal members, they were deleted.

With respect to anonymous donations, the law now says that it is forbidden to make anonymous donations for the good and simple reason that when he makes his report, the official agent has to mention the names of the donors, not only the donors who gave more than $100, but he has to divide by categories of donors those who made donations—that is, individuals, companies with or without share capital, unions, governments, and so on. He would have to report them by categories because out of $1,000, for instance, $500 would have been paid by unions, $100 by individuals and $100 by companies, and so on. Consequently, those without names cannot be reported. They cannot say whether they are individuals or companies. Consequently, it is impossible to report them, they do not have the right to report them. The change as it stands now is that, previously, in spite of the fact that it was forbidden, they did not know what to do with the money given through those anonymous donations. The law now provides for that. Those anonymous donations will be reported to the Chief Electoral Officer, and will be paid into the consolidated fund of Canada.

● (2020)

[*English*]

Hon. Allister Grosart: Honourable senators, I must compliment Senator Denis on an excellent explanation of this bill, and particularly on an excellent answer—from the point of view of the government—to the two questions which I asked. However, I shall have some comments to make as I go along.

The first thing that strikes me is the indication of urgency in respect of the passage of this bill. Honourable senators are aware that there were some changes from the original suggestion of the all-party committee made by the government when this bill was introduced. As Senator Denis has indicated, there were some strenuous objections to these particular changes, which were made by the government after they had been turned down by the all-party *ad hoc* committee which was set up after the passage of the Election Expenses Act in 1974. The government is very anxious to have this bill passed as quickly as possible because, as Senator Denis indicated, they actually agreed to the deletion of their own additions and to the suggestions made and agreed upon unanimously by the all-party committee.

In his introduction of the bill, Senator Denis indicated that the urgency of the passage of this bill might be attributed to an election that is contemplated very soon—I think he said perhaps in the spring.

Senator Bourget: He doesn't know.

Senator Grosart: I would be interested to know if he has any further comments to make on that aspect when he closes the debate. I am sure all honourable senators will be very interested to know the relationship between the government's insistence on early passage of this bill and any intentions they might have for the future. I wonder if Senator Denis is privy to any such thinking on the part of the government.

Senator Denis: I do not know any secrets.

Senator Grosart: If he does know some secrets I am sure he would be anxious to share them with his colleagues in the Senate. I will not address the question to the Leader of the Government, but will welcome any comment he might care to make during the debate on the bill.

As Senator Denis has said, this bill contains a great many amendments to the Canada Elections Act, and particularly to certain provisions dealing with expenses, administrative procedures, and the extension of voting facilities. I am sure we all welcome many of these amendments, even though as senators we do not have the same particular individual interest in the Canada Elections Act that members of the other place have. The interest of the House of Commons in this bill is indicated by the fact that it was debated last month for a considerable length of time, and is the subject of no fewer than nine reports from the Committee on Privileges and Elections.

We welcome, of course, the improvements in the administrative procedures which, as Senator Denis has indicated, were suggested by the Chief Electoral Officer. And I join him in paying compliments to the Chief Electoral Officer, who is certainly a worthy successor to Mr. Castonguay, whom I had more to do with. We have been fortunate in the high calibre of chief electoral officers we have had in my time, including, of course, Mr. Castonguay's distinguished father. I am sure many senators here have good reason to agree with me that we have been fortunate in the calibre of chief electoral officers that we have had in this country.

Hon. Senators: Hear, hear.

Senator Grosart: Many of the amendments incorporated in this bill, as finally passed by the House of Commons, were suggested by Mr. Hamel, the Chief Electoral Officer. Others were suggested by the *ad hoc* committee. There is an interesting history to this. As I have indicated, after the passage of the Election Expenses Act in January 1974, this *ad hoc* committee, consisting of all parties was convened under the chairmanship of the Chief Electoral Officer. This committee proposed many of the amendments incorporated in this bill, but when the bill was introduced by the Honourable Norman Cafik, Minister of State for Multiculturalism, it contained two provisions which created great concern to many members, including members of that committee. To their surprise they found that the government intended to provide for the indexing of the reimbursement of expenditures and the limitation to candidates, dating back to 1974, in spite of the fact that the all-party committee had rejected a proposal that it should be indexed back to 1976.

Various suggestions were made as to why the cabinet, apparently without consulting caucus, decided to provide for this indexing. I cannot vouch for it, but there was some indication that it was a pure cabinet decision to provide for an indexing of these amounts so that, apart from other costs, there would be a cost to the public treasury of at least $12 million for various reasons. The opposition parties strenuously objected to this, and the government withdrew the provision from the bill. I compliment the government for that.

A more serious new provision, and one that had not been agreed to by the all-party committee, would have permitted anonymous contributions of any limit to be made to a candidate without recourse. As Senator Denis has indicated, there were difficulties there and this seemed to go against the principle of the amendments made in 1974. The principle was to open up this whole business of financing political parties. And here, suddenly, from the government came a suggestion that it should be closed up again, and that anyonymous contributions should be permitted. Again all the evidence appears to indicate that this was a cabinet decision, that for some reason it was in the party's interest, if not the public's interest, to permit anonymous, unidentified, under-the-table contributions to public parties in defiance of the spirit of the act and of 10 or 12 years of parliamentary scrutiny.

● (2030)

Fortunately, the opposition stood firmly on this and made it very clear to the government that there was no way that this act would be passed before Christmas if the government insisted on this provision. The government wisely withdrew it, and again I compliment them. I am sure that it was only because of the urgency of getting these amendments to the act passed that the government was persuaded not to stand on one infamous provision, the validity of which is doubtful in terms of the public interest.

I am sure all honourable senators agree with the general provisions of these recent acts, which provide for some reimbursement to candidates and which limit the expenditures in relation to the size and other characteristics of constituencies. They have had the effect of clearing away a great many problems that have arisen and caused suspicions and concerns in the mind of the public with respect to the manner in which persons are elected to Parliament and the kind of financial support they are given. By and large, these are provisions which came about at a time when there was minority government, and some say that these major changes in the electoral system might be one of the arguments supporting the contention that minority government is not one of the worst things that can happen in a democracy such as ours.

I must say that my experience in the elections in which I have had some responsibility in the past has been on the expenditure side, rather than the money-raising side. The principle I always bore in mind was stated, I believe, by an American senator who said that everyone agrees that half the money spent on a political campaign is wasted, the trouble being that no one can agree on which half. I believe that many senators, with their wide experience in this area, will agree with that.

I notice that Senator Denis departed from his notes several times and became particularly impassioned and informative when he was speaking of that great problem that has confronted everyone concerned with the process of getting votes in ballot boxes. When he spoke of those provisions which make it easier to get a vote in the ballot box he demonstrated a

knowledge and expertise in that area for which I compliment him.

Honourable senators, as I said, many amendments have been made to the bill that was originally introduced in October. I am not concerned at the moment to question any of them, other than the two of which I have spoken. I say again that I welcome the extensions. As senators we have an interest in the public aspect of elections, particularly the extensions of voting arrangements for the handicapped and those who are unable, at certain specific times provided in earlier acts, to vote. The accessibility of the ballot box to the public will be increased by the legislation which is now before us.

Senator Denis raised the question of whether it is necessary to refer this bill to committee. It is my view—and a view with which the Leader of the Opposition is in agreement—that it is not necessary, because this is a bill which concerns members of the House of Commons more than it does the Senate. The opposition derives a great deal of satisfaction from the fact that the government did withdraw the two provisions to which there was considerable objection and, therefore, we see no reason for prolonging debate on this measure.

Senator Greene: Honourable senators, I wish to address one important point in Senator Grosart's able argument. Whenever the government heeds the arguments of Her Majesty's Loyal Opposition, he imputes motives of partisanship or political gain—

Senator Flynn: How could we?

Senator Greene: —or some sort of improper motive. To me, that is the very negation of the theory of Parliament. A wise and truly national government, with the national interest at heart, should often heed the persuasions of Her Majesty's Loyal Opposition, because it is just that—loyal. I believe the opposition has proved itself to be Her Majesty's Loyal Opposition in both this and the other house.

I deprecate the tendency of the honourable senator to always impute improper motives to the government whenever it heeds the legitimate arguments of Her Majesty's Loyal Opposition in respect of amending or in any way improving a bill. We should rejoice in the contribution of Her Majesty's Loyal Opposition in the way of improving legislation, whether it be in this or the other house, instead of imputing some improper motive on each occasion on which the government accepts its arguments.

Senator Grosart: Honourable senators, I have been sitting here wondering what I said that could possibly be construed as a suggestion of an improper motivation on the part of the government. As far as I am concerned, the only motivation I suggested was the urgency of an election, and I cannot think of anything more proper in the public interest than that.

Hon. Azellus Denis: Honourable senators—

The Hon. the Speaker: I wish to inform the Senate that if Senator Denis speaks now, his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator Denis: Honourable senators, I thank Senator Grosart for his courtesy and his very important contribution to this debate. I found it interesting that he was criticizing what we did not do, namely, the indexing of election expenses to the cost of living. However, he failed to point out that we did not do so because his own party was against it.

● (2040)

Senator Grosart: It was a good try.

Senator Denis: When we decided to index taxation rates to the cost of living, he approved; when we decided to index family allowances and old age pensions to the cost of living, he approved. The government, therefore, thinking it might cost much more to fund an election in the future, decided to index election expenses to the cost of living, and did so in good faith. However, after hearing the arguments of certain learned members of the opposition, it was decided to forego indexation.

Dealing with the matter of urgency, it is revealing no secret to say that there is an election in the offing, and it will take three months from the passage of this bill to implement fully its proposals.

I have nothing further to add, except to quote the words of the Leader of the Opposition in the other place, as reported at page 435 of the House of Commons *Hansard* of October 31 last:

> Mr. Speaker, I think I can say, on behalf of my colleagues in this party, that we are happy to have the amendments in relation to the Canada Elections Act and election law before the house. We are particularly pleased that so many of the proposals made in the all-party committee referred to by the minister have been accepted.

At page 438, Mr. Symes, the New Democratic member for Sault Ste. Marie, said:

> I should like at this time to pay tribute to the Chief Electoral Officer, his staff and those who sat on the parliamentary committee, as well as on the *ad hoc* committee, and proposed changes and clarifications to the act. I think we have before us a number of improvements, clarification of language and terms, and some improvements for which members on both sides of the house and members of the general public have asked.

I have a thousand other citations, but I think I should stop there.

Senator Flynn: So do I.

An Hon. Senator: Don't push your luck.

Motion agreed to and bill read second time.

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

Senator Denis moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

THE SENATE

Senator Paterson: Honourable senators, with your permission I should like to impress upon the new senators—to me, of course, all members of this house are new—how fortunate they are to be members of this honourable body.

When I was appointed to the Senate there were two main protagonists: the leader on our side, the late Honourable Raoul Dandurand, P.C., and the leader on the other side, the late Right Honourable Arthur Meighen, P.C. They say that the tongue is like a rapier. Well, both those gentlemen had sharp rapiers, and in those days it was seldom that other senators had an opportunity to participate to any great extent in debate. Both leaders were personal in their remarks, and they would say anything hurtful that came to mind. We have no such exhibition in the Senate today.

A very nice thing happened to me this morning. Some time ago I was rude to Senator Keith Davey. Well, it seems he has forgiven me, because this morning I received his good wishes in a lovely Christmas card, and I want to respond.

I beseech all new senators to help keep this house as honourable as it is at present. We are so fortunate in having two leaders who keep us well informed, while at the same time avoiding bitter altercations.

Honourable senators, before taking my seat I wish everyone the compliments of the season and a Happy New Year.

Senator Frith: Honourable senators, to the extent that I can speak for the new senators, I should like to respond to Senator Paterson. As to our appreciating our appointments, we do; as to striving to keep the chamber in the honourable state that it is and making our contribution to it, we shall try our best. And we thank Senator Paterson for his good wishes.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Tuesday, December 20, 1977

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Committee on the Concept of the Ombudsman, dated July 1977 (Mr. J. D. Love, Chairman).

PRIVATE BILLS

MARRIAGE LAW EXEMPTION (JAMES RICHARD BORDEN AND JUDY ANN BORDEN)—FIRST READING

Senator Bourget presented Bill S-5, to provide an exception from the public general law relating to marriage in the case of James Richard Borden and Judy Ann Borden.

Bill read the first time.

Senator Bourget moved that the bill be placed on the Orders of the Day for second reading on Tuesday, January 31, 1978.

Motion agreed to.

MARRIAGE LAW EXEMPTION (EUGÈNE WADDELL AND MARGUERITE BENOIT)—FIRST READING

Senator Bourget presented Bill S-6, to provide an exception from the public general law relating to marriage in the case of Eugène Waddell and Marguerite Benoit.

Bill read first time.

Senator Bourget moved that the bill be placed on the Orders of the Day for second reading on Tuesday, January 31, 1978.

Motion agreed to.

MARRIAGE LAW EXEMPTION (LUCIEN ROCH JOSEPH MORIN AND MARIE ROSE HÉLÈNE MORIN)—FIRST READING

Senator Deschatelets presented Bill S-7, to provide an exception from the public general law relating to marriage in the case of Lucien Roch Joseph Morin and Marie Rose Hélène Morin.

Bill read first time.

Senator Deschatelets moved that the bill be placed on the Orders of the Day for second reading on Tuesday, January 31, 1978.

Motion agreed to.

NATIONAL CAPITAL REGION

THIRD REPORT OF COMMITTEE OF SELECTION PRESENTED AND ADOPTED

Senator Petten, Chairman of the Committee of Selection, presented the following report:

Tuesday, December 20, 1977

The Committee of Selection appointed to nominate senators to serve on the several select committees during the present session makes its third report as follows:

Your committee has the honour to submit herewith the list of senators nominated by it to serve on the Special Joint Committee on the National Capital Region, namely, the Honourable Senators Asselin, Barrow, Bélisle, Buckwold, Deschatelets, Lafond, McDonald, and Marchand.

Respectfully submitted,

William J. Petten,
Chairman.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Petten, with leave of the Senate and notwithstanding rule 45(1)(i), moved that the report be adopted now.

Motion agreed to and report adopted.

● (1410)

FOREIGN AFFAIRS

GOVERNMENT POLICY RESPECTING SOUTH AFRICA AND OTHER COUNTRIES—QUESTIONS

Senator Lang: Honourable senators, I have a question for the Leader of the Government. It is rather extensive. I was unable to give the leader adequate notice, and I presume that under the circumstances he will take my question as notice. It is as follows:

In view of the announcement by the Secretary of State for External Affairs in the House of Commons yesterday that Canada is phasing out all its government-sponsored, commercially supported activities in South Africa, and that the reason therefor is to display and demonstrate our disapproval of the present regime, our disapproval of apartheid, and our strong belief that what must come in South Africa is the destruction of that kind of system the introduction of the principle of one man, one vote, and of the normal democratic process;

And anticipating an answer based on that most questionable hypothesis that South Africa has a declared and unequivocal policy, which makes decisions affecting human rights on the

basis of race and colour, which stands it apart from all other countries in the world;

Would the Leader of the Government advise this chamber if for the same reasons—namely, the introduction of the principle of one man, one vote, and of the normal democratic process—Canada is considering phasing out government-sponsored, commercially supported activities now carried on in any of the 17 civilian-ruled, one-party states, and the 10 military dictatorships which exist elsewhere in Africa;

By way of supplementary: Is Canada, for the same reasons, considering phasing out any government-sponsored, commercially supported activities elsewhere in the world, specifically in Argentina, Chile, China, Czechoslovakia, East Germany, Haiti, Hungary, Korea, Poland, Rumania or Russia?

Finally, honourable senators, in respect of both questions I ask: If not, why not?

Senator Perrault: Honourable senators, I appreciate the fact that Senator Lang gave me at least some prior notice of this question. Unfortunately, the replies which he has requested are not immediately available. I shall undertake to provide a fuller explanation of Canada's trading policy at a future date, which I hope will be soon.

ALASKA HIGHWAY PIPELINE

USE OF CANADIAN MATERIALS—QUESTION

Senator Greene: Honourable senators, my question is directed to the Leader of the Government. In light of questions previously posed by myself and other members of the Senate, can the leader now give any assurance that all pipe used on the Canadian section of the Alaska Highway pipeline, transmitting Alaska gas to U.S. markets, will be entirely Canadian-manufactured pipe?

Senator Perrault: Honourable senators, a number of assurances have already been given to the effect that it is anticipated that a substantial part of the materials to be employed in the construction of this important natural gas pipeline will be manufactured in Canada.

So far as there being in existence a contract to specify that only Canadian pipe will be used, it is my understanding that at the present time no such contract is in existence. However, as soon as further information becomes available it will be provided for the Senate.

CANADA ELECTIONS ACT

BILL TO AMEND—THIRD READING

Senator Denis moved the third reading of Bill C-5, to amend the Canada Elections Act.

Motion agreed to and bill read third time and passed.

ROYAL ASSENT

NOTICE

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

[Senator Lang.]

RIDEAU HALL
OTTAWA
GOVERNMENT HOUSE

December 20, 1977

Madam,

I have the honour to inform you that the Honourable Wishart F. Spence, O.B.E., Puisne Judge of the Supreme Court of Canada, in his capacity as Deputy Governor General, will proceed to the Senate Chamber today, the 20th day of December, at 5.45 p.m., for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Madam,
Your obedient servant,
Edmond Joly de Lotbinière
Administrative Secretary to the
Governor General

The Honourable
The Speaker of the Senate,
Ottawa.

ADJOURNMENT

Leave having been given to revert to Notices of Motion:

Senator Perrault: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, January 31, 1978, at 8 o'clock in the evening.

Motion agreed to.

Senator Perrault: Honourable senators, it was anticipated that we would have royal assent this afternoon at approximately 3 o'clock. However, there has been some delay in the debate in the other place, which concerns foreign policy, and for that reason I move that the Senate do now adjourn during pleasure, to the call of the bell at approximately 5.40 this afternoon.

The Senate adjourned during pleasure.

At 5.40 p.m. the sitting was resumed.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Wishart F. Spence, O.B.E., Puisne Judge of the Supreme Court of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned, and being come with their Speaker, the Honour-

able the Deputy Governor General was pleased to give the Royal Assent to the following bill:

An Act to amend the Canada Elections Act

The House of Commons withdrew.

The Deputy of His Excellency the Governor General: On behalf of His Excellency the Governor General, I wish all members of the Senate a very happy Christmas.

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

The sitting of the Senate was resumed.

Senator Petten: Honourable senators, before I move the adjournment, I would like to wish all senators on both sides of the house a very merry Christmas and a happy and prosperous New Year.

The Senate adjourned until Tuesday, January 31, 1978, at 8 p.m.

THE SENATE

Tuesday, January 31, 1978

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

Prayers.

RESTAURANT OF PARLIAMENT

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Mitges had been substituted for that of Mr. Lawrence on the list of members appointed to serve on the Standing Joint Committee on the Restaurant of Parliament.

INCOME TAX ACT

BILL TO AMEND AND TO ESTABLISH THE EMPLOYMENT TAX CREDIT PROGRAM—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-23, to amend the Income Tax Act and to establish the Employment Tax Credit Program.

Bill read first time.

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

Senator Perrault, with leave of the Senate and notwithstanding rule 44(1)(f), moved that the bill be placed on the Orders of the Day for second reading later this day.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of Crown Assets Disposal Corporation, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 14 of the Surplus Crown Assets Act, Chapter S-20 and sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Amending Order No. 7, amending the Federal Court Rules, made by the Judges of the Federal Court of Canada on October 28, 1977, together with copy of Order in Council P.C. 1977-3376, dated December 1, 1977, approving same, pursuant to section 46(5) of the Federal Court Act, Chapter 10 (2nd Supplement), R.S.C., 1970.

Report of the Fisheries Prices Support Board for the fiscal year ended March 31, 1977, pursuant to section 7 of the Fisheries Prices Support Act, Chapter F-23, R.S.C., 1970.

Copies of the Report of the Mackenzie Valley Pipeline Inquiry, Volume II, entitled "Northern Frontier, Northern Homeland", dated November 30, 1977 (The Honourable Mr. Justice Thomas R. Berger, Commissioner), issued by the Department of Indian Affairs and Northern Development.

Report of the National Harbours Board, including its accounts and financial statements certified by the Auditor General, for the year ended December 31, 1976, pursuant to section 32 of the National Harbours Board Act, Chapter N-8, and sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans, as follows:

1. British Columbia School Trustees Association East Kootenay Employers' Organization, British Columbia and the group of its clerical and maintenance employees, represented by the Canadian Union of Public Employees Locals 343, 729, 979, 1333, 1556 and 2091 (formerly 343). Order dated January 12, 1978.

2. British Columbia School Trustees Association West Kootenay Employers' Organization, British Columbia and the group of its clerical and maintenance employees, represented by the Canadian Union of Public Employees Locals 748, 1285, 1298, 1341 and 2098 (formerly 343). Order dated December 28, 1977.

3. British Columbia Transport Labour Relations, acting on behalf of all Member Companies in the cartage industry, and the group of employees, represented by the Teamsters Union Locals 31 and 213. Order dated January 13, 1978.

4. Canadian International Paper Company, Container and Single Service Divisions at Markham, Ontario; the Container Division at Rexdale, Ontario; Burlington, Ontario; London, Ontario and Pointe-aux-Trembles, Quebec and its plant employees, represented by the Canadian Paperworkers Union and Canadian Chemical Workers Union. Order dated January 13, 1978.

5. Carleton University, Ottawa, Ontario and the group of its security guards, represented by the Canadian Guards Association, Local 103. Order dated January 10, 1978.

6. Port-aux-Basques Integrated School Board and the group of its janitors and secretaries, represented by the Newfoundland Association of Public Employees. Order dated January 6, 1978.

7. Bell Canada, Montreal, Quebec and the group of its craft and services employees, represented by the Communications Workers of Canada. Order dated January 19, 1978.

8. McAllister Towing and Salvage Company Limited and two of its groups, the captains and engineers, represented by the Canadian Marine Officers Union. Orders dated January 17, 1978.

9. Villa Youville Inc., Ste. Anne, Manitoba and the group of its executive employees. Order dated January 19, 1978.

Report of operations under the International River Improvements Act for the year ended December 31, 1977, pursuant to section 10 of the said Act, Chapter I-22, R.S.C., 1970.

Report of Canadian Arsenals Limited, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. County of Lacombe No. 14, Alberta and certain groups of its employees, viz., the executive group, maintenance and custodian group, office administrative and other group, public works' group, school secretarial and aides and other group, and the transportation group, dated January 13, 1978.

2. Homewood Sanitarium of Guelph Ontario Ltd., medical staff, dated January 13, 1978.

3. School District No. 70 (Alberni) and its non-teaching employees, members of C.U.P.E. Local 727, dated January 13, 1978.

4. Price Company Ltd. and its 269 Mont-Joli Québec employees, represented by le Syndicat national de l'industrie du bois de Price, Inc. (Confédération des syndicats nationaux) group 27, dated January 13, 1978.

5. Becker Milk Company Limited (Cameron Dairy) and the employees represented by the Milk and Bread Drivers, Dairy Employees Caterers and Allied Employees, Local 647, dated December 16, 1977.

6. Municipal School Board of Pictou County and the Secretary-Treasurer employee, dated December 14, 1977.

7. City of Drumheller, Alberta and the executive group, consisting of the City Manager and the City Engineer, dated December 14, 1977.

8. Domtar Packaging Limited, Corrugated Containers Division, Kitchener, Ontario and Canadian Paperworkers Union, Local 1196, dated December 14, 1977.

9. Hardisty Nursing Home Ltd. and the Registered Nurses, represented by the Alberta Association of Registered Nurses, dated December 14, 1977.

Report of the Fitness and Amateur Sport Branch for the fiscal year ended March 31, 1977, pursuant to section 13 of the Fitness and Amateur Sport Act, Chapter F-25, R.S.C., 1970.

Report of the Department of Agriculture for the fiscal year ended March 31, 1977, pursuant to section 6 of the Department of Agriculture Act, Chapter A-10, R.S.C., 1970.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between Dauphin-Ochre School Area No. 1, Dauphin, Manitoba and the group of its executive employees. Order dated January 20, 1978.

Report of the Department of Consumer and Corporate Affairs for the fiscal year ended March 31, 1977, pursuant to section 10 of the Department of Consumer and Corporate Affairs Act, Chapter C-27, R.S.C., 1970.

Revised Capital Budget of Central Mortgage and Housing Corporation for the year ended December 31, 1977, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, as approved by Order in Council P.C. 1977-3578, dated December 15, 1977.

Report of the Superintendent of Insurance for Canada on Trust and Loan Companies for the year ended December 31, 1976, pursuant to section 8 of the Department of Insurance Act, Chapter I-17, R.S.C., 1970.

Report of the Minister of Transport on the administration of the Motor Vehicle Safety Act for the fiscal year ended March 31, 1977, pursuant to section 20 of the said Act, Chapter 26 (1st Supplement), R.S.C., 1970.

Report of the Ministry of State for Urban Affairs for the fiscal year ended March 31, 1977, pursuant to section 22 of the Ministries and Ministers of State Act, Part IV of Chapter 42, Statutes of Canada 1970-71-72.

Report on Government Annuities, together with the Auditor General's Report on the Accounts and Financial Statements, for the fiscal year ended March 31, 1977, pursuant to section 18 of the Government Annuities Improvement Act, Chapter 83, Statutes of Canada, 1974-75-76.

Report of the Department of Indian Affairs and Northern Development for the fiscal year ended March 31, 1977, pursuant to section 7 of the Department of Indian

Affairs and Northern Development Act, Chapter I-7, R.S.C., 1970.

Report of the Department of Energy, Mines and Resources for the fiscal year ended March 31, 1977, pursuant to section 5 of the Department of Energy, Mines and Resources Act, Chapter E-6, R.S.C., 1970.

FUGITIVE OFFENDERS BILL

FIRST READING

Senator Perrault presented Bill S-8, respecting fugitive offenders in Canada.

Bill read first time.

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

Senator Perrault moved that the bill be placed on the Orders of the Day for second reading on Thursday next.

Motion agreed to.

SENATE REFORM

PRESS REPORT OF STATEMENT BY LEADER OF THE GOVERNMENT—QUESTION

Senator Flynn: Honourable senators, I am glad to see all of you looking so well and apparently eager to work, especially the Leader of the Government, who appears to have been basking in the B.C. sunshine.

I gather that during the recess the Leader of the Government was busy giving press conferences on the state of the Senate. During one of those conferences he is supposed to have said that we could expect significant changes to Canada's parliamentary institutions, particularly the Senate, in the very near future. There were some qualifications after that, but that is what he said to begin with. He spoke, it seems, of greater provincial input into the selection of senators, of an elected Senate, or a Senate appointed on a very different basis, and so on.

Would the government leader be kind enough to tell the Senate itself what it is he has been telling the rest of Canada about Senate reform?

Senator Perrault: Honourable senators, I welcome the opportunity to clarify a quotation which appeared in the press during the recess.

First of all, my brief comments were made in the context of the current general national discussion about the future of institutions in Canada: Parliament, the role of provincial assemblies, the Senate, the House of Commons, the Supreme Court, and so on. Secondly, no formal statement was made by me, nor was there any press conference on the subject of the Senate. There were only one or two random questions asked at the conclusion of a meeting in Victoria, where I had gone to announce a grant to the city of Victoria to improve harbour facilities. During the course of those very brief comments, a tape of which I understand to be available, I did not advocate that there be extensive changes in the Senate but stated, in reply to one reporter who asked me a question about the future of the Senate, that I expected changes would take place here, just as I suggested there would be changes in the House of Commons. I suggested that senators were very interested in this process and that many of them had excellent ideas about the future shape of the Senate. My comments did not constitute any announcement of new government policy with respect to possible changes in the Senate. I was contributing in a personal way to the dialogue about the future of our parliamentary institutions.

I have made the point that I feel that parliamentarians and other Canadians must work more diligently to develop better understanding among the regions of Canada. In this respect I have suggested that we should make our parliamentary institutions as relevant as possible to make them responsive to the needs of Canadians in all parts of this country. Senators from all parties are concerned about this process. For anyone to portray the Senate as constituting a group of people who are being dragged kicking and struggling into any reform process is a totally warped and distorted view of what all of us know to be a very fine and effective institution.

Senator Flynn: It seems that the press exaggerated the urgency and specific nature of the comments of the government leader. In other words, it was a continuing debate and nothing really to be immediately concerned about.

● (2010)

Senator Perrault: No, it was not an announcement concerning any imminent government policy statement. Incidentally, I believe that the person who covered this press encounter has never visited the Senate nor has he had the opportunity to come to Ottawa.

Senator Flynn: He is not the only one.

Senator Perrault: All of us would welcome the presence of more people from the media in the Senate gallery during the course of our deliberations. Honourable senators, I believe that as we review the future of our country, as we face the challenge of national unity, that dialogue must involve all of us.

Senator Flynn: Yes.

Senator Perrault: I think all members of this chamber have ideas about how the Senate can be made increasingly effective, and I know that honourable senators welcome the opportunity to join in that dialogue in order to make all of Parliament more relevant. Certainly, in this regard I would welcome an opportunity to meet personally with the distinguished Leader of the Opposition to discuss his views on the subject.

Senator Flynn: How long should that dialogue go on?

Senator Perrault: There are some people engaged in the discussion about Canada and its future who suggest that over the next two-year period there will have to be some important decisions made.

Honourable senators, there will be a referendum in at least one Canadian province; there are discussions being conducted

now by the National Unity Task Force; there are many voluntary organizations engaged in a discussion about the future of institutions in this country, and I would expect there will be much more speculation in the months to come about the future of the Senate, the House of Commons, and the court system. I feel it is perfectly legitimate that these discussions go ahead. I think it is very important that all senators be involved in these discussions and that it not be left exclusively to others to determine the future of our parliamentary institutions and other Canadian institutions.

Senator Flynn: Will the government have specific proposals before the referendum to which my friend referred?

Senator Perrault: Honourable senators, a number of discussions have been held in recent months involving provincial first ministers, the Right Honourable the Prime Minister, federal ministers and their provincial counterparts. A number of provincial representatives have discussed their desire to have greater input in the process of selecting senators. I have discussed the "pros" and "cons" of that idea personally. This is one of the options being discussed by many people. I welcome a free and open dialogue on the subject.

It seems to me, honourable senators, that in 1867 the Fathers of Confederation performed a monumental task in bringing about Confederation. Their plan, their format, was based upon the information and knowledge they had available to them at that time, and the Canada that existed then. In the next few months we will engage in the process of discussing what may be described as "re-Confederation." We should welcome discussion of the options. We have facts available to us in 1978 that were not available to the Fathers of Confederation, who created the original Confederation designed to meet the needs of the regions as they existed in 1867. They did the best they could with the resources and knowledge they had available. We should do the same in 1978.

Senator Flynn: Did I understand correctly that you said that in the next few months we should be able to propose something concrete? Is that a clear understanding of the Leader of the Government's proposal?

Senator Perrault: No, it is not a clear understanding. The press report, if the honourable senator will read on, further states that, when I was questioned with respect to my statement, I said I would expect that many of our institutions would be changed and modified in the next two to five years.

Senator Flynn: It may come after the referendum and mean nothing at all then.

Senator Perrault: Honourable senators, it is really speculation at this stage. The honourable senator realizes that there are ten provinces and two very important territories in Canada. We have a very complex Confederation, and to bring about any agreement concerning the future of our parliamentary institutions might take some time; it is very difficult to say.

Senator Flynn: I am not talking of an agreement. I understand that that may take some years. I am talking of specific proposals by the government, so that we know what the government has in mind before the referendum.

Senator Perrault: No decision has been taken on that subject as yet.

Senator Forsey: I wonder if I might ask a supplementary question. I was looking at the Speech from the Throne, and I find there the statement:

> The government will also be placing before Parliament, and in this way before the people of Canada, later in this Session, a measure that will contain a number of proposals relating to the Constitution of Canada.

I assumed that when the Leader of the Government was making those statements in British Columbia, which appear to have been badly reported, he was perhaps making some reference to the statement in the Speech from the Throne. I might add, perhaps, that in view of that paragraph in the Speech from the Throne and the numerous rumours that are circulating, I feel particularly strongly about the matter that I intend to raise on Thursday next.

Senator Perrault: Yes, the Speech from the Throne did contain that reference. It may well be that the government will have some proposals to place before Parliament in these areas, but no final decision has been taken. The other day I expressed only a personal view that we should look forward to some changes within the next two to five years. That was my personal assessment of the situation. Change could come sooner than that.

Senator Côté: Have any discussions been held, even though a decision has not yet been made?

Senator Perrault: I would assume that discussions are being held. I understand that discussions have been held. Certainly, meetings have been held with provincial premiers, asking them for their views with respect to federal institutions. I would think that perhaps we on the federal side may have some counter proposals with respect to the future of certain provincial institutions and responsibilities as well. What I think we are all attempting to do, regardless of party, is to find a way in which we can develop a better and more effective Confederation to serve the needs of Canadians from coast to coast. That search for a better Confederation certainly includes the future of our Canadian parliamentary institutions.

[*Later*]

Senator Riley: Honourable senators, I would like to direct a question to the Leader of the Government. When making his remarks outside the house, without making them first in the Senate chamber, he referred to regional representation. I would like him to elaborate on his remark with respect to regional representation.

Senator Perrault: Honourable senators, among other things, we are lacking in full regional representation at the present time in view of the fact that there are a number of Senate vacancies. It seems to me that it would be a useful action on the part of the government to make these Senate appointments as soon as possible and practicable.

Hon. Senators: Hear, hear.

Senator Perrault: I understand that negotiations are under way involving the party represented here by the Leader of the Opposition—a number of his colleagues—and the government. I hope those negotiations will lead soon to an increase in opposition strength in the Senate. However, the regions can only be represented adequately by active, working senators and presently we are under our total of 104 senators. I would hope that our numbers will be brought up to complement as soon as possible.

Senator Riley: I have a supplementary question, honourable senators. Is there any indication on the part of the government that these vacancies will be filled before the next election?

Senator Perrault: Honourable senators, that is a decision which is the exclusive prerogative of the Right Honourable the Prime Minister of Canada, and I cannot presume to say when these vacancies will be filled. However, I certainly hope that there will be additional representation soon from all of the regions where vacancies exist.

Senator Forsey: Honourable senators, I would like to ask a question arising out of that last answer, because I was under the impression that appointments to the Senate were not constitutionally made in quite the manner described by the Leader of the Government. Is the Leader of the Government aware that on May 1, 1896 the Government of Sir Charles Tupper passed an order in council which set forth a list of the prerogatives of the Prime Minister, which was re-passed over and over again down to 1935? I believe it has not been re-passed since. But it set forth that it was one of the exclusive prerogatives of the Prime Minister to make recommendations on the appointment of senators and of the chief justices of provincial courts and so forth. But the context clearly indicates that this meant recommendations to Council, rather than advice to the Governor General. I was under the impression—and I should like the Leader of the Government to clear this up—that in fact the advice was tendered by the cabinet, through the Prime Minister, of course, and that it was the exclusive prerogative of the Prime Minister simply to make recommendations to Council. I wonder if the Leader of the Government could clear that up for me? It is often said that the Prime Minister does the whole thing, but I wonder if that is constitutionally correct?

Senator Perrault: Well, honourable senators—

Senator Flynn: How were you appointed?

Senator Perrault: Let me say that it can be said with great truth that Prime Ministers have a great influence on the selection of members of this chamber. However, most certainly proposed Senate appointments are discussed in Council and—

Senator Flynn: Not for too long.

Senator Perrault: Some discussions take longer than others.

Senator Flynn: You don't know about yours.

Senator Riley: Honourable senators, I should like to put another question to the Leader of the Government in the Senate. Is there any indication that the western provinces will have increased representation in the Senate?

Senator Perrault: Honourable senators, I understand that several months ago a proposal along these lines was contained in a letter sent to the western premiers. That correspondence was tabled in this chamber in February 1977. It was to the effect that one possible alteration in Senate representation would be increased representation from certain western provinces because of rapid population growth. The proposal involved, I believe, increased representation for Saskatchewan, Manitoba, Alberta and British Columbia. I believe all four western provinces were involved.

This proposal—and I understand that it was merely a proposal—was set forth in view of the fact that the western provinces generally are under-represented on the basis of population. However, one should bear in mind that the Senate has never been a body which has seen representation merely on the basis of population.

FOREIGN AFFAIRS

GOVERNMENT POLICY RESPECTING SOUTH AFRICA AND OTHER COUNTRIES—QUESTION ANSWERED

Senator Perrault: Honourable senators, a question was asked by Senator Lang on Tuesday, December 20, with respect to South Africa. He asked whether:

> —Canada is considering phasing out government-sponsored, commercially-supported activities now carried on in any of the 17 civilian-ruled, one-party states, and the 10 military dictatorships which exist elsewhere in Africa.

The answer is no.

He next asked:

> Is Canada, for the same reasons, considering phasing out any government-sponsored, commercially-supported activities elsewhere in the world?

A number of countries were listed. The answer is no.

The honourable senator's third question was: If no is the answer to either question, then why not?

As the Secretary of State for External Affairs pointed out in his statement of December 19, 1977, while there are clear violations of and disregard for human rights in other countries of the world, South Africa "stands apart as a country which makes decisions affecting human beings on the basis of race and colour." It is for this reason that the government decided that South Africa was a unique situation warranting exceptional measures.

PENITENTIARIES

QUALIFICATIONS OF NEW COMMISSIONER—QUESTION ANSWERED

Senator Perrault: Honourable senators, on December 12 of last year, Senator Forsey referred to Mr. Yeomans, the newly appointed Commissioner of Penitentiaries, and asked:

What knowledge or experience does this gentleman possess in the field of criminology?

As indicated in the press release announcing Mr. Yeomans' appointment—I have a full copy of this release, which I would not presume to read at this time—Mr. Yeomans has had considerable experience as a manager in the private sector and in the public service. However, he has had no direct involvement in criminology. I have a list of the positions he has held, which I will be pleased to make available to Senator Forsey. If the honourable senator would like to have this as part of the Senate record at some point, the Senate could be asked to concur in that request.

Senator Forsey: I have it already.

TRANSPORTATION

EXTENSION OF PASSENGER FACILITIES AT WHITEHORSE AND WATSON LAKE AIRPORTS—QUESTION ANSWERED

Senator Perrault: Honourable senators, Senator Lucier is not present this evening, but on December 15 he asked a question about the extension of passenger facilities at Whitehorse and Watson Lake Airports. He stated that the airport facilities at these two points are below standards acceptable under present traffic loads, and certainly will be severely overloaded with the building of the pipeline and other potential development in the Yukon.

● (2020)

The reply which I have received from the office of the Minister of Transport is in the form of tables. I would ask the leave of the Senate to have these tables appear as part of today's record.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

(*The tables follow:*)

WHITEHORSE

Project Recently Completed			
Air Terminal Building Renovation	$50,000.00	Completed	April 1977
Project Pending Completion			
Preliminary Lot Grading	$50,000.00	Completion to	be March 1978
Approved Program	1978/79	1979/80	After 1984
Replace Water and Sewer System	$342,000.00	$744,000.00	
* New Air Terminal Building		$6,951,000.00	
* New Fire Hall			$429,000.00
* Sand Storage Building			$110,000.00
* Aviation Commercial Development Services			$960,800.00
Repairs to Taxiway L	$94,100.00	(Contract let—work to start 1978)	
** Repairs to Hangar B Apron	$152,700.00	(Funds yet to be identified)	
Project Under Development			
New Taxiway to Commercial Area—Phase 1			

WATSON LAKE

Approved Program	After 1984
* Extend Runway 08-26	$801,000.00

Watson Lake Extend Runway project is under review at present, CPA has asked for a major extension, but as there were questions about the proper alignment and major topographical constraints, a complete review and alternative cost estimates are underway. A Regional decision will be made about February 1, 1978 whether this item will be included in the Five Year Plan. If a 1000-1200 foot extension is required the TEC could be $3 or $4 million.

	1978/79	1979/80	1980/81	1982/83	After 1984
*—Improvements to Airport Entrance Road				$374,000.00	
*—Expansion of Air Terminal Building					$795,000.00
—Reconstruct portion of Air Terminal Building and Air Craft Parking Apron		$42,600.00		$81,100.00	
—Pave Maintenance Garage Parking Apron					

	1978/79	1979/80	1980/81	1982/83	After 1984
—New Power House Distribution Load Centre		$245,400.00			
—Provide Blast Pads, Approaches to Runway 08-26					$77,000.00
—Stop Lights Public Entrance Road			$36,800.00		
—Replace Aeradio Receiver					$25,000.00
—ILS RVR Runway 26	$320,200.00	$133,600.00			
*—Replace 5 Houses					$275,000.00

* Program Approval Documents not approved.
**Source of funding not yet identified.

THE HONOURABLE MARTIAL ASSELIN, P.C.

FELICITATIONS ON RETURN TO CHAMBER

[*Translation*]

Senator Flynn: At this point, I want to extend our welcome to Senator Asselin.

He has been ill but, indeed, looks very fit today. I am sure all of us here are happy to see him again, especially we of the opposition who have great need of his support and talent.

Senator Perrault: I am very happy to welcome our colleague Senator Asselin who comes back to us this evening apparently in good health. We extend our very best wishes to him.

Senator Bourget: Honourable senators, I join Senator Flynn and the Leader of the Government in the Senate in saying how happy we are to see Senator Asselin back with us again.

I have already told him—I did so when we met elsewhere—how fit he looks. I trust he will remain with us a long time. I am sure all senators join us in telling him how very happy we are that he is back with us.

Senator Asselin: Honourable senators, naturally, after several months of absence, after a rather serious illness, I am deeply moved to be back with my friends of the Senate. I must say I missed them tremendously. What encouraged me most was the fact that I received from my colleagues, on both sides of this chamber, "get well soon" wishes. I can assure you they did wonders for my morale during my recovery which I trust will last a long time.

I also thank you, Madam Speaker, for the wishes you sent me when I was in hospital in Chicoutimi.

I can tell you the doctors say I am in great shape. I have come back, first of all, to help my party continue to defend the rights of the loyal opposition, and, secondly, to help the Senate achieve its objective and play its role with regard to the Canadian nation. I thank you.

[*English*]

● (2030)

Senator Connolly (Ottawa West): Honourable senators, I should like to add my word of welcome to Senator Asselin. Like Senator Côté, I understand very well some of the problems he had. All I can wish for him is the kind of recovery that the doctors who looked after Senator Côté and myself brought about. Since he is such a young man, I am sure that that is entirely possible, and I hope it will happen very soon.

INCOME TAX ACT

BILL TO AMEND AND TO ESTABLISH THE EMPLOYMENT TAX CREDIT PROGRAM—SECOND READING—DEBATE ADJOURNED

Hon. John J. Connolly moved the second reading of Bill C-23, to amend the Income Tax Act and to establish the Employment Tax Credit Program.

He said: Honourable senators, I begin by apologizing for overexposure. One of the last speeches you heard before the Christmas recess was from me on taxation.

Senator Flynn: How do you know we remember?

Senator Connolly (Ottawa West): I do not say you do, but perhaps you do remember that at that time I wished you all a good Christmas season. Now, on your first attendance in the Senate in the new year, you are again to be inflicted with a speech from me, and again on taxation. However, it does give me an opportunity to wish all honourable senators a good 1978.

Bill C-23, by clauses 1 to 6, amends the Income Tax Act, and by clause 7—which is an unusual piece of draftsmanship—it establishes what is to be known as the Employment Tax Credit Program. The purpose of the program is to foster employment in the private sector, and the first six clauses of the bill indicate the way in which this will be done through the medium of the Income Tax Act.

The encouragement that is to be given to the provision of employment in the private sector is distinguished from the encouragement to be provided through the public sector by way of the Canada Works Program, the Young Canada Works Program, the Labour Intensive Program, and others, all of which involve the expenditure of funds directly through the public sector. I am told that some $600 million has already been allocated to that purpose for this fiscal year.

The Employment Tax Credit Program is an incentive to Canadian business by reducing the cost of wages paid for new jobs which employers create. A new job, generally, may be defined as one that has been created primarily because of this

program and which would not be created were the program not in place.

We are not talking here about cash payments to business. We are not talking about grants, subsidies, or subventions. This is a tax credit to business. It will result in a deduction from the tax otherwise payable by the employer. The program will be administered by the Canada Employment Immigration Commission, which operates the programs of the Department of Employment and Immigration as well as the programs of the Unemployment Insurance Commission.

This program is designed, in the first instance, to last for two years. The credit which employers may build up through the program will be reflected in the income tax returns of those businesses which earn the credit. This credit, of course, will also be monitored by the tax department through the filing of tax returns which will reflect those credits.

Let me say a word, first of all, about the amount of the credit, which will be higher in regions of higher unemployment. It will be $2 per hour per worker in the four provinces of the Atlantic region, and in the Gaspé Peninsula as it is defined in the bill. It will be $1.75 per hour per worker in regions prescribed under the Regional Development Incentives Act. These are parts of Quebec, Ontario, Manitoba, Alberta, British Columbia, the Yukon Territory and the Northwest Territories and the whole of Saskatchewan. It will be $1.50 per hour per worker in all the other regions of Canada.

Honourable senators may find this somewhat confusing without having a map in front of them and not knowing precisely the designated regions outside the Atlantic region. I have the maps with me, but this is a bill which should be considered by the Standing Senate Committee on Banking, Trade and Commerce at the appropriate time, and in committee, if honourable senators are interested in specific areas and the amount of credit applicable to those areas, the maps will be available and the officials will be able to indicate for each region the amount that applies.

Today, honourable senators, businesses, both incorporated and unincorporated, usually have their income tax returns prepared by accountants. When those directing the business look at the report that the accountants make they will see, first of all, that all the expenses incurred in wages and salaries, including the expenses incurred in creating the new jobs which this program envisages, continue to be deductible expenses. So the expenses incurred through the creation of these new jobs will be deductible, as are any other legitimate expenses of the business.

Having made that provision in the tax return, the auditor will, of course, be able to compute the tax credit on the basis of the number of hours worked at the rate applicable in the region where the work is carried out. The auditor will have a special tax schedule to support the claim for the tax credit which is to be filed by the business concerned.

The auditor will then compute the taxpayer's taxable income. That income, I should add, will, as a result of this legislation, if it is passed, include the actual "amount" of the tax credit as part of the income and I shall give an example of that later.

The auditor, having computed the taxable income of the business, will then deduct the full amount of the employment tax credit from the tax which would otherwise be payable by that business.

In order to give you an example of that, honourable senators, let me take, first of all, the case of an employer in the Atlantic region who creates one job for which he is going to pay $5 an hour. It is a job that involves working a 40-hour week, and for the sake of easy figuring let us say that it lasts for 30 weeks. That job, then, entails 1,200 hours, and at $5 an hour it will cost the employer $6,000.

• (2040)

The employment tax credit for that job will be based on the $2 rate for the Atlantic region times the 1,200 hours, which means that the employment tax credit will be $2,400. As I have said, this credit is taxable so it is included now in the income of the taxpayer. The accountant, having added the $2,400, the amount of the tax credit, to the employer's other business income, and having computed the tax payable by that business for that taxation year, will then deduct from that computed tax the $2,400 tax credit.

Honourable senators, the top rate of corporate income tax in Canada is 46 to 48 per cent, depending upon the province, but I should like to use a rate of 50 per cent to simplify my example. The average rate for a small business might be 25 per cent. I should, therefore, like to use these rates of 50 per cent and 25 per cent to illustrate how this program will work for a large business—a taxpayer who pays up to the maximum of the marginal rate in the Atlantic region—as well as for a small business in the region. I am talking now about the situation where the tax credit is $2,400, made up of 1,200 hours of work at $2 an hour.

For a large business, one whose marginal rate of tax is 50 per cent, the tax on $2,400 would be $1,200. So the saving, the incentive, the net benefit to the large employer, would be $1,200. For the small business, whose rate of tax is 25 per cent, the tax would be $600, and the saving, the incentive or the net benefit for the small business would be $1,800.

Senator Flynn: It would get a credit.

Senator Connolly (Ottawa West): The wage bill for that job at $5 an hour for 1,200 hours is $6,000. But the incentive that the taxpayer will enjoy, if it is a big business, is $1,200. So the job will actually cost $4,800 instead of $6,000.

Senator Flynn: But in tax. You said that it is a credit on the tax and not on the balance sheet.

Senator Connolly (Ottawa West): Oh, yes, of course.

Senator Flynn: But if it has to pay $1,200 in income tax it gets a credit of $1,800, as you said before. It would get a credit. The government would have to reimburse it $600. Is that it?

Senator Connolly (Ottawa West): No. I am afraid the honourable senator has not followed my example.

Senator Flynn: I am sorry.

Senator Connolly (Ottawa West): Let me finish with the small business. It is going to cost the small businessman the same $5 an hour for 1,200 hours, or $6,000. On the tax credit that was computed of $2,400, he would have paid $600 tax. So he has an incentive, a saving, or a net benefit of $1,800, after having paid his $600 of tax. He has a saving of $1,800 on a $6,000 job, which job now costs him only $4,200.

The larger company, which I was dealing with when Senator Flynn asked his question, having a wage bill of $6,000 normally will have paid a 50 per cent tax on the amount of the credit of $2,400, or $1,200. It will have had a saving, an incentive, or a net benefit of $1,200, so the cost of the $6,000 job for that company is going to be $4,800.

Senator Flynn: But this is my question: Is the credit applied to the income, the net income, or to the tax payable? From the way it was explained it appeared that it was applied to the tax payable, which is quite different.

Senator Connolly (Ottawa West): I am not making myself as clear as I should. Perhaps I can explain it by saying that the credit in this case is computed in a simple arithmetical way—$2 times 1,200 hours equals $2,400. That is not a grant and it is not a loan, and, all other considerations apart, that is not the only figure you work on.

Senator Flynn: Agreed.

Senator Connolly (Ottawa West): You must remember that the proposal in the measure is to tax the amount of that credit as income. Having taxed it as income at the marginal rate which the employer pays, his overall tax is then determined. When that overall tax is determined, the $2,400 is a tax credit that is applied to that overall tax payable to reduce it by $2,400.

I see Senator Flynn shaking his head. Well, I shook my head many times before I finished trying to work out this arithmetic, and I really think it will take some consideration in the committee to get it clear. However, once it has been clarified it will not be too difficult to understand.

It is obvious from what I have said, honourable senators, that the greater incentive for the creation of new jobs is given to the small business enterprise. In each case, both for the large taxpayer and for the small taxpayer, there is, as you see from my example, a considerable incentive, because it will cost the large taxpayer $4,800 to provide a $6,000 job while it will cost the small taxpayer $4,200 to provide a $6,000 job.

I am informed, honourable senators, that the tax credit is more generous than a non-taxed grant would be. It may be more difficult to understand, but apparently it is more generous, because for the same cost to the treasury a non-taxable credit, I am informed, would be about one-third lower. Instead of rates of $2, $1.75 and $1.50, which are the rates proposed in the bill, they would be $1.33, $1.17 and $1 if it were an untaxed grant.

In one year the estimated cost of the program is $100 million. That is worked out as follows: The value of the credits

[Senator Connolly (Ottawa West).]

which it is expected will be granted will be $140 million. By taxing the amount of the credit first, before allowing for the deduction of the credit, the tax take will be $40 million or about one-third of the value of the credits. Therefore the balance will be $100 million. That is the expected cost of the program to the treasury.

• (2050)

I am also informed that provincial revenues will increase by $14 million because of the taxation of the credit.

Senator Flynn: Are you suggesting that the provinces will adopt the same policy, or will amend their income tax acts?

Senator Connolly (Ottawa West): This is independent of any provincial program. Because of the federal-provincial fiscal arrangements which prevail, I am told that the provinces will have their revenues increased by $14 million. I understand that is an estimate.

It is expected that 50,000 jobs will be created in each of the two years of the program. However, it is obvious that an imaginative response will be required from the private sector in order to make the program work.

I should mention also that the tax credits that are available in the program may be carried forward for five years if they are not needed in the immediate year in which they are earned.

There are a few terms that are used in clause 7(6) of the bill which I believe merit some attention. First there are the words "eligible employment." What is the type of employment that is eligible under the program, and what is the nature of the job? The answer is that the job must last for at least three months for the employer to receive the benefit of the tax deduction, and the benefit will continue for a period of nine months in a taxation year. There is provision in the bill whereby—this will be fixed by regulation—the credit could be earned during 12 months instead of during nine months as now suggested.

It is hoped that most of the newly created jobs will be permanent, but it is estimated that only 25 per cent can be relatively assured of being permanent.

The term "eligible employee" is used. To be eligible for the program an employee must be registered at the Manpower Centre employment office; he must have been unemployed for eight weeks, and looking for work. He will be referred to the new job by the Manpower Centre, which will issue a certificate to him to the effect that he is, in fact, an employee eligible for the program.

An eligible employer can be a business, incorporated or unincorporated, which pays taxes. The credit is not the only incentive for employers to join the program, because the deductions can also apply to the tax instalment payments which corporations are required to make monthly.

I should explain that excluded from the program are temporary jobs, jobs providing a personal service such as performed by maids, chauffeurs, butlers, and so on, and jobs created for relatives of the owner or of senior management of an employer company.

I am told that the regulations will require the completion of a simple form of agreement which the employer will make at the time he informs the employment office of the existence of a new job. To qualify for the tax credit the employer must certify to the Manpower office that the job would have been impossible for him to create without the tax incentive. Probably the agreement will show the nature of the job, the rate of pay, the hours of work, the fact that there is prospect of it's becoming a permanent job, and that the employer will comply with both the act and the regulations.

The Manpower offices will be the agencies which will refer eligible employees to eligible employers.

It is expected that the program will commence on March 31, 1978. All agreements with reference to the program must be signed, completed and in being within two years, namely, by March 31, 1980. However, there is provision that if agreements are made toward the end of the two-year period, they can run out through March 31, 1981.

There are one or two other minor incidental changes which are referred to in clauses 2, 3 and 4. They refer to the capital cost of depreciable assets, the deductible portion of expenditures for scientific research, and the adjusted cost base of the depreciable property.

Since all of these investment incentives reduce the cost of items of capital investment, such as buildings and equipment, the capital cost for depreciation purposes under the tax act will now be reduced by the amount of these incentives. These clauses of this bill ensure that if a taxpayer does not claim his investment tax credit—because, for example, for certain years he was not taxable—the capital cost of the investment will not be reduced for the purposes of depreciation. I believe that to be a very simple but very important point to understand.

Clause 5 provides that if a company entitled to employment tax credit amalgamates with another company, the tax credit will follow the amalgamation into the resulting company. Likewise, if a company's subsidiary is wound up by the parent, the parent company can assert the tax credit which the former subsidiary could have asserted.

Clause 5(2) deals with co-operatives, and provides that the tax credit can be deducted from the 15 per cent tax which is withheld from patronage dividends. It also provides that the tax earned by a trust, as an employer, can be apportioned among the beneficiaries of the trust.

Honourable senators, I recommend the bill to the Senate.

Senator Denis: May I ask the honourable senator a question? In giving the estimate of the cost as being around $100 million, was there taken into account the amount of money that would be paid back by the employee who would himself be paying income tax? Was any consideration given to the amount of money the employee would receive from unemployment insurance? Also, because of his having a new employee, an employer would earn more money and would therefore pay more tax. Were those three points taken into account by the honourable senator in giving us the estimate of cost?

• (2100)

Senator Connolly (Ottawa West): Actually, the information that I have been given about the cost of the program did not include references to the two matters that the honourable senator has raised. I think it might be rather difficult to estimate what the take might be from the tax payable by people who are employed under this program. While there is a provision that the hourly rate must not be less than the amount of the allocated or established amount for the region—$2.00, $1.75, or $1.50—perhaps some of these jobs will be such that the employee will not be taxable. There are a good many people in this country who are working, and earning, and who still pay no income tax. There may, however, be some help to the exchequer on that point.

Certainly, if a person who is hired for one of these jobs had been on unemployment insurance, those unemployment insurance payments would not be made, and they would, of course, be of assistance to the treasury.

Senator Manning: Does the bill impose a limitation on the number of employees that any one employer can hire under the tax incentive program?

Senator Connolly (Ottawa West): I think not. I think the number is immaterial, providing the employer can satisfy the officials who administer the scheme that without the program it would be impossible for the employer to create the jobs in question. I think that is the only test. It has to be a new job that it would not have been possible to offer if it were not for the incentive provided by the program.

Senator Manning: May I ask a supplementary to that? Take a small new industry that might be made financially feasible by virtue of this type of tax assistance. It seems to me that unless there is some provision made to distinguish between existing businesses and new businesses which could be started up under this program, and taken full advantage of in that way, you might have all the employees qualifying, in such new businesses, as against those of industries of the same type that have already been in business, and where there might be opportunity to create only one or two new positions. Obviously, this would create a pretty serious discrimination as between the respective positions of those two companies with regard to the amount of public assistance given to them. Is that type of situation taken care of in the bill?

Senator Connolly (Ottawa West): There is no specific reference to that in the proposed legislation, but the question was raised in Committee of the Whole in the House of Commons, and it was clearly stated by the minister who had the carriage of the bill that new businesses just starting would not qualify for this program. It would be, I think, highly unfair for existing businesses to have new businesses come in and qualify for the program, even though it is only a two-year program.

Senator Flynn: When you say "new businesses," do you mean a new corporation, or a new operation of an existing company?

Senator Connolly (Ottawa West): I think the wording of the regulations will have to be very clear on that. I would think

that a new employer coming into being as an employer, and never having been a taxpayer before, would not be able to qualify. Again, I think that is a point for the committee.

Senator Forsey: I wonder if I might ask Senator Connolly a question. I may have missed some part of his explanation on this, and if so I apologize; but on clause 6 I wonder if there is any particular reason for leaving the definition of the terms "eligible employee", "eligible employment", and "eligible worker", to the Treasury Board, on the recommendation of the Minister of Employment and Immigration. I wonder why those definitions could not be included in the legislation?

Senator Connolly (Ottawa West): Did the honourable senator refer to clause 6 of the bill?

Senator Forsey: Yes. Wait a minute. I am sorry. It is clause 7, subclause (6).

Senator Connolly (Ottawa West): I am afraid that because the honourable senator referred to clause 6 I was paying attention to that clause instead of to what he was saying. Would he repeat his question? I am afraid I did not hear it.

Senator Forsey: I am sorry. It was my stupid mistake.

In clause 7, subclause (6), on page 8 of the bill, we have the following:

> (6) On the recommendation of the Minister of Employment and Immigration, the Treasury Board may make regulations
>
> (a) defining the terms "eligible employer", "eligible employment" and "eligible worker";

I wondered if I had missed an explanation which the honourable senator had given of the reason for leaving those terms to be defined by regulation rather than defining them in the legislation itself. It is not obvious to me why that should be done.

Senator Connolly (Ottawa West): I have that same difficulty, I confess. I thought perhaps they might have been able to spell that out, although it would have made the bill a good deal longer.

What I have given by way of explanation of those terms, I am told, is going to be the substance of the regulation that will be made with respect to this. With regard to whether the procedure is a good one or not, perhaps the honourable senator would come to the committee and question the officials when that time comes.

Senator Forsey: I shall.

On motion of Senator Phillips, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, February 1, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

[*Translation*]

THE HONOURABLE JEAN MARCHAND, P.C.

NEWSPAPER ARTICLE—PRIVILEGE

Hon. Jean Marchand: Honourable senators, I should like to speak very briefly on a question of privilege and rectify a situation that concerns me, and also concerns the Senate as a whole because I feel the Senate has the right to know what happens publicly that can affect any one of its members.

In today's newspapers and on television last night, mention was made of my public apology to the Crown attorney, Mr. Berzins, who was in charge of the case resulting from a car accident in which I was involved a few years ago.

I have no intention of altering the statement I made jointly with Mr. Berzins. I should not want to involve the Senate in any way, directly or indirectly, in that debate.

So, what I said about Mr. Berzins—that is, the statement I made about Mr. Berzins which I withdrew—I have withdrawn. I do not want to criticize what has been the subject of lengthy discussions. However, there are two points I should like to draw to the attention of honourable senators.

First, I am sorry that the *Globe and Mail*, for instance, published only part of my statement—that is the one that refers to Mr. Berzins—and that it did not publish the part which concerns me and which was also signed by Mr. Berzins.

Second, though it may be true that I may have misinterpreted or even, let us say, did in fact misinterpret the case before the court, and that I held Mr. Berzins responsible for something for which he was not, I have not changed my mind about it. The fact remains that, in that case, not only do I have the impression but I have the conviction that I was not treated like an honourable citizen, or fairly.

[*English*]

NATIONAL CAPITAL REGION

SPECIAL JOINT COMMITTEE—COMMONS MEMBERS

The Hon. the Speaker informed the Senate that the following message had been received from the House of Commons:

> Ordered,—That a Message be sent to the Senate to acquaint Their Honours that the following Members have been appointed to serve on the part of this House on the Special Joint Committee on the National Capital Region, namely: Messrs. Baker (Grenville-Carleton), Clermont, Corbin, Darling, Ellis, Francis, Gauthier (Ottawa-Vanier), Harquail, Isabelle and La Salle, Mrs. Pigott and Messrs. Poulin, Rondeau, Saltsman and Stewart (Cochrane).

Alistair Fraser
The Clerk of the House of Commons.

AIR CANADA BILL, 1977

CONCURRENCE BY COMMONS IN SENATE AMENDMENTS

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that they had agreed to the amendments made by the Senate to Bill C-3, respecting the reorganization of Air Canada, without amendment.

Senator Perrault: Honourable senators, I rise to point out that in the course of the discussion of the Senate amendments in the other chamber, lavish praise was heaped upon members of the Senate for the excellent work they did with respect to improving this particular bill. I think it is worth pointing this out because from time to time the Senate is attacked and criticized by the uninformed.

Senator Flynn: Honourable senators, may I point out that the lavish praise was given by the opposition and not by government members.

Hon. Senators: Hear, hear.

Senator Perrault: Surely we must keep politics out of things like this?

Hon. Senators: Oh, oh.

DOCUMENTS TABLED

Senator Perrault: Honourable senators, in a non-political way, it is an honour to table the following documents:

> Capital Budgets of Eldorado Nuclear Limited and Eldorado Aviation Limited for the year ended December 31, 1977, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copies of Order in Council P.C. 1977-600, dated March 10, 1977, approving same.
>
> Report of the Department of Supply and Services, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 12 of the Department of Supply and Services Act, Chapter S-18, R.S.C., 1970.
>
> Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between Treasury Board of Canada,

Ottawa, Ontario and the group of its hospital services employees, represented by the Public Service Alliance of Canada. Order dated January 26, 1978.

Report of the National Capital Commission, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

THE SENATE

Senator Flynn: Honourable senators, when Senator Marchand rose on a point of privilege, I was wondering whether he was going to deny the rumour that he is soon to replace the present Leader of the Government in the Senate. Has the leader some comment about that?

CANADIAN BROADCASTING CORPORATION

DOCUMENTARY PROGRAM *THE FIFTH ESTATE*—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 1—**by Senator Bosa:**

1. Why did the CBC *Fifth Estate* documentary dealing with Canada's foreign aid program, shown on the national network on 4th October, 1977, lump together a perfectly honest and worthwhile project of assistance to the earthquake victims of Friuli, Italy, and other controversial and much criticized foreign aid programs?

2. Why were Mrs. Claudia Persi-Haynes and Mr. Maragna, who live in Canada, asked for their opinions of the Friuli project, instead of consulting the residents of the area involved who will benefit from the aid program?

3. Were Mrs. Persi-Haynes and Mr. Maragna invited to Friuli for the filming of the documentary and, if so, were their expenses paid by the CBC and did they receive any compensation for taking part in the program?

4. Is it the intention of the CBC to broadcast an objective account of the assistance Canada has given the Friuli earthquake region?

Senator Perrault: Answered.

1. The program in question was an examination of international disaster aid as a general topic and it was therefore necessary to make reference to a number of examples in order to deal with the specified theme. The aid programs mentioned were spread over some years and varied in their size and the success of their results.

2. Both Mrs. Persi-Haynes and Mr. Maragna were interviewed in the program as Italian-speaking people with good English who were present on the scene and held opinions relevant to the theme of the program. Mr. Maragna, an architect, had been involved personally in the aid project. Their contributions did not exclude the opinions of local residents, a number of whom were also interviewed.

[Senator Perrault.]

3. Mrs. Persi-Haynes, who lives in Canada, was in Italy on vacation at her own expense. The CBC production team arranged with her to provide some on-the-spot assistance, essentially as a translator, in the course of the filming assignment. She was paid the usual fee for these services. Mr. Maragna's contribution was purely that of an interview subject. He received no fee from the CBC, and the Corporation was in no way involved in his presence in Italy.

4. Although no definite program plans exist at present, it is the CBC's intention to continue to watch developments in the field of Canadian aid to the Friuli earthquake region as well as to other overseas disaster zones, against the possibility of future reports where events seem to justify them.

INCOME TAX ACT

BILL TO AMEND AND TO ESTABLISH THE EMPLOYMENT TAX CREDIT PROGRAM—SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Connolly (Ottawa West) for the second reading of Bill C-23, to amend the Income Tax Act and to establish the Employment Tax Credit Program.

Hon. Orville H. Phillips: Honourable senators, my first remarks must be to congratulate Senator Connolly on his explanation of Bill C-23. It is interesting to note that Senator Connolly's explanations have improved since he resigned as Leader of the Government in the Senate. This may be a coincidence but, on the other hand, I am sure we are all looking forward to the day when the Honourable Senator Perrault joins the other three dozen of the federal cabinet in resigning, and we are looking forward to the election of a new government. Then I am sure that in this chamber we will have a very explicit explanation, one that I am sure Senator Connolly was attempting to achieve last night.

● (1410)

The unemployment problem has been one that has occupied this chamber occasionally, and it has taken up the time of the other place on numerous occasions. Apparently it has now become almost mundane to mention the word "unemployment". The efforts of this government have been fruitless in many ways in many fields, but the efforts of this government in dealing with unemployment can only be described as absolutely barren.

We should recognize the fact that over one and one-quarter million Canadians are looking for work at the present time, and their numbers increase by approximately 50,000 per month. If this bill is to achieve its most inflated or most hopeful expectations it will provide 50,000 jobs per year.

We are now in the month of February, and the number of unemployed will, according to government statistics, increase. This does not include those who were not invited to join these statistics. Honourable senators will recall that in, I believe it was, April of last year I moved a motion drawing the attention

of the Senate to this problem, and at that time I explained that many Canadians were not included in the unemployment statistics.

In the month of February, the number of unemployed will increase by 50,000. And what does this bill provide? It provides, at its most optimistic or, put more popularly, its most inflated figure, 50,000 jobs per annum. In other words, honourable senators, you are looking after February's unemployment increase. You are doing nothing more than taking part in a comedy, as 50,000 people will become unemployed next month. Honourable senators, what are you doing about March, April, May and June? You are doing nothing.

It would be unfair of me to suggest that Bill C-23 has a motivation other than in connection with the record number of unemployed. It would be unfair of me to suggest that the government has in mind certain events which are coming up, possibly, I hope, in June. It would be really unfair of me to suggest that the government is trying to hide these figures and keep them from the electorate. Therefore, I will be my usual fair self and not suggest that. However, I am sure you will forgive me if I have a quiet little chuckle when the unemployment figures come out in May—that is, if they come out in May which I really doubt because there will be an election in June and I expect them to be smothered, condensed, or whatever you wish.

Honourable senators, this bill has had a rather unusual introduction. It began back before the last session ended, when the Conservative Party was asking for some tax relief. Then, of course, we had a Throne Speech, to which Senator Forsey made reference last evening. It is rather intriguing to follow the introduction of the government legislation in the Throne Speech, which has no relationship whatsoever. However, this program was announced in October and we must remember that the unemployment figures were becoming rather drastic at that point in time. Then we had the mini-budget, with all its publicity. The government, by buying half the TV time available, spent half the amount available under this bill to publicize it.

Senator Perrault: Public information.

Senator Phillips: Public information; but you had no information to give, Senator Perrault.

Mr. Chrétien went on to suggest godsends. The term "Santa Claus" has an awful lot of variations. In Holland I believe he is a sort of chimney-sweep, but the government did not even come close to being a chimney-sweep.

● (1420)

Honourable senators, I was intrigued by the manner in which the Minister of Finance made his announcement on television. There was considerable difference between the announcement made on television and that which was made before Parliament. On television he was more elaborate and lucid when asked what the final result might possibly be, when he replied, "Well, I don't know. It could be 10 per cent or about 10,000 jobs, or it could be successful and provide the maximum number of jobs we suggested."

As I say, I was rather intrigued by this. I thought that the minister was being honest, and when you have a Liberal cabinet minister being honest you have to sit up and take notice. But then I suddenly understood the problem—Chrétien did not have sufficient knowledge of the tax credit program, and the government had not completed its study; it had only set an objective and was attempting to get away with just that.

Honourable senators, we can expect 10,000 jobs rather than the 50,000 jobs talked about by Senator Connolly yesterday. It is interesting to compare Senator Connolly's introduction of this bill in the Senate with the introduction made in the other place. There is just no one there of his calibre to do the job. The individual who introduced the bill in the Commons said, "Well, a lot of our problems are due to international problems. You know, the government can't really be responsible for what goes on in the rest of the world."

Honourable senators, can you tell me how Idi Amin, for example, has created any unemployment problems in Canada? I doubt if you can. The truth of the matter is that our problems are of our own making. Our problems are simply that we have had 15 years of Liberal administration, and now is the time to end it. It has to end. There is no excuse for the present situation. We must consider alternatives to Bill C-23. The Progressive Conservative Party has recommended a general tax reduction in the hope that such a measure, along with a reduction in corporate tax and the restoration of confidence in our dollar, will result in the employment of more people.

Apparently, however, the government is not of the same view. According to the Honourable Mr. Cullen, the "Minister of Unemployment", tax reduction is too simple. The next time any one of you receives a phone call from someone who is unemployed, as I often do, I hope you will say that you find it too simple a matter to deal with and refer the caller to Mr. Cullen.

Honourable senators, this government is ignoring a million and a quarter unemployed Canadians. I remind the government that on June 15 of last year I initiated a debate in the Senate on unemployment. That debate was adjourned by Senator Croll and he has yet to speak on it. I find that rather confusing. Is the government simply not interested in the million and a quarter Canadians who are looking for work?

The concept behind Bill C-23 was copied from a program introduced by the Ontario government through which it offered private industry an amount per hour to employ students. And I don't think that even the Province of Ontario would say that the program came up to their expectations. Indeed, it found that a considerable number of private business firms said, "Nothing doing; we are not interested in a program which involves so many regulations." I think that is something that we must consider carefully. What alternative does the Government of Canada have for students?

● (1430)

Last evening Senator Forsey questioned the fact that it is the Treasury Board which will prescribe and develop regulations. And it is rather interesting, honourable senators, that

the bill specifies that this shall be done by Treasury Board. Often in the past I have objected to the fact that the Governor in Council was given the authority to prescribe regulations, but here this power is given to the Treasury Board.

Honourable senators, if this program is going to be developed and put into effect by March 1, then somebody will have to light a fire under the Treasury Board in order to get them going by that date. Senator Croll, they won't get around to it before October 1, and the election will be in June, so you had better get them moving!

One then has to question how the regulations are going to be developed. Regulations made by the Governor in Council will, if we are lucky, be published in the *Canada Gazette*, but what happens in the case of regulations made by the Treasury Board? Where does a manufacturing firm in, say, Windsor or Truro go to find out about these Treasury Board regulations? It is all very well to say that the government is going to spend $1½ million advertising these programs but, honourable senators, where are they going to advertise them? What are they going to get in return for that $1½ million? You only have to talk to some honourable senators to realize that they do not have too much trust in this. For myself I think it is dangerous for us to approve a bill that provides that the regulations will be published by such-and-such a firm because you can be sure that that firm will not be owned by a known Conservative, but by a known supporter of the government.

It is odd that I should distrust a supporter of the government, isn't it? I have mentioned that I dislike the idea that the Treasury Board should make the regulations, but I dislike even more the idea that three departments of government are to be involved—Treasury Board, Finance and "The Ministry of Unemployment." We are heading for a bureaucratic mess.

Honourable senators, last evening Senator Connolly (Ottawa West) mentioned the regional tax credit disparity. Today I find myself questioning his figures. I do not question them, Senator Connolly, as someone questioning your legal ability, but I would never hire you as a tax accountant, because obviously you forgot certain items.

Let us consider, for instance, a firm that has a taxable income of $100,000, and which then hires a number of employees for $20,000. I do not think you would suggest that that is an unreasonable figure to use. That would then raise the taxable income to $120,000. Am I wrong in my interpretation up to now, Senator Connolly?

Senator Connolly (Ottawa West): You are doing all right.

Senator Phillips: I am doing all right? Okay. Then federal taxation comes in. That firm, which may have been taxed at the rate of 25 per cent before the $20,000 was added, ends paying a tax of 33⅓ per cent, or one-third, of the $120,000, which is $40,000. However, without your incentive grant, senator, you end up paying a tax of 25 per cent, or $25,000. Therefore, your figures are not exactly correct. How is that for diplomacy? Instead of saying the honourable senator is wrong, I say that his figures are not exactly correct. The honourable senator has not included in his calculations the provincial tax, which will average between 10 and 12 per cent of the taxable amount. Here again, it applies to the whole of the taxable amount, and Senator Connolly, being a lawyer, should recognize that.

• (1440)

Yesterday evening the sponsor of the bill attempted to give us a description of who will be eligible for employment and who will be regarded as an eligible employer. He referred also to several regulations. I should like to ask several questions of the honourable senator in that regard, and I am sure he will be able to provide the answers.

One aspect that concerns me is the fact that the three-month period for eligilibity in the employment tax credit program will eliminate a number of small industries. Here I refer to agricultural and fisheries-related industries. Unfortunately Senator Bonnell is not in the chamber, but I will say that his lobster factory produces an excellent pack of canned lobster. The packing season covers a period of only two months, and therefore that packing plant will be eliminated. Let us consider a plant processing and canning agricultural products such as peas, broccoli, and so on. There is a limit to the number of months in which that produce can be packed. The bill eliminates from its provisions two basic industries which have helped to establish and which still maintain the economy of this country, and to that I object most strongly.

May I say, in lighter vein because in mentioning these things I am aware of the serious look on Senator Connolly's face, that neither Senator Connolly nor I are able to hire a butler. When we return home we shall have to hang up our own coats. I do not object to that, but I do object to the fact that part-time employees are to be excluded under the provisions of this bill. Large stores and supermarkets often employ people on a part-time basis. Those in Senator Connolly's profession might well consider whether it would be worthwhile to employ one or two persons on a part-time basis. Among the one and a quarter million Canadians who are at present looking for work, there are many thousands who are seeking part-time employment. No consideration appears to have been given to those people.

Let us consider those who are able to work part time under the Canada Assistance Program. A mother with four or five children, who receives no other support, might only be able to work part time to support her family. By the terms of this bill we are eliminating that person, and saying, "That's it."

It is regrettable that the eight-week eligibility period for drawing unemployment insurance benefits will exclude or eliminate students. That is a major item. We should remember that the federal government blatantly took over this program from the Province of Ontario, which was attempting to provide student employment. This bill is directed toward small businesses in Ontario, and, as I indicated earlier, I do not think that such businesses were really excited about the Ontario program. Their attitude was, "We are dealing with government regulations; we are dealing with something that we do not know; and we do not want to get into something that might cause problems. We do not care if students are unemployed. Let them be unemployed." The Government of Canada, not

fully recognizing or understanding the program, has now reintroduced it. I simply point out that eight weeks without assistance is a long time for students to wait.

● (1450)

Honourable senators, I have taken up more time than I intended, so I will condense the rest of what I want to say.

Let me mention the problem of young people. I know that Senator Connolly has taken a special interest in university students, and I would point out to him particularly—he is my only hope; there is no use pointing it out to the rest of the Grits—that students are not included in this program, and ask him to explain how that can be fair. To be eligible, a prospective employee must be unemployed for eight weeks, according to Senator Connolly's explanation of last night, but by the time the students register at Manpower—and let us face the facts: students get damn short shrift at Manpower—and have put in their eight weeks, what have they got left? They have a month. Senator Connolly then went on to say that the job must last at least three months for the employer to receive the benefit of the tax deduction, and that the benefit continues for a period of nine months in a taxation year.

I just do not find it reasonable, Senator Connolly, that you should sponsor a resolution excluding students. Perhaps you have forgotten students, but I have not. I still have students in my family, and I know that when you attempt to get a student a summer job under the Liberal government you find it rather difficult. I hope you will explain these things to me in such a way that I can face students when I tell them they are not included among the unemployed.

I was particularly intrigued by Senator Connolly's reference last evening to the proposal that Canada Manpower—or Canada Unemployment, or whatever you wish to call it; I am not sure of the terminology, but I prefer Canada Unemployment—would present a certificate to the unemployed. Can you imagine anyone who has been unemployed for three months, honourable senators, going to Manpower, looking for a job, and getting this certificate? Can you imagine the children of such an unemployed individual taking such a certificate to school the next day and, in the sort of "show and tell" program that they have in kindergarten and grade school, saying, "Teacher, here is the certificate my father received from the government. He's been out of work for three months and has got this certificate that says he's been out of work for three months, and is now entitled to apply for a job"? We can imagine the answer of those children to a possible question from the teacher—"No, teacher, he didn't get a job, but both Mr. Cullen and Mr. Chrétien signed that certificate. It must be worth something." Will someone tell me what that certificate is worth? I do not think it is worth a damn.

The only way we can increase employment and bring about growth in the private sector is by reducing taxation. This bill does nothing to stimulate the economy. I can name company after company—and I am thinking of companies like Inco and Massey-Ferguson—but none of them will be hiring employees because of this bill. I would love to hear of one company that will take on more employees because of this measure.

Honourable senators, I am going to close on a grave note. The Prime Minister and the Minister of Finance were marooned on an island. Apparently it is the function of the Minister of Finance, when he is marooned on an island with the Prime Minister, to do the beachcombing. Mr. Chrétien went down to beachcomb one day, and he found that a lifeboat had drifted ashore. He ran up, just as the Honourable Senator Perrault would, to inform the Prime Minister that he had found a lifeboat. The Prime Minister sauntered down to the beach, looked at the boat, put on his best philosophical air, rubbed his chin, and then said, "Well, good, Mr. Chrétien. Now you can break it up and make a life raft." This bill does not even attempt to make a life raft. Rather, the government has thrown out debris and said, "Hang on to that." The million and a quarter Canadians who are looking for work deserve better than the debris that has been thrown to them.

Hon. Hartland de M. Molson: Honourable senators, I really had no intention of taking part in this debate, but I realize, as we all do, that the whole question of unemployment is one of the issues that is paramount in society today. It is for that reason that I felt I should say a few words.

We have been saying for a long time that we face two major problems—inflation and unemployment—and, of course, it has been generally accepted that inflation is the greater, the more serious, and perhaps the more universal, of the two. Probably this is true, but in human terms there is no doubt that to the hundreds of thousands of unemployed in this country the most serious and most important problem, and the one we should be trying to solve, is unemployment.

I have quite a few reservations about this bill. I do not think it is a good bill. In principle it is all right, because it is trying to put the load towards—I do not say "on", but "towards"—the private sector. Any realist knows that the only place where useful jobs are created is the private sector.

● (1500)

When there has been high unemployment it has been usual for governments to spend money to create jobs. As we know, that is absolutely useless. It is of very temporary benefit; in fact, benefit may not even result.

In addition to that, we are always counting on government too much. Whenever we have a problem that we cannot solve we think the government should solve it. The truth of the matter is that the government is not omnipotent. It cannot solve all our problems. The government should create an atmosphere in which our problems can be solved, but unless the rest of us willingly play a part, those problems will not be solved. The government, by itself, cannot correct this unemployment situation. It requires the cooperation of all the employers and employees in the land.

I sometimes think that Parliament is deficient in one respect, because when I consider the members of both houses of Parliament, even with the greatest respect and admiration I have for them, I am forced to conclude that there are few employees and few employers among them. Thus, when we come to deal with matters such as employment, our debates

and speeches are pretty hypothetical and not as practical as they might be.

Governments, in their actions in recent years, have been guilty of causing the increase in unemployment. I know that most of those actions can be defended but raising the minimum wage, for example, to an amount beyond that in effect in any state in the country to the south is not likely to reduce unemployment. Permitting wages in the public sector to rise to their present high level is no way to help relieve unemployment. Canada's unequalled strike record is certainly not conducive to a reduction in unemployment. These factors I have mentioned actually create unemployment, and the government is involved in all of them.

Every day in Canada, we hear that we have high costs. We have difficulty selling in world markets which means we also have difficulty protecting our own markets, and that leads to unemployment. There is just no other answer.

In the meantime, I am not personally convinced that unemployment insurance has been handled as well as it should have been. We hear daily of abuses referred to as rip-offs, and of the efforts being made to retrieve some of the money that has been taken—stolen, if you like—from the people of Canada.

Just the other day I heard of an incident parallel to what used to happen some time ago, and which I thought had been eliminated. This involved a person, reaching retirement age and a healthy pension, who was asked if he had applied for unemployment insurance. He replied, "Good, heavens, no, because I am going on my pension," and was then told he should speak to somebody. The pensioner then inquired of an officer in the department whether he was eligible for unemployment insurance. He was asked, "How is your health?" to which he replied, "My health is pretty good." The government servant then said, "Well, if you can get a doctor's certificate certifying that you are not in good health you will be able to draw unemployment insurance."

I do not know whether that is true, but I do know that for some years people going on substantial pensions were drawing unemployment insurance benefits upon their retirement, and this continued for the first twelve months. This is absolutely ridiculous; it is a rip-off of public funds. There are similar abuses today. We hear of them almost every week. The attitude seems to be that public money does not cost anybody anything.

I am a little worried about this bill because I do not think it will reach enough unemployed people, and I have considerable difficulty in believing that the amount of the credit given the employer is substantial enough to make really great inroads in the number of unemployed. I question even the rate of $2 per hour in the maritimes, which is the highest rate. I do not think many employers, with the best will in the world, will create new jobs on this basis.

At the same time, I must admit that it is difficult to devise schemes to relieve unemployment in the short term and, quite honestly, I have no bright suggestion to offer. In the circumstances, then, this is probably as good a device as could be suggested, but we should realize that it is no panacea. It may do some good, but I am not sure how much. However, as I said, I have no better suggestion to offer.

When the bill is before the committee we may be enlightened as to how it might work, and perhaps find it is better than we thought. In the circumstances, I shall support the bill.

Hon. John J. Connolly: Honourable senators—

The Hon. the Speaker: I wish to inform the Senate that if the Honourable Senator Connolly (Ottawa West) speaks now, his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator Connolly (Ottawa West): I shall not delay the Senate for more than a few minutes, but I would be remiss if I did not say that we are grateful to Senator Molson for the way he spoke about the problem of unemployment as it exists in this country. As well, we regret the attitude that prevails, unfortunately, in certain places where there is a tendency to feel that what is public property is "my property" and where rip-offs and other practices cost the Canadian taxpayer a great deal of money.

I regret that there was no reporter in the press gallery to hear what Senator Molson had to say, because his are the kind of comments it is valuable to have from the second chamber in our parliamentary system.

● (1510)

Some of the points raised by Senator Phillips merit some comment from me. I know that one of the difficulties about understanding this bill arises from the fact that the tax credit is both taxable and a reduction of tax. I should like to put on the record part of section 12 of the Income Tax Act, which is amended by clause 1 of this bill. Subsection (1) of section 12 of the Income Tax Act reads:

> There shall be included in computing the income of a taxpayer for a taxation year as income from a business or property such of the following amounts as are applicable.

Clause 1 of this bill adds a paragraph (q), as follows:

> any amount deducted under subsection 127(13) in computing tax otherwise payable by the taxpayer under this Part for the year.

In other words, the amount of the credit, as it is worked out by multiplying the number of hours by the appropriate $2, $1.75 or $1.80 rate, is to be added to the income of the taxpayer, and the authority is in clause 1. It is deemed to be income. Whether it is income or not, the law deems it to be income.

Clause 5(2) of the bill provides for the application of the credit in this way:

> Section 127 of the said Act is further amended by adding thereto the following subsections:
>
> "(13) There may be deducted from the tax otherwise payable by a taxpayer under this Part for a taxation year an amount not exceeding his employment tax credit at the end of the year . . ."

I put that on the record, honourable senators, simply to supply the authority, which perhaps I should have supplied last

night, for the fact that the amount of the tax credit becomes part of income first of all, and finally, when the tax otherwise payable is determined, the amount of the tax credit can be deducted from that computed tax.

Senator Phillips: I am sorry for interrupting the honourable senator, but I should like to ask him if the amount of taxable income he referred to last evening, the amount received at $2 per hour and so on, is not subject to provincial tax. In other words, is the $2,400 that he elaborated on last night not subject to provincial income tax?

Senator Connolly (Ottawa West): It depends upon what the provincial tax act says. This is a federal program, and what we do here is pass federal legislation. This bill does not affect provincial tax legislation. What we are providing for here is an inclusion in income, for federal purposes, of the amount of the tax credit, and we are providing also that the tax credit may be deducted from the federal tax payable.

Senator Phillips: Will not those provinces that have signed an agreement with the federal government under the Federal-Provincial Fiscal Arrangements Act be able to tax this amount?

Senator Connolly (Ottawa West): I am afraid I cannot answer that question. Perhaps the honourable senator will be able to get an answer in committee from the officials. I think the broad principle I have just stated is the one that should concern us here.

Senator Phillips also asked for clarification of two or three other points. He said that the three-month minimum period for these new jobs created under the program would in fact eliminate elements of the agricultural and fish industries because of the short seasons during which they operate.

Senator Phillips: May I interrupt again? It is two months rather than three.

Senator Connolly (Ottawa West): I know what you said. I am saying that the program calls for a minimum of three months, and you are complaining about that. What you say is that some of these agricultural and fish industries run for shorter periods, and therefore they will be eliminated from the benefits of this program. That is not so, and for this reason. The three months do not have to run consecutively. For example, if a fish processing plant runs with a certain catch for a certain length of time and then later with another catch for another length of time, and all those periods form part of the taxation year or fiscal year of the company, as the case may be, then they can all be added up and the company will get the credit.

Perhaps the only other thing I need say is that Senator Phillips gave us a fairly lengthy dissertation on economic policy and the wisdom or virtue of having general tax reductions. With respect to the Ontario Government, he cited programs to assist students to find work. Perhaps he should know, as I am informed, that on the question of whether or not general tax reductions are required in the next federal budget this is not a proposal that carries the judgment of the Treasurer of Ontario, who felt that this was not a warranted procedure for the federal government to follow.

Senator Phillips has complained that this program will not help people who work as temporary employees or students. I think that is quite true, unless they can otherwise qualify. I recognize the limitations that Senator Molson has pointed out, but one does not put every kind of program into one bill. This bill is an attempt to have industry create new jobs, innovative jobs on, it is hoped, a permanent basis. Industries are given two years to do it, and they are given an incentive that will last for nine months in any one of those years, which might even be increased to twelve months under the provisions of the bill.

I do not think anybody would claim for this bill that it is a cure-all for the unemployment problems we have in this country. I do think it is another step, as Senator Molson has indicated, in trying to reach a position where we can assist the hundreds of thousands of unemployed people in Canada.

Senator Phillips: Before Senator Connolly resumes his seat, I should like to ask him a question predicated on his remark that I felt the bill was deficient in dealing with the basic industries, such as those in fisheries and agriculture. As I understood Senator Connolly's remarks, these credits can be carried over. In view of the fact that the lobster packing season is eight weeks by federal law, and the broccoli packing season is six weeks by federal law, is the honourable senator telling us that these periods can be carried over into the next year?

● (1520)

Senator Connolly (Ottawa West): No, I do not think that is correct. My understanding is that a fish packing plant will not operate for only four or six weeks during a year. I assume that such a plant will operate for many months in a year, as would a vegetable packing plant, if those are the examples we are to take. If there are jobs created under this program by such plants that run for a month or two months, followed by a lay-off of perhaps a month with a continuation thereafter, then the credit will be available to them. In other words, the employment does not have to be continuous for that three-month minimum period.

Senator Phillips: I thank the honourable senator for his explanation that it does not have to be continuous. I really appreciate that sentence.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Connolly (Ottawa West) moved that the bill be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to.

DISTINGUISHED VISITORS IN GALLERY

THE HONOURABLE GEORGE PORTEOUS, LIEUTENANT GOVERNOR OF SASKATCHEWAN, AND MRS. PORTEOUS

The Hon. the Speaker: Honourable senators, on your behalf I should like to extend a warm welcome to the Honourable George Porteous, M.B.E., C.M., Lieutenant Governor of Saskatchewan, and Mrs. Porteous, who are honouring us with their presence.

Hon. Senators: Hear, hear.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, February 2, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of document entitled "Proposals to correct certain anomalies, inconsistencies, archaisms, errors and other matters of a non-controversial and uncomplicated nature in the Revised Statutes of Canada, 1970, and other Acts subsequent to 1970," issued by the Department of Justice.

Report of the Canada Labour Relations Board for the fiscal year ended March 31, 1977, pursuant to section 210(2) of the Canada Labour Code, Chapter 18, Statutes of Canada 1972.

Report of Canadian Commercial Corporation, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 13(1) of the Canadian Commercial Corporation Act, Chapter C-6, and sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

STATUTE LAW AMENDMENT PROPOSALS

Senator Perrault: Honourable senators, I am informed that the Honourable the Minister of Justice has tabled in the other place a draft miscellaneous statute law amendment bill, the second in the series of such bills since the inauguration of the miscellaneous statute law amendment program in 1975. It will be recalled that the first such bill became law in June, 1977.

I am advised that it is now the intention to move its reference to the Justice and Legal Affairs Committee of the other place. Later today, as a change in procedure with respect to the first miscellaneous statute law amendment bill, I shall move that the document containing the statute law amendment proposals, which I have just tabled, be referred to the Standing Senate Committee on Legal and Constitutional Affairs. This change in procedure will enable honourable senators, through this committee, to consider the draft bill and approve it with any changes, if necessary, before it is printed and introduced in the usual way as legislation.

Honourable senators, I thought it might also be useful to remind you of the periodic nature of this program and of the probability of similar bills reaching this house at regular yearly intervals. These bills are designed to omit all controversial material. They do not contain any amendment entailing additional expenditure of public funds nor do they contain amendments to the Criminal Code, the latter being the subject of separate approaches to Parliament from time to time.

Senator Flynn: What the honourable leader is saying is that the errors contemplated here are only technical errors, not substantive errors.

Senator Perrault: Honourable senators, the government is earnest in its desire to bring all of its legislation to an even higher state of perfection.

Senator Flynn: There is room for it.

INCOME TAX ACT

BILL TO AMEND AND TO ESTABLISH THE EMPLOYMENT TAX CREDIT PROGRAM—REPORT OF COMMITTEE

Senator Barrow, for Senator Hayden, Chairman of the Standing Senate Committee on Banking, Trade and Commerce, to which was referred Bill C-23, to amend the Income Tax Act and to establish the Employment Tax Credit Program, presented the following report:

Thursday, February 2, 1978

The Standing Senate Committee on Banking, Trade and Commerce to which was referred Bill C-23, intituled: "An Act to amend the Income Tax Act and to establish the Employment Tax Credit Program," has, in obedience to the order of reference of Wednesday, February 1, 1978, examined the said bill and now reports the same without amendment, but with the following observations:

These observations relate to the principle that your committee has always insisted upon, which is that legislation by regulation is to be avoided. Your committee wishes to point out that it is not abandoning that position; but in view of the temporary and experimental nature of the legislation, which is to be effective only for two years, and the fact that it is dealing with an emergency, your committee does not insist that the definitions to be made by regulation under subclause 7(6) of the bill be incorporated in the act.

It is the view of your committee that the minister should make a report to Parliament from time to time, indicating quite apart from the fiscal aspects, the effectiveness of the operation of the act in providing employment.

Respectfully submitted

Salter A. Hayden,
Chairman

THIRD READING

The Hon. the Speaker: When shall this bill be read the third time?

Senator Connolly (Ottawa West): Honourable senators, as the sponsor of this bill, I move that the bill be read the third time now.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

[*Translation*]

Hon. Jacques Flynn: Honourable senators, I am terribly sorry to disappoint Senator Denis who had suggested to me that I hold my tongue. It is not the first time he has done so. But he will not succeed.

Senator Denis: You know what to do.

Senator Flynn: In any event, honourable senators, study of the bill in committee clearly revealed a lot of weaknesses and also gave rise to a lot of questions. But we at least did clarify how the tax credits or deductions will be granted. As we know, the bill is intended to encourage the creation of new jobs in Canada. What is provided for, at this time, is a reduction, or rather a tax credit, because the reduction will result in lower taxes, based on every job that qualifies, with a maximum of roughly $3,000 per job in areas where unemployment is high and where the worker is paid $2 an hour; and a credit of up to about $1,500 in areas where unemployment is less severe.

In practice—and this I want on the record—in the case of the maximum, $2, the credit or tax reduction will amount to a $1,800 maximum, where the tax rate of the employer concerned is 40 per cent. The minimum tax credit will be $1,200 in the case of the employer who pays at a rate of 60 per cent.

In areas where a credit of only $1 an hour is granted, based on 1,500 hours a year, the maximum tax reduction will be $900 and the minimum $600.

Obviously this job creating formula deserves to be put to the test. But the big question mark remains that no one knows as yet who will be an eligible employer, who will be an eligible worker, or what will be an eligible employment. We have only general information about this. We know, for instance, that an eligible worker will be someone who has been unemployed for eight weeks. In other words, if you create an eligible employment and cannot find an eligible worker, you would not be able to hire someone who is already employed and who is competent for the job, for he would not qualify. This is therefore a very limited program.

We have been told that under a similar policy implemented by the United States, all new jobs are considered as eligible, whether the employer is a corporation or a citizen. But the Canadian government does not want to go that far. It prefers of course to limit the scope of this plan. The fact remains, however, that clause 7(6) of this bill is giving a free hand to the government which can, as it pleases, decide who is an eligible employer, who is an eligible worker and what is an eligible employment. It could even arbitrarily decide to change that every day as long as the program lasts.

Therefore we do not know where we are going. We are giving the government the powers to make this experiment.

In its report, the committee points out that this is an experimental program. Of course, the government wants to see exactly what effects it will have, and will be able to change its direction at any moment during the period of application of this legislation, which is only provisional since it will be in force for only two years, except that all eligible applications sent before March 31, 1980, will be in effect during the next fiscal year. Otherwise it will be two years.

In such circumstances, it is obviously difficult to be absolutely opposed to the request of the government which is asking us for the power to decide the essential aspects of this program by way of regulations. But, as the committee points out, the principle is still there.

• (1410)

In short, the government is asking us to be allowed to experiment. If this were permanent legislation I am sure that the committee or the Senate would have refused and asked for a definition of eligible employer, eligible employment or eligible worker. It is obvious that the Senate or the committee would have refused to support such legislation.

Moreover, the government also says that it is emergency legislation. Of course it is emergency legislation, especially since the government has remained idle for two years. The longer it waits, the more urgent the matter will be. Its urgency is obvious to everyone, perhaps less to government supporters on the other side, but the urgency is obvious in light of the unduly high rate of unemployment in recent years.

The government is seeking solutions. It is fumbling. It is groping in the dark. We are giving it a chance to finally see the light. I do not recall which one of our colleagues said this, but I believe it was the mover of the Address in reply to the Speech from the Throne; he said he could see the light at the end of the tunnel. I am not sure whether this small flashlight that the government is requesting from us, to try to find the light, is reflecting against a wall of the tunnel or against the opening at the other end.

In any event, we cannot refuse under the circumstances; the government is there—it is there until the next election, but not after, I hope—but since it is there, we are giving it a chance to find a solution, however partial. Actually, even the most optimistic are saying that under this program only 50,000 jobs will be created. As Senator Phillips was explaining last night, the projected increase in the available manpower is 50,000. At best this legislation will only maintain the current level of unemployment.

In any event, we certainly will not refuse this government, however inept it may be, the chance to try and do something. That is all it has to propose. So we say: take your chances but at least, as the committee says, report to us since we are giving

you a blank cheque—report to us from time to time to tell us whether or not you are achieving anything.

So we wish it good luck, because by doing so we are also wishing all of Canada good luck.

● (1420)

[*English*]

Senator Forsey: Honourable senators, I want to register my strong dissent from the leaving in this bill of the definitions of these crucial matters to regulation. I think it is a bad principle, whether in temporary legislation or permanent legislation, and I am afraid that if it creeps in in temporary legislation, we shall find it becoming a precedent, and we shall be asked to consent to the same thing in permanent legislation, possibly with some other excuse of urgency or something of the sort. I take the strongest possible objection—and I want to record it in the *Debates* of the house—to the leaving of this in the bill. I think it is a most unfortunate precedent.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Motion agreed to and bill read third time and passed.

[*Translation*]

NATIONAL UNITY

NOTICE OF INQUIRY

Senator Forsey: Honourable senators, I give notice that next Tuesday, February 7, 1978, I will call the attention of the Senate to a most vicious article by June Callwood in the January issue of *Actualité*.

Senator Walker: Is it in French?

Senator Forsey: The article is in French. That is why I am giving notice in French. When I speak on this matter, I will do so partly in French, or so-called French, since I am only a poor unilingual anglophone, according to the learned Conservative candidate in the riding of Shefford, but I will also be giving part of my speech in English to meet the needs, perhaps, of Senator Walker.

[*English*]

Senator Langlois: And because the article was written by an anglophone.

[*Translation*]

Senator Walker: I am delighted to hear my friend speak in genuine French. He is a man of distinction. Thank you.

Hon. Senators: Hear, hear.

[*English*]

STATUTE LAW AMENDMENT PROPOSALS

DOCUMENT REFERRED TO STANDING SENATE COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS

Senator Perrault, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

> That the document entitled "Proposals to correct certain anomalies, inconsistencies, archaisms, errors and other matters of a non-controversial and uncomplicated nature in the Revised Statutes of Canada, 1970, and other Acts subsequent to 1970," tabled in the Senate this day, be referred to the Standing Senate Committee on Legal and Constitutional Affairs.

The Hon. the Speaker: Is it agreed?

Hon. Senators: Agreed.

Motion agreed to.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, February 7, 1978, at 8 o'clock in the evening.

Honourable senators, before the question is put I should like to give the usual brief resume of what we can expect in the Senate and its committees next week. I shall deal with the committees first.

On Tuesday the Joint Committee on Regulations and other Statutory Instruments will meet at 9.30 a.m. to study the Green Paper on Public Access to Government Documents, and at 4.00 p.m. the Subcommittee on Childhood Experiences will meet.

On Wednesday the Committee on Banking, Trade and Commerce will meet at 9.30 a.m. to hear witnesses on Bill S-3, respecting Canadian non-profit corporations, and the Committee on Transport and Communications will meet at 3.30 p.m., or when the Senate rises, to consider Bill S-4, to implement the International Convention for Safe Containers.

On Thursday the Committee on Banking, Trade and Commerce will meet at 9.30 a.m. to consider Bill S-2, to amend the Canada Business Corporations Act, and at 10.00 a.m. there will be another meeting of the Subcommittee on Childhood Experiences. The Joint Committee on Regulations and other Statutory Instruments is scheduled to meet at 11.00 a.m.

In the Senate we shall continue with Bill S-8, and proceed with Bills S-5, S-6 and S-7, which deal with exceptions to the public general law relating to marriage in the cases of certain individuals. In addition, it is expected that Bill C-16, to amend the Bank Act and the Quebec Savings Banks Act, and Bill C-2, respecting the development of certain fishing and recreational harbours in Canada, will reach us by the beginning of next week.

Motion agreed to.

FUGITIVE OFFENDERS BILL

SECOND READING—DEBATE ADJOURNED

Hon. George J. McIlraith moved the second reading of Bill S-8, respecting fugitive offenders in Canada.

He said: Honourable senators, the Fugitive Offenders Act is an act under which authority Canada returns to their own

country certain offenders who have escaped to this country from those Commonwealth countries which recognize the Queen as Head of State. The Extradition Act covers similar arrangements with all non-Commonwealth countries, and also allows Canada to seek the return of all escaped Canadian offenders.

Bill S-8, which is now before us, repeals the existing Fugitive Offenders Act and substitutes a new act in its place. In addition, it brings forward amendments to the Extradition Act. The amendments to the Extradition Act are mainly of a nature to bring it in line with the new Fugitive Offenders Act.

The Fugitive Offenders Act was first introduced in 1882 and has remained substantially unchanged for the past 96 years. During those years there have been tremendous changes in the grouping of countries now included in the Commonwealth. As well, there have been tremendous changes in the modes of travel and communication. Indeed, there have been many changes in the nature of crimes being committed. Crimes have become increasingly international in scope. Examples of this would be trafficking in narcotics, air piracy, income tax evasion, all of which are offences that were unknown at the time of the original legislation.

● (1430)

Senator Flynn: There was no income tax then, nor airplanes.

Senator McIlraith: There was no income tax at the time, but those Utopian days have long since gone.

It is quite obvious—and I think all honourable senators will agree—that to meet these new conditions it is necessary that we be equipped with modern laws. Many of the changes contained in Bill S-8 are based upon an agreement reached between Commonwealth law ministers in 1966. These changes are set out in a paper entitled: "Scheme Relating to the Rendition of Fugitive Offenders within the Commonwealth." That paper is the basis of most of the provisions contained in the bill before us.

The agreement also recognizes the changes in the constitutions of the different parts of the Commonwealth, and their different nature and structure. There is legislation based on this paper in 49 of the independent Commonwealth countries, dependencies, protectorates and associated states, and we have built on this scheme, incorporating the most recent changes in extradition policy.

Bill S-8 has three main objectives. It seeks to make the law more applicable to modern criminal activities and to make its administration more effective; it seeks to protect the civil liberties of refugees from political, racial and religious oppression; and it seeks to expand the number of countries with which Canada may deal under the Fugitive Offenders Act to include all Commonwealth countries rather than only those countries which recognize the Queen as the Head of State, as is the present state of the law.

At present, an offender is liable to be surrendered by Canada to any country where the Fugitive Offenders Act applies for any offence punishable under the laws of that country by—and this is the curious part—a sentence of at least 12 months' imprisonment combined with hard labour. Most of the countries of the Commonwealth have eliminated the "hard labour" aspect of their penal provisions.

It will be seen rather readily how this bill seeks to correct some of the defects in the original legislation.

The present act is applicable regardless of whether the offence charged is one that is recognized as an offence under the criminal law of Canada. There are, of course, many acts which are considered criminal offences in other countries but which are not so considered here. Instead of the criteria set out in the present act, Bill S-8, if passed, will establish a schedule setting out those offences that are deemed to be returnable offences. The schedule is created on the principle of the rule of double criminality, by which I simply mean that the crime for which a return is sought must be recognized as a crime both in the country seeking the return and in Canada. That is quite different from the existing legislation. The schedule is, of course, the same in both the Extradition Act and the Fugitive Offenders Act.

The new schedule includes a series of offences. I will not set them all out, but they include homicide, kidnapping, air piracy, rape, income tax evasion, counterfeiting, wilful non-support or abandonment of a child so that its health or life are endangered, and some others.

The bill provides that all 36 independent Commonwealth countries and the 33 associated states, dependencies, protectorates, and so on, will in future be covered under the new Fugitive Offenders Act instead of the limited number covered under the statute now in force.

The proposed legislation also offers certain safeguards for the civil liberties of individuals. Under the present Fugitive Offenders Act a fugitive may not resist surrender to a Commonwealth country for an offence that is purely political. If it is an offence in that country he must be returned notwithstanding that the offence may have been political in nature.

Senator Flynn: Is there any definition in it of a political offence?

Senator McIlraith: I cannot answer adequately as to what constitutes the full meaning of "a political offence". In any event, I was not referring to what we call an ordinary criminal offence which the accused merely claims is a political offence done in the name of a political act. I am referring to something that is more indicative of the purely political views the offender holds and is punishable in the requesting state, and that sort of thing. Regrettably, there are parts of the world where it is held to be a criminal offence to hold different views from those of the current authority in the country. Nevertheless, it does not extend to the commission of offences like treason, which are political in nature and definition.

Senator Flynn: I would hope not.

Senator McIlraith: I quite appreciate Senator Flynn's question, because it is a rather important and interesting matter. I hope full information will be sought on it in committee. It is quite an important point when you get down to the nitty-gritty of the operation of the act.

If there is political upheaval in a country, the new régime, whatever form the authority may take, could conceivably charge people who are in the service of the foreign government with what really amounts to nothing more than being in the service of the foreign government under a former régime rather than committing some crime. Regrettably, it is a very real problem these days; it is not something that is of merely academic interest.

There is another unfortunate development in more modern times, and that is the possibility of a person being charged with a returnable offence when it is quite clear that if he is returned he will be discriminated against in the sense of being tried for an offence and liable to punishment, and so on, quite beyond any concept of law in the accepted sense as we know it. There is provision of a safeguarding nature against that sort of abuse.

When the bill is examined in detail it will be noted that, in keeping with modern extradition practice, we would not refuse to surrender a fugitive when the political offence is against internationally protected persons, such as heads of state or diplomats, and involves murder, kipnapping and assault.

● (1440)

The new Fugitive Offenders Act and the amended Extradition Act also permit the possibility of refusal to surrender on the grounds of risk of prejudice to the person during his trial or conviction by reason of race, religion, nationality or political opinions. An amendment has been included to give the Minister of Justice discretionary power to refuse to surrender a fugitive if there is the likelihood that on conviction the death penalty will be imposed for a crime which in Canada is not punishable by death. The amendment covers those cases in countries where offences, which we regard as much less serious or at times not serious at all, carry the death penalty. In dealing with several hundred countries, the situation could arise where in some countries the death penalty would appear to be very much out of line with the offence.

In some parts of the Commonwealth, such as Bermuda, the death penalty still applies, whereas in Canada murder is no longer a capital offence. That notwithstanding, the minister has the discretion to refuse to surrender a person who has committed a murder in, say, Bermuda where the sentence of death is applicable and possible.

Questions may be raised in connection with the wording of that clause, because it derives its draftsmanship from a time when the death penalty was applicable in Canada for the crime of murder. The amendment has its origins in a time when it was necessary to return persons charged with murder to a country where the nature of the crime carried the death penalty. However, since that time, there has been a change in the situation in Canada.

It is conceivable that honourable senators may wish to examine more carefully the draftsmanship of that clause in order that Canada does not become a haven for those persons from other countries who commit murder in their own country, fully aware that the crime is punishable by death, and cross the border into Canada, or otherwise enter the country, knowing that they will not be returned to face the charge, and may thereby escape punishment. This may well be a rather technical or nice point of law for examination in committee, and no doubt a better explanation can be given there than I can provide.

Senator Hicks: Before leaving that clause, would my honourable friend permit a question? Does the legislation provide for any action on the part of agencies of the Government of Canada in the event that the minister refuses extradition or return of the fugitive to his country? Does the murderer who might suffer capital punishment in Bermuda, to take the honourable senator's own example, get off scot-free if he is not returned to Bermuda?

Senator McIlraith: Conceivably he could, yes.

Senator Hicks: Is there no provision for the punishment of such a person in Canada?

Senator McIlraith: No. That is the point. The origin of the clause arose from the special circumstances which I have described. There is a nice point of law there which might be examined in committee. I draw it to the attention of honourable senators as being worthy of examination. I should point out that it is merely a discretionary right of the minister to refuse extradition.

The bill provides also that a person returned to Canada from a Commonwealth country may only be tried in Canada for the offence for which he is returned, or for some lesser offence. If he is returned to Canada for a particular offence, he cannot, on being returned, be tried for an entirely different offence.

Senator Flynn: Committed here or elsewhere?

Senator McIlraith: Committed here. I am referring to a person returned to Canada under the extradition treaties or provisions of the fugitive offenders legislation.

Senator Flynn: Would he have to be brought back for a second offence?

Senator McIlraith: No. There is provision whereby, if there is a related or lesser offence, Canada could seek the consent of the state which returned the fugitive to try him for the related or lesser offence. The matter cannot be proceeded with before the steps mentioned in the various clauses are taken.

There is another problem. Where two or more countries request extradition of the same offender for an offence committed in each of the countries, there is discretion for the authorities in Canada to base their decision as to which country the person should be returned on the seriousness of the offences committed in the respective countries, and the date of the request. The provision is a safeguard against a situation where two or more countries make a request at approximately the same time for the return of a person who has escaped to Canada.

There are also provisions in the bill concerning bail for fugitive offenders. There is no provision for bail included in the present Fugitive Offenders Act or the Extradition Act. This has resulted in some quite serious inconsistencies in the administration of the law. To clarify the matter, and in

keeping with modern extradition practices, there is an amendment to the effect that bail will be available when the proper conditions are met.

In ordinary criminal proceedings in Canada the prosecutor must show why a charged person should not be released on bail pending trial. A provision in the bill places the onus on the fugitive offender to show why he should be granted bail, and in making its decision the court must consider, among other things, the length of time that the offender has resided in Canada and other relevant criteria. It is interesting to note that the onus is on the person who is returned by the other country to show why he should be granted bail. There is also provision that the evidence required in a hearing under this legislation will be similar to that required for a preliminary hearing in a criminal case brought under the Criminal Code.

Proceedings under the present legislation take place before a magistrate, who conducts the hearing and performs all the judicial functions. He performs all the judicial functions, conducts the hearing, and so on. That is changed by this bill. Under this new legislation it is proposed that the proceedings take place before a county court judge or a superior court judge. That I think more accurately meets the present needs.

● (1450)

Another amendment deals with appeals in connection with extradition proceedings. Under the present law a person has the right to seek from the Federal Court of Canada a review of a judge's decision regarding extradition. The new legislation places this right with the superior courts and appeal courts of the provinces in which the extradition proceedings occur. In other words, it would transfer the right from the Federal Court to the other courts. It is felt that this is more appropriate because it places the responsibility for handling this aspect of the administration of the criminal law on the provincial courts.

Honourable senators, the bill is quite straightforward. It is a case of an existing act being long out-dated and not receiving legislative amending attention when it should have. This bill brings the law on the subject up to date in a way which I think will commend itself to the Senate as being reasonable within the concept of the modern approach to these matters. Therefore, I commend the bill to honourable senators, and look forward to its detailed examination in committee.

Senator Flynn: Honourable senators, may I be permitted a question? I see that the bill is divided into two parts. The first part relates to the Fugitive Offenders Act and refers only to the problem with regard to the Commonwealth. It applies only to the Commonwealth countries, does it not?

Senator McIlraith: Yes, that is correct. It applies to all of the Commonwealth.

Senator Flynn: The second part relates to the Extradition Act, which is applicable to countries, other than Commonwealth countries, with which we have extradition treaties?

Senator McIlraith: Yes, and under which we have certain rights also on the subject in respect of countries with which we do not have treaties.

[Senator McIlraith.]

Senator Flynn: Are similar provisions in force, or are they contemplated, in those other countries, either in or outside the Commonwealth? In other words, do those countries have legislation corresponding to that which is proposed here, or will they have such legislation?

Senator McIlraith: That question is too wide for me to answer fully, but I assume the treaty countries have corresponding provisions. There are also other countries with which there are no treaty arrangements, but certain provisions in the Extradition Act apply to cases in those countries, despite the fact that they may not have exactly corresponding legislation as would be the case with the treaty or agreement countries. There are so many independent countries with so many different forms of applicable law that it is not apt for me to attempt to give a general answer.

Senator Flynn: Would it be easier for a foreign country to effect the extradition of a person residing here who had committed a crime outside, as compared to our ability to bring in somebody from outside who had committed a crime here?

Senator McIlraith: I cannot answer that precisely because, as you might appreciate, I do not know just what the nature of the law is in various countries in relation to crimes committed there.

Senator Macdonald: Honourable senators, I intend to move the adjournment of the debate, but before doing so I should just like to ask the sponsor of this bill if he will make available to me a copy of the agreement he referred to in the early part of his remarks as having been made in 1966.

Senator McIlraith: Yes, I shall be glad to provide the honourable senator with a copy of that agreement. I am not sure whether there are sufficient copies available for distribution to all senators, but I will see that Senator Macdonald is provided with one almost immediately.

On motion of Senator Macdonald, debate adjourned.

ROYAL ASSENT

NOTICE

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

RIDEAU HALL
OTTAWA
GOVERNMENT HOUSE

February 2, 1978

Madam,

I have the honour to inform you that the Right Honourable Bora Laskin, P.C., Chief Justice of Canada, in his capacity as Deputy Governor General, will proceed to the Senate Chamber today, the 2nd day of February, at 5.45

p.m. for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Madam,
Your obedient servant,
Edmond Joly de Lotbinière
Administrative Secretary to the
Governor General

The Honourable
The Speaker of the Senate,
Ottawa.

AGRICULTURE

"RECOGNIZING THE REALITIES: A BEEF IMPORT POLICY FOR CANADA"—INTERIM REPORT ON CANADIAN BEEF INDUSTRY—DEBATE CONCLUDED

On the Order:

Resuming the debate on the inquiry of the Honourable Senator Argue, calling the attention of the Senate to the Interim Report of the Standing Senate Committee on Agriculture, appointed in the last session of Parliament and authorized in the session to examine from time to time any aspect of the agricultural industry in Canada, on its inquiry into the desirability of long-term stabilization in the Canadian beef industry, entitled: "Recognizing the Realities: A Beef Import Policy for Canada", tabled in the Senate on Friday, 14th October, 1977.—(*Honourable Senator Langlois*).

Senator Langlois: Honourable senators, this Order has been standing in my name for quite some time in the hope that some of my colleagues might be interested in speaking to it. However, a recent survey has shown that it might be a good thing at this stage to consider this inquiry as having been debated.

Senator Flynn: All that needed to be said was said.

Senator Perrault: No more beefs!

Senator Flynn: Yes, enough beefing.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

THE SENATE

NUMBER OF VACANCIES—DEBATE ADJOURNED

Hon. Eugene A. Forsey rose pursuant to notice of Tuesday, January 31,1978:

That he will call the attention of the Senate to the large number of vacancies in the Senate.

He said: Honourable senators, I have a rather special reason for raising this question of vacancies in the Senate this afternoon. It relates to the matter that came up the other day, the probability, if we are to accept at face value the statement in the Speech from the Throne, that we shall within the measurably near future, if a dissolution does not supervene before that, be presented with certain proposals for amending the Constitution of Canada and very probably for amending the constitution of the Senate.

● (1500)

The subject of Senate vacancies is an important one at any time. I think it is particularly important now because of the probable imminence of this discussion. It seems to me highly desirable that the Senate should be as nearly at its full strength as possible if these matters are to be discussed here. I assume that any proposed changes in the Constitution will receive very serious discussion in this house, but more particularly any proposed changes in the constitution of the Senate.

As things stand at present, as honourable senators are all aware, we have no less than 14 vacancies. That is a fairly considerable proportion of the membership of this house. The matter is given added seriousness by the fact that some of these vacancies are of very long standing. I have a list of them here, and I have arranged them in what I might call their "order of demerit".

First of all, for example—first and worst—we have a vacancy from Manitoba which dates from—and I could scarcely believe my eyes when I read the date—the first of November, 1969. For more than eight years that seat has remained vacant. This seems to me perfectly shameful; indeed, scandalous.

The other vacancy from Manitoba, like a couple of the other vacancies which exist now, is a relatively recent one. In fact, it is the vacancy created by the recent resignation of our distinguished and much lamented colleague, Senator Haig. But this first one, a vacancy created by the death of the Honourable Olive L. Irvine, has lasted eight years and three months. For the life of me I cannot see why that should be so. I suppose it is conceivable that it would have been found impossible to find anyone in Manitoba worthy of this high honour, though I find that a little difficult to believe. I remember, when the Conservative government came in in 1957, I went in to see the new Prime Minister about something, and his then secretary, Mr. Bedson, said, "Well, Eugene, have you come in to ask for a senatorship?" I replied, "No, I have not," and he said, "Then you're the only man in Canada who hasn't."

I find it very difficult to believe that the situation has changed so much since those days that it has been found impossible by the most diligent search over a period of eight years and three months to find anyone to succeed the late Honourable Senator Irvine. That is the first and the worst case.

Then we have a senatorship for Saskatchewan, a seat vacated by the Honourable Arthur M. Pearson on March 31, 1971. That seat has been vacant for six years and ten months. Again, I can see really no excuse for this whatsoever.

Then we have the third case, involving New Brunswick, where the seat of the late Honourable Donald A. McLean has been vacant for four years and three months.

Then we have a tie for fourth place in this order of demerit between Ontario and Prince Edward Island, or a virtual tie. One Ontario seat, that of the Honourable John B. Aird, has

been vacant for three years and two months, and one Prince Edward Island seat, that formerly held by the Honourable Thomas J. Kickham, has also been vacant for three years and two months.

Then we come to No. 5 in this list of demerits. The seat in New Brunswick vacated by our former Speaker, the Honourable Muriel McQueen Fergusson, has been vacant for—this should have come before on my list, because that has been vacant for, I think, two years and eight months.

The sixth, a seat from Ontario, is the one vacated by the Honourable Grattan O'Leary one year and ten months ago. Then comes a seat from Quebec vacated by the Honourable Léon Mercier Gouin, one year and ten months. Alberta has a seat vacated by the Honourable Harper Prowse, one year and four months vacant. Newfoundland has a seat vacated by the Honourable Michael G. Basha, one year and two months. There is a seat from Nova Scotia, that I overlooked, vacated by the Honourable Frederick M. Blois, one year and three months.

There are three of these 14 vacancies that are relatively recent, but the others have existed for anywhere from one year and two months to eight years and three months. This seems to me to be a very serious lack in this chamber, especially when we are going to be called upon to consider changes in the Constitution of Canada and, more important still, when we are going to be called upon, which is very likely, I think, to consider changes in the constitution of the Senate.

Of course, I have been told by some people with whom I have raised this question in conversation that one cannot really expect to find these seats filled until shortly before a general election, when various faithful members of the party in office may expect to be appointed. This, of course, applies to all the parties.

On this situation of long-standing vacancies applying to both parties, I recall reading, some years ago, a speech in the House of Commons by Sir Richard Cartwright, one of the big guns, one of—"les gros canons", as the Leader of the Opposition calls them—of the Liberal Party of that date, in which he excoriated the Conservative government of the time for having left a large number of Senate seats vacant. I am told, as I think Sir Richard was told by various people on that occasion, that one cannot expect very much in the way of appointments until pretty close to the time of an election.

Well, I do not think that is really a very good reason for deferring an appointment for eight years and three months. I do not think it is a very good reason for deferring an appointment for six years and ten months, or four years and three months. I am willing to admit that on partisan grounds—though I do not know how far it is consistent with the honour of the Senate that these should hold the sway that perhaps they do—there may be reasons for deferring the appointment of senators who would be filling seats formerly occupied by Liberal senators; but that, for such value as it may have, does not apply to seats which were vacated by Conservative senators. And in the present situation, where the ranks of the official opposition here are so sadly depleted, to the detriment not only of the opposition itself but the Senate as a whole and the conduct of public business, it seems to me that that particular excuse does not apply to the seats which were formerly held by Conservative senators. I think it is not without importance to note that the longest-standing vacancy, the one in Manitoba of a duration of eight years and three months, is of a seat formerly occupied by a Conservative senator. The same is true of the second longest-standing vacancy, the one in Saskatchewan, formerly occupied by the Honourable Arthur M. Pearson. Then there is the sixth vacancy on my list here, the seat occupied by the Honourable Grattan O'Leary, which has been vacant for a year and ten months. Let me see. There may be one I have overlooked. Well, those are quite enough for anyone.

It seems to me that there is a peculiar urgency, in view of all the circumstances, in making early appointments to these particular seats, strengthening the ranks of the opposition and leaving the Senate better equipped to deal with the extraordinarily important constitutional changes which may possibly be proposed in the very near future. I must say I think there is a good deal to be said for the legislative change proposed in this chamber some 22 years ago—nearly 23 years ago—by the then Senator Euler, who proposed that the British North America Act should be amended so that vacancies would have to be filled within six months of the time that they occurred. That may be perhaps too short a period. I think there is a good deal to be said for something of that sort, however, especially since government after government, I am afraid, has yielded to the temptation to keep the seats open until the approach of a general election. This is not the way to handle appointments to the Senate. This is not the way to treat the Senate. This is not the way to treat a coordinate branch of Parliament, which I think all of us here would agree has important functions to perform, and especially important functions to perform when a question of constitutional change arises.

● (1510)

It is sometimes overlooked, perhaps, that we have in this Senate a very large reservoir of legal talent, of scholarly talent, on matters of constitutional importance which I think is, perhaps, not available to the same degree in the other house, and I do not think we should be treated as if our contributions to such matters were of minor importance.

I do not think it is necessary to labour the point further, but I should like to urge upon the Leader of the Government that he exert himself with his colleagues to get some of these long-standing vacancies filled. If he can make an extra effort in such a way as to strengthen the official opposition, I think it would be to the benefit of the house and to the benefit of the country.

There are rumours that we are about to have one of the vacancies from Manitoba filled by a very distinguished Conservative. I do not think it would be proper to mention names. I should personally welcome him very warmly here. He happens to be an old friend and, in my judgment, one of the ablest men in the country, but whether these rumours are well

founded at all, I don't know. In any event, I trust that the Leader of the Government will exert himself, as I said a moment ago, with his colleagues to see whether he cannot get something done to fill up this list, or at least part of the list, of vacancies, many of which are of outrageously long standing.

I hope that I shall not be accused of undue partisanship in raising this. Someone suggested to me that possibly it should be raised by a member of the official opposition. I said I think perhaps it is better that it should be raised by a supporter of the government, because it is not quite so easy to attribute this to partisan venom on the part of one who normally supports the policies of the government, though I think on occasion I have manifested a certain independence by both speaking and voting against government measures, an action for which I have no repentance to offer. I hope, therefore, honourable senators that what I have said this afternoon may be taken seriously in the highest quarters of what used to be called in Quebec the religious and civil authorities, and that we may see some results shortly. I hope that they will not be mere samples, but that we shall get a substantial number of these vacancies filled.

On motion of Senator Langlois, debate adjourned.

The Senate adjourned during pleasure.

At 5.45 p.m. the sitting was resumed.

The Senate adjourned during pleasure.

ROYAL ASSENT

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

An Act to amend the Income Tax Act and to establish the Employment Tax Credit Program.

An Act respecting the reorganization of Air Canada.

The House of Commons withdrew.

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

The sitting of the Senate was resumed.

The Senate adjourned until Tuesday, February 7, 1978, at 8 p.m.

THE SENATE

Tuesday, February 7, 1978

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

Prayers.

FISHING AND RECREATIONAL HARBOURS BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-2, respecting the administration and development of certain fishing and recreational harbours in Canada.

Bill read first time.

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

Senator Perrault moved that the bill be placed on the Orders of the Day for second reading on Thursday next.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans, as follows:

1. Willow Creek School Division No. 28, Claresholm, Alberta, and two groups of its employees. Orders dated February 1, 1978.

2. Pictou County Municipal School Board, Nova Scotia, dated January 27, 1978.

Capital Budget of the Crown Assets Disposal Corporation for the financial year ending March 31, 1979, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-229, dated January 26, 1978, approving same.

Capital Budget of the Royal Canadian Mint for the year ending December 31, 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-230, dated January 26, 1978, approving same.

Capital Budget of Air Canada for the year ending December 31, 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-170, dated January 19, 1978, approving same.

Reports on operations under the Regional Development Incentives Act for the months of July, August, September and October, 1977, pursuant to section 16 of the said Act, Chapter R-3, R.S.C., 1970.

Copies of Order in Council P.C. 1978-72, dated January 12, 1978, amending Schedule I to the Canada Grain Act, effective February 1, 1978, pursuant to section 15(6) of the said Act, Chapter 7, Statutes of Canada, 1970-71-72.

Copies of contracts, pursuant to section 20(3) of the Royal Canadian Mounted Police Act, Chapter R-9, R.S.C., 1970, entered into between the Government of Canada and the Municipalities of Westlock and Valleyview, in the Province of Alberta (English Text).

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between Philips Electronics Ltd., London, Ontario, and the group of its plant employees, represented by the United Auto Workers, Local 27. Order dated February 2, 1978.

LEGAL AND CONSTITUTIONAL AFFAIRS

CHANGE IN COMMITTEE MEMBERSHIP

Senator Macdonald, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the name of the Honourable Senator Asselin be substituted for that of the Honourable Senator Choquette on the list of senators serving on the Standing Senate Committee on Legal and Constitutional Affairs.

Motion agreed to.

NATIONAL CAPITAL REGION

SPECIAL JOINT COMMITTEE—CHANGE IN SENATE MEMBERSHIP

Senator Petten, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the names of the Honourable Senators Hicks and Robichaud be substituted for those of the Honourable Senators Barrow and Deschatelets on the list of senators serving on the Special Joint Committee on the National Capital Region; and

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

Motion agreed to.

AGRICULTURE

WESTERN GRAIN STABILIZATION FUND—QUESTION

Senator Olson: Honourable senators, I wonder if the Leader of the Government can give us an updated report on the status of the proposed payment out of the Western Grain Stabilization Fund. We have heard that there will be a payment, but it is being delayed owing to the problem of calculating costs for 1977. It would be helpful if we could know what is the status of that calculation at this time.

Senator Perrault: Honourable senators, I shall undertake to direct an immediate inquiry to the responsible minister, and I hope to be able to make a statement tomorrow afternoon.

FUGITIVE OFFENDERS BILL

SECOND READING

The Senate resumed from Thursday, February 2, the debate on the motion of Senator McIlraith for second reading of Bill S-8, respecting fugitive offenders in Canada.

Hon. John M. Macdonald: Honourable senators, perhaps I should say at the outset that Bill S-8, which repeals the existing Fugitive Offenders Act, is not the type of legislation with which one can get too emotionally involved.

Senator Flynn: Well, it was moved by Senator McIlraith.

Senator Macdonald: Therefore if my remarks are brief, honourable senators will know the reason why.

The sponsor, in his comprehensive review of the proposed legislation, mentioned that the bill has three objectives. The first is to modernize the existing legislation and to make its provisions applicable to modern conditions. This was considered necessary because the present act was passed away back in 1882, and there have not been any substantial amendments since that time. It must be admitted that although the present act has not changed, circumstances have, and crimes having an international impact have increased.

Back in 1966 an agreement was reached by the Commonwealth Law Ministers that a new Fugitive Offenders Act was necessary, and there was general agreement on the provisions of such an act. As that agreement was reached in 1966, and this bill is only now being considered in 1978, it is obvious that there has been no great sense of urgency with regard to its passage. Indeed, it would be interesting to know just how often the provisions of the existing act have been invoked since 1966. In any event, there can be no objection to the provisions of the new bill, which are more responsive to modern conditions and modern criminal activities.

The second objective of this bill is to protect the civil liberties of refugees from political, racial or religious oppression. That is of great importance. Certainly, anyone accused or convicted of one of the crimes set out in Schedule I should be returned to the country from where he or she came, either for trial or to complete a sentence. But even those persons are entitled to the protection of our laws while they are in Canada. Also, refugees from racial, religious or political oppression must be protected and given the benefits of our laws. We have always tried to provide that protection, and we will continue to provide that protection under the provisions of Bill S-8. However, such protection can always be improved.

Under the provisions of clause 6 a judge may issue a warrant for the apprehension of a fugitive offender on a foreign warrant of arrest or on information laid before him. This refers to a returnable offence, and in this connection I consider the term of 12 months imprisonment to be too short. It could cover a fairly minor offence. A judge hears the case and, under clause 8, must decide whether the person concerned should be committed for surrender or discharged. If committed, the matter goes to the Minister of Justice, who, in due course, must order the return of the offender or his release.

In my opinion, some parts of the procedure could be improved. For example, clause 2(2) of the bill seems to be somewhat confusing.

● (2010)

Apparently clause 4 is not to be considered by the judge, because clause 11 states:

> (1) A judge shall, notwithstanding section 4, issue his warrant for the committal—

So I am not clear on whether this clause means that the judge is not to consider clause 4, which is the section that deals with political and some other offences, and which apparently can be considered only by the minister.

Clause 8 (1) mentions that the offender "shall, as soon as practicable after he is apprehended, be brought before a judge." I believe this to be indefinite. I think there should be a definite time limit of, say, 24 hours, three days or even a week.

Clause 8(3) states:

> —a fugitive offender who is apprehended on a warrant issued under section 6 shall be detained in custody pending the determination of his case under subsection (1) unless he establishes to the satisfaction of a judge . . . that his detention is not necessary—

I believe the burden of proof should always remain on the Crown, and the Crown should have to establish that the detention is necessary.

The same thing applies to clause 10, which provides:

> The judge shall receive in the manner indicated in section 9 any evidence tendered to show that the offence . . . is not a returnable offence—

Here again I believe the burden of proof should be on the Crown, or whoever is doing the prosecuting, to show that it is a returnable offence, and the obligation should not be on the person.

Clause 13 gives the right of appeal only on the question of law. I do not understand why appeal should not be allowed on a question of fact or on a question of mixed fact and law.

Apart from such clauses of the bill, I suggest that judges should be given the responsibility of making the order to return the fugitive, and that appeals should be to the appeal court of the province in which the case was heard. I do not

think the minister should come into the matter at all. This is a judicial process, and normal judicial procedure should be followed. Making the minister responsible could change what I think should be a judicial matter into a political one.

Honourable senators, the sponsor, Senator McIlraith, in a very fair way—and I might say at this point that I regret that he is unable to be present this evening through illness, a fact of which he very courteously had me informed—brought the provisions of clause 18 to our attention. This clause states that the minister may refuse to order the return of an offender where it appears to him that the offender might suffer the death penalty if returned for a crime not punishable by death in Canada. As has been pointed out, this provision could enable a murderer from another part of the Commonwealth to escape punishment for his crime if he managed to get to Canada unless, of course, there is something in the immigration laws which covers this possibility. Apparently there was no general agreement on this by the Commonwealth law ministers, because clause 17 of this agreement makes such a section discretionary—that is, one which any part of the Commonwealth may or may not adopt.

Senator McIlraith drew this clause to the attention of the Senate as being worthy of examination in committee. I do not have any suggestions to offer as to how it could or should be amended, so I will follow the honourable senator's precedent and suggest that it be considered by a committee.

Honourable senators, I do not see anything in the bill which gives a judge the discretion he has under section 17 of the act which is presently in force. That section provides:

> Whenever it is made to appear to the court that by reason of the trivial nature of the case, or by reason of the application for the return of a fugitive not being made in good faith, in the interests of justice, or that, for any other reason, it would, having regard to the distance, to the facilities for communication, and to all the circumstances of the case, be unjust or oppressive or too severe a punishment to return the fugitive either at all or until the expiration of a certain period, the court may discharge the fugitive, either absolutely or on bail, or order that he shall not be returned until after the expiration of the period named in the order, or may make such other order in the premises, as to the court seems just.

I believe the bill would be strengthened if that clause were retained or replaced by one of a similar nature. I do think the judge should be given some discretion, which he does not appear to be given under this bill.

The third objective is simply to apply the provisions of the agreement to all parts of the Commonwealth, even those which do not at the present time acknowledge the Queen as Head of State. The provisions of the present act apply only to the realms and territories of Her Majesty. Of course, there can be no substantial objection to that objective because it is only fair that all parts of the Commonwealth should come under such an act.

[Senator Macdonald.]

Honourable senators, I think the bill should receive the support of the house, and perhaps the suggestions I have made could be considered by a committee, unless the adoption of that agreement by all of the Commonwealth law ministers precludes such consideration.

I have not mentioned anything about the amendments to the Extradition Act because I understand their only purpose is to bring that act into conformity with Bill S-8.

Senator Connolly (Ottawa West): The honourable senator referred to crimes that might be described as "political" crimes committed in another Commonwealth country, and indicated that he hoped there would be no extradition for such crimes. I wondered if he had given any thought to the matter of granting asylum in this country to people who might be wanted abroad for the commission of political crimes.

Senator Macdonald: Clause 4(1) of this bill provides:

> No fugitive offender is liable to be surrendered under this Act if
>
> (*a*) the offence of which the fugitive offender is accused or alleged to have been convicted is an offence of a political character—

If such a person was able to find refuge in Canada, then certainly he could not be returned unless the Minister of Justice agreed that he should be returned.

The point I was trying to make concerns clause 11(1), which reads:

> A judge shall, notwithstanding section 4, issue his warrant for the committal of a fugitive offender brought before him pursuant to section 8—

It seems to me, therefore, that the judge in the first instance cannot take into consideration the protection given these people by clause 4. That would have to wait until the matter reached the Minister of Justice.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Langlois: Honourable senators, the sponsor of this bill, Senator McIlraith, is ill and cannot be present this evening. In his place, I move that the bill be referred to the Standing Senate Committee on Legal and Constitutional Affairs.

Motion agreed to.

● (2020)

PRIVATE BILLS

MARRIAGE LAW EXEMPTION (JAMES RICHARD BORDEN AND JUDY ANN BORDEN)—SECOND READING

Hon. Maurice Bourget moved second reading of Bill S-5, to provide an exception from the public general law relating to

marriage in the case of James Richard Borden and Judy Ann Borden.

He said: Honourable senators, following the bill on which Senator Macdonald just spoke, I suppose my bill will have a little more emotion, because it has to do with marriage.

The purpose of Bill S-5 is to exempt Mr. James Richard Borden and Miss Judith Ann Borden from the prohibition against marriage between an uncle and a niece, a prohibition that is part of the public general law on marriage.

Both petitioners were born in the United States and are now Canadian citizens. Mr. Borden, who is 33 years old, was born in Phoenix, Arizona, and Miss Borden, who is 27, was born at McCool Junction, Nebraska. They both came to Canada in June, 1969, became landed immigrants on August 18, 1970, and were granted Canadian citizenship on August 30, 1976.

Mr. Borden is the brother of Miss Borden's father, Robert Douglas Borden, and is, therefore, Miss Borden's uncle.

Senator Flynn: Miss Borden is his niece.

Senator Bourget: Is that not what I said? He is, therefore, Miss Borden's uncle.

Senator Argue: He doesn't understand.

Senator Bourget: I will send a copy of my speech to the Honourable Leader of the Opposition.

In any event, as honourable senators are aware, one of the essential prerequisites of a valid marriage is that the parties to the marriage must not be related to each other within one of the prohibited degrees of consanguinity; that is, there must not be any blood relationship between them. One of the prohibited degrees of blood relationship, of course, has always been that of uncle and niece.

Legislative authority in relation to prohibited degrees of relationship, which relates to the capacity to marry, falls within the exclusive jurisdiction of the federal Parliament. For the information of honourable senators, I should like to refer to the British North America Act, 1867. Under section 91, head 26, of that act, legislative authority is given to the Parliament of Canada with regard to "Marriage and Divorce," and under section 92, head 12 of the same act, legislative authority is given to the provincial legislatures with respect to "The Solemnization of Marriage."

Bill S-5, while unusual, is not without precedent. Honourable senators may recall that in July, 1975, in the First Session of the present Parliament, Bill C-1001, which was passed by both houses, provided an exception to the general law relating to marriage in the case of Richard Fritz and Marianne Strass. This bill, which is now chapter 113 of the Statutes of Canada 1974-75-76, permitted the petitioners to marry, notwithstanding that they were related to each other as half-uncle and half-niece.

Although in the present case the degree of consanguinity is that of full uncle and niece, the basic nature of the application is the same as in the earlier case, and I trust that it will receive favourable consideration in committee.

Honourable senators, if this bill receives second reading I intend to refer it to the Standing Senate Committee on Legal and Constitutional Affairs, where honourable senators will have an opportunity to ask questions with respect to its subject matter.

Senator van Roggen: Would the honourable senator permit a question? Are there any unusual circumstances in this particular case that lead this couple to come forward with a private bill? Secondly, if there are no special circumstances, why should an exception be made in this case to the general law? Thirdly, if an exception should be made where there are no special circumstances, why should the law itself not be changed?

Senator Bourget: My honourable friend knows, of course, that I am not a lawyer. Reference was made to this point when the Fritz-Strass bill was before our Legal and Constitutional Affairs Committee in 1975. I believe that Senator Flynn asked questions with reference to it. But right now I understand that the only way Mr. James Richard Borden and Miss Judy Ann Borden can be legally married is for the Parliament of Canada to exempt them from the prohibition against marriage between an uncle and a niece. That is my understanding, and I leave it to those who are lawyers to expand on what I have just said.

Senator Perrault: Honourable senators, the last time the subject of exceptions from the general law relating to marriage was discussed in the Senate, the Honourable Senator Asselin asked if the federal government had any intention of introducing uniform marriage legislation in Canada which, presumably, would make it unnecessary for Parliament to pass laws of exception in individual cases, such as in the Fritz-Strass case to which Senator Bourget referred a moment ago. Senator Asselin asked this question during the debate on the motion for third reading of the Fritz-Strass bill on July 23, 1975. At that time the Leader of the Opposition also expressed support for the idea of providing uniform marriage legislation in order that this problem could be dealt with, as he said, "in a more general way in the future" so that Parliament would not be called upon to pass a special law in every case. This appeared to many of us to be an eminently sensible idea. He mentioned that both he and Senator Neiman had in committee—and, again, I quote Senator Flynn—"questioned the principle of introducing a law of exception in this particular field." Then later the sponsor of the bill, Senator Denis, expressed general support for that position and said:

> I agree that the federal Parliament should carry out a deeper study in order to know whether there is any possibility of amendments.

In any event, he noted an assurance that I gave at that time, as reported on page 1252 of *Debates of the Senate*, when I said:

> Honourable senators, I give an undertaking that the proposal of the Leader of the Opposition's will be brought to the attention of the appropriate government people.

After that discussion with respect to the Fritz-Strass bill I made verbal representations to the Department of Justice

about the matter. Shortly thereafter, the Senate adjourned for a summer recess, but I can now read to honourable senators a letter which I have just received from the Honourable the Minister of Justice. It was prompted by a letter which I wrote to him a few days ago in anticipation of the introduction in this chamber of three bills of a similar type to the Fritz-Strass bill of 1975.

● (2030)

The letter to my colleague expressed again the Senate's concern in this matter. The reply from the Minister of Justice and Attorney General of Canada, dated February 7, 1978, reads as follows:

> In response to your letter of February 2nd, concerning three private (marriage) bills, I have noted your concerns and asked my officials to look into the feasibility of preparing legislative proposals that would allow for settlement of affinity and consanguinity cases in a general way so that Parliament would not be called upon to pass a special law in each case.

I hope some progress can be made in the direction of reform. As I noted earlier, the minister's views are in response to suggestions which have come from various members of this chamber, including the Leader of the Opposition.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Bourget moved that the bill be referred to the Standing Senate Committee on Legal and Constitutional Affairs.

Motion agreed to.

MARRIAGE LAW EXEMPTION (EUGÈNE WADDELL AND MARGUERITE BENOÎT)—SECOND READING

Hon. Maurice Bourget moved second reading of Bill S-6, to provide an exception from the public general law relating to marriage in the case of Eugène Waddell and Marguerite Benoît.

[*Translation*]

He said: Honourable senators, Bill S-6 is similar in nature to Bill S-5. It is only the circumstances that are different.

In this case, it is a Quebec couple, Mr. Eugène Waddell and Miss Marguerite Benoît, who are related to each other as uncle and niece, and who are asking for an exception from the public general law that prevents a valid marriage between persons who are related within such a degree of consanguinity.

Mr. Waddell was born in the city of Deux-Montagnes, in the province of Quebec, and Miss Benoît was born in Montreal. It is worth noting, honourable senators, that Mr. Waddell is 84 years old and Miss Benoît is 66.

Mr. Waddell is the brother of Miss Benoît's mother, the late Mrs. Anne Benoît, whose maiden name was Anne Waddell, and he is therefore the uncle of the lady he wishes to marry.

Senator Flynn: What is the lady?

Senator Bourget: I think I shall write a personal letter to the Leader of the Opposition, or perhaps I should wait until the study in committee to give him all those personal details and the others that he will probably request.

As I explained when I moved second reading of Bill S-5, the federal Parliament has exclusive jurisdiction to legislate in matters relating to the capacity to marry and it has this power by virtue of section 91, head 26, of the British North America Act, which assigns to the Parliament of Canada authority to enact laws relating to "Marriage and Divorce".

Since the petitioners in this case are from Quebec, it should be noted that prior to Confederation, the Civil Code of the province of Quebec of 1866 was in effect and one of its provisions, namely, article 126, stated that "marriage is prohibited between uncle and niece, aunt and nephew".

Since at the time the British North America Act was enacted in 1867 the only legislation in Quebec on the subject of marriage was that found in the Quebec Civil Code, and since under the terms of Confederation legislative authority in relation to marriage was given to the federal government, it was provided, under section 129 of the B.N.A. Act, that the law in force in Quebec shall continue in force unless and until it is "repealed, abolished or altered" by the Parliament of Canada.

Since the Parliament of Canada has exclusive jurisdiction in respect of marriage and since, under section 129 of the B.N.A. Act, it has the power to "repeal or amend" the law that was in force in Quebec at the time of Confederation, I submit that it has the power to pass a private bill permitting the petitioners to marry each other, notwithstanding the prohibition that would otherwise make it impossible for them to marry.

I have therefore the honour to move, as in the case of the previous bill, that this bill be given second reading and, once again, I hope that all honourable senators, especially the Leader of the Opposition, will consider it their duty to attend the sittings of this committee.

[*English*]

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Bourget moved that the bill be referred to the Standing Senate Committee on Legal and Constitutional Affairs.

Motion agreed to.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, February 8, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Statement of the Chartered Banks of Canada showing Revenue, Expenses and Other Information for the financial year ended October 31, 1977, pursuant to section 119(1) of the Bank Act, Chapter B-1, R.S.C., 1970.

Annual Report to the Governments of the United States and Canada by the Columbia River Treaty Permanent Engineering Board for the period October 1, 1976 to September 30, 1977. (*English text*).

GOVERNMENT

STUDY OF FOREIGN FEDERAL SYSTEMS—QUESTION

Senator Bell: Honourable senators, I should like to ask the Leader of the Government in the Senate if any thought has been given to setting up a special Senate committee to study the systems of government of West Germany, Switzerland and other federations with a view to considering proposals that we might submit to the provincial governments of Canada so that they may more efficiently fulfill their constitutional responsibilities.

I ask this question of the honourable leader because a special committee of the Government of British Columbia is studying the Bundesrat of West Germany, and other institutions, in order to make proposals with regard to the Senate of Canada.

Senator Perrault: Honourable senators, the Legal and Constitutional Affairs Committee is superbly equipped to consider matters of this kind, and this proposal may well be taken up by that committee.

Senator Flynn: Do you mean that the government has no opinion on this?

Senator Perrault: A number of options are being considered with respect to—

Senator Flynn: By the government?

Senator Perrault: —the future of many institutions in this country. Of course, members of the Senate may engage in initiatives at any time to have certain studies made. That is one of the rights we have.

Senator Flynn: Are you suggesting that we should do it?

Senator Perrault: Honourable senators, it would be wrong for me to attempt to impose any of my ideas on someone else.

Senator Flynn: I agree.

THE LATE HONOURABLE GEORGE PORTEOUS

LIEUTENANT GOVERNOR OF SASKATCHEWAN—TRIBUTES

Hon. Sidney L. Buckwold: Honourable senators, I rise to draw the attention of the Senate to a very unhappy event, namely, the untimely passing yesterday morning of the Honourable George Porteous, M.B.E., C.M., the Lieutenant Governor of Saskatchewan.

It was only last Wednesday that Her Honour the Speaker drew the attention of the Senate to the presence in our gallery of the Honourable George Porteous, at which time he appeared to be in good health. I was not present then, but I understand that he received a warm welcome from all honourable senators. It was a shock to all of us to learn of his untimely passing.

The late Honourable George Porteous was a very distinguished citizen of Saskatchewan. The recipient of many honours, he dedicated a great deal of his life to the public service and was an exemplary lieutenant governor. I know I speak for my colleagues in Saskatchewan and the people of that province when I pay tribute to the contribution he made to the public life of this country. I am very sorry to have to report his death to the Senate of Canada.

● (1410)

PRIVATE BILL

MARRIAGE LAW EXEMPTION (LUCIEN ROCH JOSEPH MORIN AND MARIE ROSE HÉLÈNE MORIN)—SECOND READING

Hon. Jean-Paul Deschatelets moved the second reading of Bill S-7, to provide an exception from the public general law relating to marriage in the case of Lucien Roch Joseph Morin and Marie Rose Hélène Morin.

He said: Honourable senators, in moving the second reading of this bill, I should like to point out that the exceptions from the public general law relating to marriage dealt with in Bills S-5 and S-6, which were given second reading in the Senate last evening, are exceptions from a prohibited degree of consanguinity within which persons may not marry. In the case of Bill S-7, there is no blood relationship between the petitioners. Rather, there is a family relationship resulting from the adoption of one of the petitioners into the family of the other. The public law is, or at least appears to be, silent in respect of

adoption and the effects, if any, of adoption on the impediments to marriage.

The facts of the case are rather simple. One of the petitioners, Miss Marie Rose Hélène Morin, was born in Quebec and was adopted by the parents of the other petitioner, Mr. Lucien Roch Joseph Morin, under a judgment of the Superior Court of the Province of Quebec dated December 15, 1947.

The question that may be asked in this case is whether Miss Morin, by the fact only of her adoption into the family of Mr. Morin, is prevented from marrying him.

Some Quebec authors would argue that the prohibitions that apply to persons related by blood apply equally to persons who are legally related through adoption. While it is true that section 38(*a*) of the Adoption Act of Quebec states that "the adopted child shall become, in all respects and with respect to all persons, the legitimate child of the adopter and that of his consort"—and, I add, with the full legal rights of the adopter—one may well ask whether these words can have such a broad effect as to create an impediment to marriage.

We must remember that the Adoption Act of Quebec did not exist at the time of Confederation. As Senator Bourget so clearly pointed out in moving the second readings of Bills S-5 and S-6 last evening, it is the Parliament of Canada only that has the exclusive jurisdiction under the British North America Act to legislate in matters relating to marriage and divorce.

The federal Parliament to this date has not passed any law stating that an adopted child is prohibited from marrying a member of the family of his or her adoptive parents. The only law in the federal statute books at the present time on the subject of the validity of marriage is the Marriage Act, which is chapter M-5 of the Revised Statutes of Canada, 1970. This act permits marriage between a man and his sister-in-law, in the case, of course, that his wife is deceased, or the daughter of a sister or brother of his deceased wife. It also allows a woman to marry the brother of her deceased husband or a son of a brother or sister of her deceased husband.

On the other hand, the Quebec Civil Code of 1866, by virtue of section 129 of the British North America Act, applies in respect to marriage until and unless it is repealed, abolished or altered by the Parliament of Canada. Article 125 of the Civil Code of the Province of Quebec, which as you know is based on the Napoleonic Code, states that marriage is prohibited between brother and sister, legitimate or natural.

Can it be said that by adoption the child becomes the legitimate brother or sister of the child or children of his or her adoptive parents in the sense that the child is prohibited from marrying one of those children?

That is a question of law, honourable senators, which fortunately we are not obliged, I submit, to answer at this time because we are not a court. While we have power to make the law, it is not our function to interpret it. However, we do have the power to enact legislation that would clear up any doubt that might exist in this particular case and, on that basis, I would recommend that this private bill be given second reading and be referred to the Standing Senate Committee on Legal and Constitutional Affairs.

[Senator Deschatelets.]

Honourable senators, because it will indicate to you the difficulties faced by the petitioners, I should like to point out that they have already submitted, along with their petition, a certificate from the Diocese of Amos, Quebec, to the effect that the Roman Catholic Church, to which the petitioners belong, does not object to their marriage provided there is authority in law for the marriage to take place. I have no authorization to produce that certificate here or to read its contents, but that can be done in committee, if the bill receives second reading.

I should now like to read in French the two last paragraphs of a letter from the authorities of the Amos diocese. It reads as follows:

[*Translation*]

. . . this marriage is refused only by virtue of section 38 of the Adoption Act and section 125 of the Civil Code which prohibits marriage between legitimate brother and sister.

If a private act authorizes this marriage, the diocese of Amos will grant a Nihil Obstat so that this marriage may take place.

● (1420)

[*English*]

Under the Quebec Civil Code the petitioners are considered to be brother and sister, and it is because of this that the church authorities refused to authorize their marriage. The last paragraph that I read mentions that if a private bill authorizes such a marriage, the church authorities will willingly and happily proceed with the marriage ceremony.

Those are the only details I can give honourable senators at this time. If the motion for second reading is agreed to, the bill can be examined in committee together with the two other private bills that were referred to committee yesterday evening. At that time, all relevant particulars can be examined and relevant documents produced.

Hon. Frederick William Rowe: Honourable senators, I wish to make one point in connection with the case so excellently presented by my colleague, Senator Deschatelets. Perhaps I should say, by way of prelude, that my mind has been set at rest by the honourable senator's giving us the opinion of the Roman Catholic Church on this matter.

I speak with some knowledge, because for several years I was active in the field of social welfare, both as a deputy minister and minister. In the course of that time, hundreds, and perhaps thousands, of adoption cases came under my purview. In accordance with the law of Newfoundland, the minister has to give final approval in adoption cases.

My point is that in many cases of adoption the parentage is not publicly known, and very often the natural parentage of the child being adopted is not made known. Under the law in some provinces, and perhaps in all provinces, that knowledge is kept secret, if it is not already made public.

I know, from my own experience that in some cases adopting parents have a blood relationship with the child they are adopting. That relationship may sometimes be fairly close or sometimes quite remote—they may be third or fourth cousins.

I am merely enunciating a general principle since, in view of what Senator Deschatelets has told about the opinion of the Roman Catholic Church, we can be quite sure there is no doubt in this particular case.

We can be reasonably assured that the authorities would know if there were any consanguinity in connection with this particular case. But, as a matter of principle, in the case of such bills, there has to be reasonable assurance that there are no genetic problems involved. I have in mind more than the case of half brothers and sisters. Genetic problems might be involved in the case of second and third cousins, where both parties might carry a genetic weakness such as, for example, blindness or near-blindness. That is a factor which should always be examined before approval is given. I am not thinking so much of the particular case which is the subject of the bill now before us. As a matter of principle, in all cases the sponsor of the bill and other authorities must be reasonably satisfied that there is no genetic problem.

Senator Deschatelets: Honourable senators, may I say, in reply, that I have on file documents showing that there is no blood relationship whatsoever in this case. Of course, this is the kind of evidence that could be more satisfactorily presented before the committee, but I have it here in any event.

Hon. Jacques Flynn: Honourable senators, I think the difference that has been pointed out by Senator Deschatelets between this case and the cases that Senator Bourget presented to us last night is, on the one hand, as to whether consanguinity, as such, should be an obstacle in the second degree or whether family ties created by law should be an obstacle. I am quite satisfied that in the case of family ties created by law, as in the present case, there should be no problem at all. I do not know whether that has ever been an obstacle. Whether consanguinity in the second degree is in fact a valid obstacle to marriage, as was proposed by Senator Bourget, is not something that I am willing to accept as such. I would like to have some evidence.

Senator Rowe, of course, is being respectful of tradition. But I wonder whether there is any scientific evidence today with regard to consanguinity in the second degree which shows it to be a danger. My feeling is that it is only a tradition, and I do not think I would be willing to accept the opinion that Senator Rowe has just expressed that consanguinity is, in all the degrees established by the Code, a definite and valid obstacle to marriage.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Deschatelets moved that the bill be referred to the Standing Senate Committee on Legal and Constitutional Affairs.

Motion agreed to.

TRANSPORT AND COMMUNICATIONS

NOTICE OF COMMITTEE MEETING

Senator Langlois: Honourable senators, before we adjourn I should like to remind you that the Standing Senate Committee on Transport and Communications will meet at 3.30 this afternoon in room 356-S, to consider Bill S-4, to implement the International Convention for Safe Containers.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, February 9, 1978

The Senate met at 2 p.m., Hon. Jean-Paul Deschatelets, P.C., Speaker *pro tem*, in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Notes to the Embassy of the Union of Soviet Socialist Republics and the Secretary-General of the United Nations concerning the 1968 Agreement on the Rescue of Astronauts, the Return of Astronauts and the Return of Objects Launched into Outer Space, issued by the Department of External Affairs.

Document entitled "Canada's Economy—Medium-term Projections and Targets", dated February 1978, issued by the Department of Finance.

Report of operations under the Fisheries Improvement Loans Act for the fiscal year ended March 31, 1977, pursuant to section 12(2) of the said Act, Chapter F-22, R.S.C., 1970.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between Niagara South Board of Education, Welland, Ontario and the group of its secondary school teachers, represented by the Ontario Secondary School Teachers' Federation, District 7, and l'Association des enseignants franco-ontariens, District 8. Order dated February 3, 1978.

Capital Budget of the Export Development Corporation for the year ending December 31, 1977, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-77, dated January 12, 1978, approving same.

Report of the Public Service Staff Relations Board for the fiscal year ended March 31, 1977, pursuant to section 115 of the Public Service Staff Relations Act, Chapter P-35, R.S.C., 1970.

INTERNAL ECONOMY, BUDGETS AND ADMINISTRATION

SPECIAL COMMITTEE ON RETIREMENT AGE POLICIES—BUDGET TABLED

Senator Laird, Chairman of the Standing Senate Committee on Internal Economy, Budgets and Administration, tabled the committee's report approving the budget of the Special Senate Committee on Retirement Age Policies.

(For text of report, see today's *Minutes of the Proceedings of the Senate*.)

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

SECOND REPORT OF STANDING JOINT COMMITTEE PRESENTED

Senator Forsey, Joint Chairman of the Standing Joint Committee of the Senate and the House of Commons on Regulations and other Statutory Instruments, presented the following report:

Wednesday, February 8, 1978.

The Standing Joint Committee on Regulations and other Statutory Instruments has the honour to present its Second Report as follows:

On Thursday, November 7, 1974 your Committee submitted to Parliament a report containing fourteen criteria for the Review of Statutory Instruments which subsequently received the concurrence of both Houses.

Your Committee submits again its criteria adding to those previously submitted an additional criterion which is: "Trespasses unduly on the rights and liberties of the subject".

Accordingly, the criteria Your Committee will use are the following:

Whether any Regulation or other Statutory Instrument within its terms of reference, in the judgement of the Committee:

(1)(a) is not authorized by the terms of the enabling statute, or, if it is made pursuant to the prerogative, its terms are not in conformity with the common law, or

(b) does not clearly state therein the precise authority for the making of the Instrument;

(2) has not complied with the provisions of the Statutory Instruments Act with respect to transmittal, recording, numbering or publication;

(3)(a) has not complied with any tabling provision or other condition set forth in the enabling statute; or

(b) does not clearly state therein the time and manner of compliance with any such condition;

(4) makes some unusual or unexpected use of the powers conferred by the enabling statute or by the prerogative;

(5) trespasses unduly on the rights and liberties of the subject;

(6)(a) tends directly or indirectly to exclude the jurisdiction of the Courts without explicit authorization therefor in the enabling statute; or

(b) makes the rights and liberties of the subject dependent on administrative discretion rather than on the judicial process;

(7) purports to have retroactive effect where the enabling statute confers no express authority so to provide or, where such authority is so provided, the retroactive effect appears to be oppressive, harsh or unnecessary;

(8) appears for any reason to infringe the rule of law or the rule of natural justice;

(9) provides without good and sufficient reason that it shall come into force before registration by the Clerk of the Privy Council;

(10) in the absence of express authority to that effect in the enabling statute or prerogative, appears to amount to the exercise of a substantive legislative power properly the subject of direct parliamentary enactment, and not merely to the formulation of subordinate provisions of a technical or administrative character properly the subject of delegated legislation;

(11) without express provision to the effect having been made in the enabling statute or prerogative, imposes a fine, imprisonment or other penalty, or shifts the onus of proof of innocence to the person accused of an offence;

(12) imposes a charge on the public revenues or contains provisions requiring payment to be made to the Crown or to any other authority in consideration of any license or service to be rendered, or prescribes the amount of any such charge or payment, without express authority to that effect having been provided in the enabling statute or prerogative;

(13) is not in conformity with the *Canadian Bill of Rights;*

(14) is unclear in its meaning or otherwise defective in its drafting;

(15) for any other reason requires elucidation as to its form or purport.

Respectfully submitted,

Eugene A. Forsey
Joint Chairman

The Hon. the Speaker *pro tem:* Honourable senators, when shall this report be taken into consideration?

Senator Forsey: At the earliest possible moment, honourable senators, and I do not know when that is.

The Hon. the Speaker *pro tem:* It is moved by the Honourable Senator Forsey, seconded by the Honourable Senator Lafond, that this report be taken into consideration at the next sitting of the Senate.

Motion agreed to.

LEGAL AND CONSTITUTIONAL AFFAIRS

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Standing Senate Committee on Legal and Constitutional Affairs have power to sit while the Senate is sitting on Tuesday next, 14th February, 1978, and that rule 76(4) be suspended in relation thereto.

• (1410)

Senator Grosart: Is there a particular reason why it is necessary for this committee to sit while the Senate is sitting?

Senator Langlois: I am informed by the sponsor of Bills S-5 and S-6 that this is the only time available to the witnesses who will be appearing before the committee on those bills. The only other time available to the committee next week is Thursday morning, and I am informed that at that meeting the committee will be hearing from the minister on the Fugitive Offenders Bill.

Motion agreed to.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, February 14, 1978, at 8 o'clock in the evening.

Honourable senators, before the question is put, I should like to give the usual brief resume of what we can expect in the Senate and its committees next week. The committee schedule is a heavy one and I shall deal with it first.

On Monday at 2.00 p.m. the Agriculture Committee will meet to continue its inquiry into the Canadian beef industry, and at 3.30 p.m. there will be a meeting of the Special Joint Committee on the National Capital Region.

On Tuesday the Agriculture Committee will again meet on its inquiry into the Canadian beef industry at 10 a.m. and 1.30 p.m., and at 4 p.m. there will be a meeting of the subcommittee on Childhood Experiences. The Special Committee of the Senate on Retirement Age Policies will meet at 5 p.m.; the Legal and Constitutional Affairs Committee will meet at 8.30 p.m. to give consideration to Bills S-5 and S-6, and the Joint Committee on Regulations and other Statutory Instruments has scheduled a meeting for 8.30 p.m.

On Wednesday the Banking, Trade and Commerce Committee will meet at 9.30 a.m. to consider Bill S-3, and there will be a further meeting of the Agriculture Committee on its inquiry into the Canadian beef industry when the Senate rises.

On Thursday the Legal and Constitutional Affairs Committee will meet to consider Bill S-8, the Fugitive Offenders Bill, at 9.30 a.m., and at 10 a.m. there will be a meeting of the Subcommittee on Childhood Experiences. The Joint Committee on Regulations and other Statutory Instruments will also meet on Thursday at 11 a.m.

In the Senate we shall proceed with Bill C-2, respecting the development of certain fishing and recreational harbours in Canada, and other matters on the order paper. Hopefully, Bill C-16, to amend the Bank Act and the Quebec Savings Banks Act, will be passed by the other place before we return on Tuesday evening.

Motion agreed to.

RETIREMENT AGE POLICIES

CHANGE IN COMMITTEE MEMBERSHIP

Senator Petten, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

> That the name of the Honourable Senator Fournier (Restigouche-Gloucester) be substituted for that of the Honourable Senator McNamara on the list of senators serving on the Special Senate Committee on Retirement Age Policies.

Motion agreed to.

FOREIGN AFFAIRS

VIOLATION OF OFFICIAL SECRETS ACT BY SOVIET NATIONALS IN CANADA—QUESTION

Senator Olson: Honourable senators, I should like to ask a question of the Leader of the Government respecting some press reports that have come to light only in the last few minutes or hours concerning the RCMP having uncovered a massive Soviet spy ring in Canada. I would ask him for a report, however brief, to confirm whether or not this is so, and perhaps later to give a detailed report of what action the government intends to take to deal with this matter.

Senator Perrault: Honourable senators, I have been informed that the Secretary of State for External Affairs will be making a major statement on this subject at 3 o'clock this afternoon in the House of Commons, and I shall certainly make a statement in this chamber shortly thereafter if the Senate is still sitting. If our deliberations have been completed, the information will be brought to honourable senators as soon as possible.

MINUTES OF PROCEEDINGS

CORRECTION

Senator Rowe: Honourable senators, I should like to point out that in Question No. 3 in the *Minutes of the Proceedings,* "Belle Island" should be spelled "Bell Island." The question deals with storage capacity for oil or oil products of the abandoned iron ore mines at Bell Island, Newfoundland. The name of the island arises from the fact that it resembles the shape of a bell, and it is not to be confused with another island in Newfoundland named Belle Island.

[Senator Langlois.]

CANADIAN TRANSPORT COMMISSION

DOMESTIC AIR CHARTER RIGHTS—QUESTION ANSWERED

Senator Perrault: Honourable senators, I have some replies to questions asked earlier this session.

Senator Buckwold asked a question on December 8 with respect to a recent decision of the Canadian Transport Commission to give very limited charter rights to Air Canada and CP Air for domestic flights in the coming year. He objected to the fact that another company, Wardair, had been denied this privilege.

A petition had been filed with the Governor in Council by the Consumers' Association of Canada for amendment of the decision. The Governor in Council varied the decision to provide the operation of a larger number of inter-regional domestic ABCs in 1978, to permit other Class 4-licensed carriers to apply to participate in inter-regional domestic ABCs and not to provide for a so-called "primary right" on the part of the two trunkline carriers in such operations, and requiring that the commission consider whether any other regulations on domestic ABCs might be eased and, in particular, whether it might be appropriate to mix domestic ABC and ITC passengers and reduce advanced booking requirements.

The Air Transport Committee of the commission now has under study, with a view to giving early effect to the order, the necessary amendments to the air carrier regulations.

In the matter of the right of Wardair to participate in the operation of domestic ABCs, this carrier still does not have a licence and still has not filed a formal application. To quote the Ministry of Transport, "The ball is, therefore, in Wardair's court, though the carrier's periodic public pronouncements neglect to make that clear."

● (1420)

PUBLIC WORKS

ILLUMINATION OF GOVERNMENT BUILDINGS—QUESTION ANSWERED

Senator Perrault: Honourable senators, on December 15 Senator Forsey asked a question about certain government offices on the other side of the river, and complained that they were "lit up like the gardens of Versailles on July 14."

I should like to answer that in this way:

> The sites in Hull which attract attention about excessive building lighting in government buildings during silent hours are:
>
> Place du Portage I and II
>
> Place du Portage III
>
> Place du Portage IV
>
> Les Terrasses de la Chaudière

Portage I and II: Cleaning starts at 1700 hours and is completed in half of the building by 1900 hours and lights turned off in these areas. All cleaning operations are complete and lights turned off at 2100 hours. Gang cleaning is being practised in Portage II. A project which will provide central switching control from the Guard's desk is being developed.

Place du Portage III: Lights are shut off at 2100 hours, except for areas still occupied by office or construction workers. Cleaning operations are completed by that time. There are also some areas of the building where electrical circuitry for sectional switching is still being installed. All efforts are being made to complete this work as soon as possible.

Portage IV: This building is still under construction and some work continues until 3:00 a.m. All temporary construction lights are left on by the contractor for safety and security.

Les Terrasses de la Chaudière: Most floors are still under construction and lights are on because switching for controlling lighting by floor and by lighting level is incomplete. This hydro-electric energy is not totally wasted since lights were designed to serve as partial heating during winter months, thus saving non-renewable natural gas energy.

CANADIAN NATIONAL RAILWAYS

REVENUE FROM *OCEAN LIMITED* AND *SCOTIAN*—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 2—By **Senator Fournier (Madawaska-Restigouche):**

1. What was the total revenue from the two passenger trains namely the *Ocean Limited* and the *Scotian*, for the period of December 1, 1976, to April 1, 1977?

2. What was the revenue for the same two trains for the period of December 1, 1975, to April 30, 1976?

Senator Perrault: Answered.

The Management of Canadian National Railways advises as follows:

1. December 1, 1976 to April 1, 1977	(Thousands)
Total revenues—*Ocean Limited*	$1,778.5
—*Scotian*	1,274.6
	$3,053.1
2. December 1, 1975 to April 30, 1976	(Thousands)
Total revenues—*Ocean Limited*	$2,630.6
—*Scotian*	1,584.1
	$4,214.7

The figures provided do not give a complete picture of the revenue situation because the earnings cover different periods of time and do not realistically consider the operating problems which arose during the winter of 1976-1977. Also due to the landslide at St. Fabien on December 16, 1976, train service patterns were continually altered between Montreal and Moncton. These service alterations and disruptions lasted until the middle of May, 1977. The most significant changes in service were the cancellation of the Ste. Foy-Edmundston-Moncton trains 616 to 619 and the diversion of the *Ocean* and *Scotian* trains via Edmundston. Several other local services were used to provide service to local points on the Levis-Campbellton-Moncton line and the revenue for these trains was included in the earnings for the *Scotian* and *Ocean Limited*.

ENERGY

OIL STORAGE AT BELL ISLAND, NEWFOUNDLAND—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 3—By **Senator Austin:**

1. What is the estimated storage capacity for oil or oil products of the abandoned iron ore mines at Bell Island, Newfoundland?

2. How expensive might it be to prepare this storage capacity for actual use?

3. Is the property on which the storage is located public or private land, and if private what is the name of the owner, and if the owner is a corporation who are its controlling shareholders?

4. Has any consideration been given to the acquisition by purchase of this property either by the federal or by the provincial governments or jointly, and if so what might be the estimated purchase price?

5. Have there been discussions during the calendar year 1977 with the United States Government regarding the use by the United States of this property, either alone or in conjunction with Canada, either by private or by public interests, and if so what is the present situation of those discussions?

6. What would be the estimated cost to fill the Bell Island storage capacity, and how long would it take to do so at rates of purchase which would not affect world market demand and price?

7. Is this project considered vital for Canada in order to obtain for Quebec and the Atlantic provinces a secure supply of crude oil at current prices against shortages and higher prices predicted beyond 1985?

Senator Perrault: Answered.

The Department of Energy, Mines and Resources reports as follows:

1. 90 million barrels

2. $120,000,000

3 and 4. Wabanex, a subsidiary of Power Corporation, has leased property from the Province of Newfoundland. The province has an option to participate in the project and the federal government has indicated to Wabanex that if it concludes an arrangement with the U.S. Department of Energy for strategic storage, the

federal government would also wish to have an option to participate in the project.

5. Wabanex has had several discussions with the United States Government officials and the Office of Strategic Reserves has commissioned a feasibility study. The U.S. Department of Energy is currently planning to create emergency reserves of one billion barrels, of which five hundred million barrels are to be complete, mainly in salt domes in the Southern States, by 1982. Wabanex may be considered for the second half of the program.

6. At today's prices of approximately $14 to $15 per barrel, the cost of filling the Bell Island storage would be approximately $1,300,000,000 to $1,400,000,000. It should be possible to purchase crude oil at a rate of 250,000 barrels per day, without significantly affecting world demand or price, and on this basis, the storage could be filled in one year (one Very Large Crude Carrier (VLCC) every nine days).

7. The project is not considered vital at this time for Canada. As a member of the International Energy Agency, Canada is a participant in an oil-sharing scheme designed to protect the member countries in the event of an oil shortage, whether caused by accident or as a result of a political decision.

The countries participating in the oil-sharing agreement have two basic obligations:

(i) the requirement to be able to reduce country-wide consumption during an emergency (initially by at least 10%) and

(ii) to maintain emergency supplies equal to 90 days of net imports.

AGRICULTURE

WESTERN GRAIN STABILIZATION FUND—QUESTION ANSWERED

Senator Perrault: Honourable senators, on February 7 the Honourable Senator Olson requested an updated report on the status of the proposed payment out of the Western Grain Stabilization Fund. By way of reply, the minister has provided information in the form of a statement made by him in the other place on January 31:

> Mr. Speaker, it is not yet possible to be precise about the amount. Indeed, the final amount may not be known for some time. However, the likelihood is that an analysis of the figures will allow us to look at the question of whether an interim payment should be made. We will be discussing the matter in the very near future.

I may say additionally that the payout calculation will not be finalized until late this summer. The responsible minister in the other place, Mr. Lang, made the suggestion last fall that an interim payment might be desirable if the final payout could not be made before seeding. The minister is pursuing the idea of an interim payment, and if it is made it will likely be by mid-April.

[Senator Perrault.]

Since, in the words of the ministry, the available data is preliminary, it is difficult to provide any precise figure. However, the minister has stated that the final amount will likely be between $75 million and $150 million.

ENERGY

FUNDY TIDAL POWER SITES—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 4—By **Senator Austin:**

1. With respect to the potential of Fundy tidal power sites to produce electrical energy, are there any studies completed or under way on any possible project sites which might lead to machining at least on a pilot basis?

2. If there are such studies, (a) what site is being considered, (b) what might be the cost of such a pilot plant, and (c) at what possible electrical output?

Senator Perrault: Answered.

1. Studies completed to date have identified three sites that appear to be the most attractive of some 30 possible sites in the Bay of Fundy area for development of tidal power; all three are too large for development on a pilot plant basis. These sites are in Shepody Bay, Cumberland Bay and Cobequid Bay and have a potential 1550, 1085 and 3800 MW respectively. There has been no decision to proceed with development of any one of these three or any other site in the Bay of Fundy.

2. The federal government has not participated in any studies relative to the development of tidal power on a pilot plant basis.

● (1430)

NATIONAL UNITY

MAGAZINE ARTICLE—DEBATE ADJOURNED

Hon. Eugene A. Forsey rose pursuant to notice of Thursday, February 2, 1978:

> That he will call the attention of the Senate to a most mischievous article by June Callwood in the January number of *L'actualité*.

He said:

[*Translation*]

Honourable senators, I have before me an article from the monthly magazine *L'actualité* by June Callwood from Toronto and I would like to draw the attention of the Senate on what I called in my notice of inquiry a "mischievous" article. I could have used somewhat stronger language but I said "most mischievous".

For two reasons, I am going to deliver part of my speech in French and part of it in English: first, one part in French because the article is in French, and I am going to comment in French on several parts of the article. On the other hand, since the author is English-speaking, I will comment several parts in English while quoting several parts in French and making as

faithful a translation as possible for someone who is not quite bilingual and who is neither a translator, nor an interpreter or whatever.

I have been told by several of my colleagues that I should not bother raising this matter here. First, a highly respected colleague told me: Well, this poor woman has no way of challenging what you will be saying in the Senate; frankly, I think it would be a shame to raise that issue before the Senate, considering that Mrs. Callwood has no way of defending herself.

Well, I do not find that argument very convincing since Mrs. Callwood is some kind of television star and she has a program on the CBC English network called "In Touch". This program can be viewed at least once a week, I think, but I am not positive. I even appeared on that program once but I do not expect another invitation.

Some other colleagues said to me: Well, it is no use raising the issue because the article appeared in a PQ paper, and heavens knows what silly things, stupid things one can expect to read in such papers; why give this article any publicity by bringing it up before such an august assembly as the Senate of Canada?

Again I am not convinced by this argument because, first, this lady has gained a certain renown as a publicist, and she has spread out before the French-speaking population what she calls, "the truth about Canada". This "truth" is, in my opinion, somewhat dubious, and I shall explain briefly my reasons for arriving at this conclusion. There are, in my opinion, enough fairy tales on the Constitution and history of Canada circulating across the country, and sometimes, I am inclined to think, more particularly in the province of Quebec. But that is perhaps prejudice on my part. Certainly, however, there are many, many fairy tales, completely without foundation, circulating across the country on the Constitution and history of Canada.

Now I want to quote some parts of this article.

First, according to Mrs. Callwood, "Our country, in fact, was not founded on democratic principles, but rather the opposite".

Well, I ask whether there is at this moment a single country in the world "founded on democratic principles". Certainly not the United Kingdom or the United States. It depends on the meaning you attach to the word "democratic". But if you mean by this word a state founded on universal suffrage, even universal suffrage for men, not to mention women, I think almost no state in the world was "founded on democratic principles", because universal suffrage did not prevail in the United Kingdom in 1867, nor in the United States two centuries ago. It was an élitist society, if I may use a word which perhaps does not exist in French, but which is used often in English. I think it is, moreover, a mixture, in English. But all these countries were founded on the principle of popular government, constitutionality; but on democratic principles, I think no.

So, if Canada is not "founded on democratic principles", that is true also of most countries in the world.

Next, second point, Mrs. Callwood says: "Its French half was a colony dominated by a master hostile, or at best indifferent".

Well, perhaps I ought to leave it to French-speaking senators to discuss this part of the article. But I think it must be emphasized that in 1867 the Province of Canada had enjoyed responsible government for about twenty years, and if the French-speaking population was "dominated" during that period, for example, by "a master hostile, at best indifferent", it is a little doubtful, because, for that whole period, there were, for the Province of Canada, two Prime Ministers, one English-speaking, the other French-speaking, except for the period immediately before the British North America Act, when there was only one Prime Minister for the province of Canada, a French-speaking one: first, Sir Étienne-Pascal Taché, and then Sir Narcisse Belleau.

Well, that doesn't convey to me the impression of "a colony dominated by a master hostile, at best indifferent".

Then Mrs. Callwood pays her compliments to the English-speaking. It is their turn:

> "Its English part was formed of a people who hated democracy to the point of fleeing from it, at the risk of all their property, at the risk of their lives".

Well, I suppose that refers to those whom we call, in English, the "United Empire Loyalists". Again, it is a doubtful point, I think, because while the Loyalists did not favour the American Revolution, none the less they had, I think, just as much as the revolutionaries, the taste for freedom. But they differed on the methods to be followed to establish and protect that freedom; and I think the proof of that statement of mine becomes perfectly clear when one considers that, on the arrival of the Loyalists in that part of the Province of Quebec which is now called Ontario, formerly Upper Canada, immediately these people demanded the summoning of an Assembly. They were not aristocrats who wanted to settle everything by decrees, by Orders-in-Council, by decrees of the King or Queen. No, they were people who had the taste for popular government, and demanded, urgently, the summoning of an Assembly. And the British Parliament yielded to this demand in rather short order, and established a Legislative Assembly in Upper Canada and also in Lower Canada.

So I think Mrs. Callwood's statement is hardly well founded.

● (1440)

[*English*]

Now, if I may turn to the other language, much to the relief of everybody concerned, I should think, not the least, perhaps, the interpreters.

The next statement Mrs. Callwood makes is that in these two societies—that is, the French-speaking and English-speaking societies—it was considered seditious to speak of liberty, equality and individual rights, and certain people were even hanged for doing so. Well, I suppose that last is a reference to

"Les Patriotes" of 1837 and their counterparts in Upper Canada.

I think it is worth noting that the risings of 1837 in the two provinces took place only after a prolonged agitation in both provinces, an agitation which, in no case that I am aware of, was ever suppressed in any way and for which nobody was ever penalized. The penalties that were suffered, whether of exile or execution, were suffered after the people concerned had taken up arms. Now, they may have had an excellent reason for taking up arms. I am not discussing that. I think, perhaps, they had a pretty strong reason, but if you are exiled or executed for taking up arms, it is not the same thing as being exiled or executed simply for stating that you believe in the principles of liberty or individual rights or equality. The two things are quite different.

People can go around this country now, and do go around this country, criticizing our government very severely, making the most sweeping accusations—at the moment, perhaps, against the government in power—and nobody is trying to stop them that I am aware of. Nobody is suppressing them. But, if any of those people took up arms, that would be a very different situation. They might have excellent reasons, perhaps, at some stage or another, having found that the processes of democracy were completely ineffective. They might have some reason to feel they should take up arms, but taking up arms and expressing opinions are two totally different things. I think it is most mischievous and nefarious on the part of this lady to assert that "Les Patriotes," or their English-speaking counterparts, were executed because they expressed opinions in favour of liberty, equality and individual rights.

This whole document, by the way, appears under the heading, as I think I said a few moments ago in French, of "The Truth on Canada." That, to my mind, adds to the offence. If you have a whole series of misleading, contentious, and in some instances false statements which are headed "The Truth on Canada," then any seditious effect which they may have is merely heightened.

The next point I want to draw attention to is one that I find really a trifle absurd, partly, perhaps, because I am not aware of the alleged facts upon which the statements rest. But, anyway, Mrs. Callwood says—and this time I think I will switch back to the other language and quote her precisely:

[*Translation*]

> I find it quite significant that the nine English provinces—

—which leaves out the province of New Brunswick which is bilingual, officially bilingual—

> —should have decided before all else to change the name of the "Train of liberty" which they bought back from the United States. In the future, it will be known as the "Train of unity".

[*English*]

When I say I find this perfectly absurd, I was not aware there was any such train, whether in the United States called the Train of Liberty, or in Canada called the Train of Unity. But, assuming that the statement is correct, I can't help asking whether it isn't perfectly absurd to suppose that we should call the train here the Train of Liberty. Whose liberties are in any real danger in this country? Why should any province, English-speaking, French-speaking, bilingual, or anyone else, for that matter, charter a train to go across the country, as I gather somebody did, to talk about liberty? There is no particular urgency about that. But I can well understand that someone might charter a train to talk about the unity of the country. National unity is another thing. That is relevant. Perhaps it shouldn't be talked about, perhaps there shouldn't be a train hired or chartered to spread the views of anybody on national unity, but it is at least a perfectly relevant thing. To suggest that this shows a deep contempt on the part of English-speaking people, a deep contempt towards liberty and equality and individual rights, seems to me, to be perfectly nonsensical.

Then this article goes on to say that liberty does not form part of the Canadian vocabulary. Well, that certainly is a staggerer for me. I am now nearly 74 years of age, and if I had a dollar for every time I have heard "liberty" orated about by either English-speaking or French-speaking Canadians, I would not even desire to call Rockefeller my uncle. I would be a multi, multi-millionaire.

This is a most absurd kind of statement, but this is being presented to the French-speaking population of the province of Quebec as the opinion of a well-known and, presumably, well-informed English speaking publicist.

Then she says that we do not find this word or any allusion to any individual liberties in the Constitution of 1867. Well, of course, we don't. We don't find any allusion to the Prime Minister, or the cabinet, and we don't find any allusion to responsible government. We don't find any allusion to a whole string of things in the text of the British North America Act. There was no necessity to mention them. They were looked after in the main by the words in the preamble, "a Constitution similar in Principle to that of the United Kingdom."

The Fathers of Confederation never thought, and most generations since never thought, there was any necessity of saying, "Well this means, of course, that you are going to have a free Parliament, you are going to have a free press, you are going to have liberty of association," any more than they thought it was necessary to say, "You must remember that if the government is defeated on a motion of censure or want of confidence in the House of Commons, either it must resign and make way for a government of the opposite party, or else it must ask for a fresh election and try to get a majority in the new House of Commons."

These things are all taken for granted in the skeleton of our Constitution which we find in the British North America Act. It is simply the skeleton. The flesh is put upon it by custom and convention, and by legislation. So this is a perfectly irrelevant statement, but one which is calculated to give to the ill-informed the impression that in our working Constitution there is no reference at all to liberty, which, of course, is perfect nonsense.

Then the article goes on to say that the Canadian Bill of Rights is a document so foreign to our profound nature that the courts of the country do not recognize any priority in it. Well, I have under my hand here a judgment by Mr. Justice Beetz of the Supreme Court of Canada speaking for the full court, or, at any rate, for those judges who sat on the case. It is the case of *Attorney General for Canada v. Canard*. He sets forth there the principles which he takes to be settled by the decision of the court in *The Queen v. Drybones*, which make it perfectly clear that in fact the Supreme Court of Canada does recognize the priority of the Canadian Bill of Rights in all those cases where it can be shown to be properly applicable. There are cases where it cannot be shown to be properly applicable, and therefore, of course, it does not apply.

● (1450)

This is true of quantities of laws which we have. If we had passed into law, for example, the Maritime Code bill, of evil memory, then that would not have applied to a whole string of cases which might have come up on all sorts of other subjects. Always, even the most general statute has to be applied only in cases where the court finds it is relevant. This, at least, is my impression as a layman. Perhaps honourable senators learned in the law can correct me on this, but certainly this is the impression I have got from some degree of study of the subject, and the other is wholly misleading, and indeed false, and there is a whole long judgment of Mr. Justice Beetz, which I shall not quote, because I wish to spare honourable senators as much of my eloquence, whether personal or borrowed, as possible, to show that in fact the court does take judicial notice of, and give priority to, the Canadian Bill of Rights, wherever it is applicable.

Then we come to this: "Canada puts order and stability above honour. In cases of profound dissension respect for the rights of the citizen and the spirit of co-operation 'en prennent un coup' ". I suppose "take it on the chin" might be a free, colloquial English translation of that expression. I think it gives the sense of it, at all events.

Then Mrs. Callwood goes on to cite a large number of cases—strikes, and that sort of thing—where force has been used by governments, both dominion and provincial, to put an end to them, or to repress them in some way. Well now, everybody knows that there have been numerous instances of the use of force in our history, in industrial disputes and in certain other matters as well. Nobody denies this. Nobody denies that there has been repression in the history of Canada— sometimes justified, I think, sometimes not justified; that is a matter of opinion—but to go on and say, as the article does, that this is the whole story, is, in my judgment, pushing the thing far beyond what is justified by the facts.

Somewhere else in the article—I do not see the exact spot here, though if I look hard enough I suppose I may find it—we are given to understand that there is no case at all in which dissident opinions have been expressed without being jumped on. I have the translation of the phrase here: "We stifle without pity the voices which demand changes." My comment, in a letter that I wrote to Mrs. Callwood, to which I have as yet received no reply, was, "So we have 'stifled without pity' the CCF, and NDP and the Social Credit Party? And the Civil Liberties Association(s)?" I think Mrs. Callwood has been very active in these organizations.

It is a travesty of our history to say that we always jumped with hobnailed boots on any expression of dissent from the established order. We have a long, long history of dissent—dissent which was not repressed. I remember a few years ago, and I think I mentioned this once before in a speech in the Senate, that my friend Dr. Graham Spry discovered that a number of university students, in the sixties, had absolutely no idea of—had never heard of—the CCF, the Progressive Party, the Winnipeg strike, J. S. Woodsworth, *et cetera, et cetera, et cetera*. They had simply never heard of them and they were, he said, delighted and enchanted to discover that there was a leftist tradition, a tradition of dissent, a radical tradition, in Canada. Well, of course, there is, but if you read this—"We stifle without pity the voices which demand changes"—you ask yourself in what universe of discourse this lady moves. Where does she get her notions of Canadian history?

I would like to point out another conspicuous example of very strong dissent, in this case accompanied by an armed uprising, which was not "stifled without pity"; the creation of the Province of Manitoba as a result of negotiations between the Government of Canada and representatives of the provisional government set up by Louis Riel at Fort Garry, a provisional government which had actually taken up arms against the constituted authorities. If that wasn't an example of not stifling without pity the voice of dissent, I cannot imagine what was. I think it is necessary to get these things into some sort of balance. but any reader of *L'actualité* reading this kind of thing would have no idea that there was the slightest exception, let alone a series of major exceptions, to these sweeping assertions by this lady, and he would be inclined to say, "Well, after all, she is very well known; she has a radio program; she must have some education; she must have some knowledge of the facts; and she wouldn't make statements like this if there were any question of their being challengeable." I cannot blame any reader of *L'actualité* for arriving at that conclusion.

We find one or two other things here that I think ought to be spoken of with some vigour. For example: "Governments, both the national government and the Quebec government, are indulging in lies and intimidation rather than dialogue." Well, I suppose that whether certain statements are lies is sometimes open to a difference of opinion. I suppose that whether certain statements are intimidation is open to a difference of opinion.

For myself, however, I would say that most of the controversy that has been taking place between the Government of Canada, or representatives of the Government of Canada, ministers of the Government of Canada, and the Parti Québécois Government of Quebec, has not been at all a matter of lies or intimidation. There have been arguments presented very forcibly on both sides. There have been statistics spread out for the edification of the public on both sides. Each side has questioned the validity of those statistics. Each side has ques-

tioned the validity of the arguments of the other side. There has been a tendency sometimes to say, "When you make a certain statement you are really trying to intimidate us. You are trying to exploit the fears of our population." There has been a tendency on the other side to say, "Well, that is exactly what you have been doing in the opposition direction."

It seems to me that if, for example, you get a statement by a minister saying that there is no reason for any enterprise in Quebec to fear that it will have any difficulties under the provisions of Bill 101, that is a perfectly legitimate sort of statement to make. It is, on the other hand, a perfectly legitimate sort of statement for someone else to come back and say, "We do not agree with that. This offers very serious threats to certain businesses in the province of Quebec." If you get a minister here saying that the result of independence would be a lowering of the standard of living for the ordinary citizen of Quebec, that doesn't seem to me to be deserving of the epithet, or the word, "intimidation". It is the statement of a view held by a minister of the crown here in the national government, and if the other people choose to consider it intimidation, all right, but it seems to me a strong term to use. And when this lady goes on to say that what we need is imagination, goodwill and faith, well, of course, who can disagree with that? But she adds, "I see at the moment scarcely any manifestation of these qualities." She adds, amazingly, "I must say that we have heard for the present only politicians."

● (1500)

Well, again, I ask where in the world has she been living, because in Toronto itself in recent months we have had two great assemblies convoked, first of all, I think, by the President of York University and then by the President of the University of Toronto, discussing this thing, and as far as I know at both of these assemblies politicians were conspicuous by their absence. Certainly it was the publicity beforehand that they were going to have people, and that, of course, excludes politicians of any kind. We are scarcely human. We are almost subhuman, it appears, in some instances—"We are going to have people; we are going to have the ordinary people; we are going to have the grass-roots people; we are going to have experts, but not politicians. No, no; no politicians. But academics, and writers, and scientists, and all sorts of things."

But as far as I know the intention was to see to it that politicians would be very few and far between and, as far as I know, they were very few and far between. The discussions took place, again, as far as I know, with a great deal of freedom, without any attempt by anybody to stifle any difference of opinion, however strong it might be.

She says: "For my part, I see alarming signs that we are falling back into our traditional reaction in the face of the menace of change. We refuse to those who differ from our opinions the belonging to the human race." This is a rather halting translation of mine.

> —Nous refusons à ceux qui diffèrent d'avis avec nous l'appartenance à la collectivité humaine—

[Senator Forsey.]

And, "We throw them all into one monolithic evil.

> —nous les englobons en un monolithe du Mal.

Well, I think that is a pretty extreme sort of statement.

But now we come to the gem of the whole thing. She goes on about the lies and the intimidation, and then she ends up:

> Je ne vois, au bout de ce chemin, que des prisons et du sang.

Now, that last sounds to me uncommonly like an admonition to the members of the Parti Québécois—indeed, the whole thing sounds like this, but that puts the tin hat on it; that puts it in a nutshell, to vary the metaphor—it sounds like an admonition to these people that, "If you have any idea that you can ever get independence by peaceful, legal or constitutional means, you might as well forget it. Our whole history is one of repression. Nobody is ever allowed to express any views contrary to the established order. At the end of this road I see only prisons and blood."

Well, the natural conclusion of anybody who reads this and takes it seriously is to say, "Well, if we are going to have prisons and blood, we may as well start in right now and use violent means. We will be driven to it eventually. Why not shed the illusions of democratic action, why not shed any illusion that we can do these things by peaceful means? Why not go at once for the short and certain route of violence?"

This seems to me to come extremely close to sedition. I looked up the definition of sedition in the texts of law and found that it ran, in part, as follows:

> Promoting feelings of ill will and hostility between different classes of Her Majesty's subjects.

It seems to me perfectly clear that that is the tenor of this whole article, though I would add at once that I suppose a prosecution for sedition would hardly get very far because the thing is wrapped up in a certain amount of cotton wool.

But it seems to me dreadfully unfortunate, to say the least of it, that an English-speaking person of some standing, as this lady unquestionably is, should spread among the Parti Québécois, and its sympathizers, who are probably the main readers of this journal, this idea that the actual program of their own party—getting independence by legal, peaceful and constitutional means—is a pure illusion.

I cannot help feeling that this report will, for them, confirm what they probably have already been told by various extremists and pessimists in their own ranks, "It is hopeless. We have told you so before and now here comes an English Canadian publicist, a lady of education and standing, of some influence, who just proves to you that what we said was right all along. So what is the use of fooling around with peaceful means?"

Of course, the actual effect of this article may be fairly small, because not very many members, even of the Parti Québécois, will be prepared to jump into the camp of violence simply on the strength of this sort of thing. But constant dripping wears away a stone, and if you get this kind of thing repeated, which is quite likely, if you get it spread around, a certain impression will be left and a certain feeling of, "Well,

perhaps it is hopeless," and misrepresentations of certain statements by the Prime Minister, I think, will be added. It will be said, "You see, she just confirms what we told you about what Trudeau said." Of course, Trudeau didn't say it at all, but misinterpretations have already been placed on his words in more quarters than one. The more you get of this kind of thing, especially if you get it apparently confirmed by an English Canadian of standing, the worse it will be.

I wrote Mrs. Callwood that I thought she had performed a very bad service, either to the cause of Quebec independence or to the cause of national unity, because while she talks about the necessity of goodwill and good faith, and all that sort of thing, she is virtually saying to the readers of her article, "You may as well forget it. It won't happen, or it will take a miracle to produce it. Here is our whole history, one of complete, absolute, unvarying repression, and there you have it."

I felt it was necessary, honourable senators, to draw this to the attention of the Senate. I sent around copies of the article and the letter I wrote to Mrs. Callwood to most of the French-speaking senators, but I thought it ought to be drawn also to the attention of the rest of the Senate as a most nefarious contribution to the debate, whether you call it national unity or the possible independence of Quebec. It seems to me exactly the sort of thing which should not be said.

I may add, finally, that if this article sets forth the truth about Canada, if our history has been one of unvarying course of repression of dissident opinion, it is rather remarkable that the author of the article is still at large. One would have thought that by this time she would be at least on trial, perhaps in prison, and possibly, to use her own words, "pendu," hanged, or perhaps, if there were such a legal provision, exiled for her expression of opinion, which certainly cannot be regarded as orthodox opinion but rather as strongly dissident from orthodox opinion of either the partisans of national unity or of Quebec independence.

I hope I have not trespassed too long on the time of honourable senators on this matter. I really do feel it is a matter of great importance, great potential importance, and one that should not be allowed to pass unchallenged in this house of, we hope, sober second thought.

[*Translation*]

Senator Langlois: Honourable senators, I think we must be very grateful to Senator Forsey for having drawn our attention to that article which recently appeared in *L'actualité*.

I had the opportunity to read that article. I entirely agree with Senator Forsey, but like him I feel that the adjectives he used this afternoon to describe this article were rather mild. I think that on account of the sex of the author, he gallantly chastened his vocabulary. Still I think it is important to comment on such writings in this house. We should remember that the article was published in a magazine with separatist leanings, but just the same we must prevent the dissemination of such pernicious propaganda and try to disprove it.

This is why, as I said earlier, we must be grateful to the honourable senator for having drawn our attention to that insidious article.

I do not intend to speak further this afternoon. I merely want to make preliminary remarks, because I intend to move the adjournment to take part in the debate at a later date.

However, allow me to point out this afternoon that the author of that article is a moderator on a CBC program in Toronto. I found that the article follows the trend of some artists and reporters on our national television network whom I had the opportunity to expose on several occasions in this house and in committee. You see the moderator of a program on the public network who shows no reluctance in taking the opportunity created by the present confusion in Canada and by circumstances jeopardizing the national unity to publish those stupidities and make such insidious propaganda.

I feel that we must, I say it again, denounce that pernicious attitude and take this opportunity to ask once more of the powers that be, that is those who guide the destiny of the CBC, to choose more advisedly—and far be it from me to attribute ill intents to them—to choose more advisedly those who appear on their programs. I am convinced that, despite the obvious talents of this author, it would be possible to find among our Canadian journalists someone who could be more honest with the truth than is the author of this article, especially, if not only to maintain the good reputation of the CBC and allow that crown corporation to fulfil its role as stipulated in its incorporation act, that of promoting national unity. It would be better for the president and authorities of the CBC to see to it that an end is put to the type of propaganda that is spread by those who host the programs of that national company.

Some Hon. Senators: They all are the same.

Senator Langlois: Now, I do have no wish to accuse everyone wholesale but, still, I feel we must see things as they are and judge them on their merits.

Honourable senators, with those few words of introduction, I move the adjournment of this debate.

On motion of Senator Langlois, debate adjourned.

• (1510)

[*English*]

FOREIGN AFFAIRS

VIOLATION OF OFFICIAL SECRETS ACT BY SOVIET NATIONALS IN CANADA—STATEMENT BY SECRETARY OF STATE FOR EXTERNAL AFFAIRS

Senator Perrault: Honourable senators, a statement has just been concluded in the other place with respect to a very important security matter. A copy of the statement will be available here very shortly. Would honourable senators care to hear that statement before we adjourn? I suggest we adjourn during pleasure. The statement should be here shortly.

The Senate adjourned during pleasure.

At 3.20 p.m. the sitting was resumed.

Senator Perrault: I have received a copy of the statement completed just moments ago in the other place by The Honourable Donald Jamieson, the Secretary of State for External Affairs. The statement is as follows:

> At noon today, on my instructions, the Under-Secretary of State for External Affairs requested the Ambassador of the Soviet Union to withdraw eleven Soviet nationals from Canada for engaging in inadmissible activities in violation of the Official Secrets Act and, of course, of their status in Canada. Two other Soviet nationals who were involved have already departed Canada but will not be permitted to return. A strong protest has been conveyed to the Soviet authorities about these activities.
>
> The Soviet Ambassador was informed that the Canadian government had irrefutable evidence that all thirteen persons had been involved in an attempt to recruit a member of the RCMP in order to penetrate the RCMP Security Service. Nine of the Soviet nationals still in Canada are employees of the Soviet Embassy, one is an official of the Soviet Trade Office in Ottawa and one is a member of the International Civil Aviation Organization Secretariat in Montreal.

[*Translation*]

> The Canadian authorities have informed the Ambassador of the Soviet Union today of the discovery of an attempt by the Soviet intelligence service to recruit a member of the RCMP in order to penetrate the RCMP Security Service.
>
> Thirteen nationals of the Soviet Union have been involved in this operation. Two have already left Canada and the eleven others have been requested to do so. Nine are employees of the Soviet Embassy in Ottawa; one is an employee of the Secretariat of the International Civil Aviation Organization in Montreal and one is an official of the Soviet Trade Office in Ottawa.
>
> Not only did this operation involve a large number of persons but it had been elaborately planned, involving coded messages, clandestine meetings, secret concealment devices and the payment of $30,500. This unsuccessful operation was mounted by the Soviet intelligence service in April 1977. It has involved no compromise to national security.

[*English*]

> The Soviet nationals involved are:
>
> (1) Igor P. Vartanian: First Secretary responsible for sports and cultural affairs, Soviet Embassy, Ottawa
>
> (2) Nikolai M. Talanov: Counsellor, Soviet Embassy, Ottawa
>
> (3) Anatoly A. Mikhalin: Official of the Soviet Foreign Trade Office, Ottawa
>
> (4) Vadim A. Borishpolets: Attaché (Consular Affairs) Soviet Embassy, Ottawa
>
> (5) Vladimir L. Souvorov: Second Secretary, Soviet Embassy, Ottawa
>
> (6) Vladimir I. Oshkaderov: Translator, International Civil Aviation Organization (ICAO), Montreal
>
> (7) Yevgeniy K. Koblov: Clerk, Soviet Embassy, Ottawa.

• (1520)

> (8) Gennadi V. Ivashavitch: Third Secretary, Soviet Embassy, Ottawa.
>
> (9) Oleg D. Reztsov: Attaché, Soviet Embassy, Ottawa.
>
> (10) Vera A. Reztsov, employed in the library of the Soviet Embassy, Ottawa.
>
> (11) Petr R. Lillenurm: Second Secretary, Consular Affairs, Soviet Embassy, Ottawa.
>
> (12) Voldemar P. Veber: Formerly second secretary in the Consular Division, Soviet Embassy, Ottawa. Returned to the U.S.S.R. July 1977.
>
> (13) Andrei V. Krysin: Economist, Soviet Foreign Trade Office. Returned to the U.S.S.R. December, 1977.
>
> Early in 1977 two Soviet intelligence officers approached a member of the RCMP and offered him an unlimited sum of money to spy for them. This member of the Force had, on an earlier posting and in the normal course of his responsibilities, come into infrequent contact with one of the Soviet officials in this case. To establish the ultimate purpose of the Soviet approach, the member of the Force was authorized, by the RCMP, under carefully controlled circumstances, to meet with the principal agent, Mr. Vartanian, in accordance with elaborate instructions he had received from the two Soviet officials. Between April 1977 and the present he met secretly with the principal agent on seven occasions. The twelve other Soviet nationals identified with this operation were involved in different support functions including transportation, counter-surveillance and regular weekly observation activities.
>
> This case proved to be a classic example of an intelligence operation, involving complex signalling systems, coded passwords, secret concealment devices, all for the purpose of arranging clandestine meetings between the RCMP member and the Soviet agent.
>
> As an example, on different occasions, filmed instructions were passed to the RCMP member in a hollowed-out stick and a specially prepared package of cigarettes. The RCMP member was instructed by the agent to obtain information on such subjects as the methods the RCMP Security Service employed against Soviet intelligence services in Canada, character assessments of RCMP personnel and details regarding RCMP counter-espionage cases. The RCMP member in return provided the Soviets with carefully screened non-sensitive information or completely fabricated material. The fact that he was paid $30,500 for information of no consequence provides an indication of the importance the Soviet intelligence service attached to this operation. The important point for the House to note,

however, is that this case has involved no compromise of Canada's security.

This Soviet recruitment attempt is nevertheless a source of serious concern to the Government. Its importance should be seen in the context of the unusual lengths to which the Soviet intelligence service was prepared to go to suborn a member of the RCMP. The case did not have any other implications for Canada's security. The evidence derived from this operation indicates that it was directed solely against the RCMP.

The firm action taken by the Government in this case will remind the Soviet Union of our determination to deter foreign espionage. The Government regrets that activities of this kind should be conducted at a time when there are efforts under way, to which both Canada and the Soviet Union have subscribed, to reduce the level of international tensions by overcoming mistrust and increasing confidence. Activities such as those I have disclosed to the House are contrary to that objective and represent a serious setback in our bilateral relations. This incident and the action we have had to take today will inevitably place strains on our relations with the Soviet Union. Nevertheless the Canadian Government continues to attach importance to Canadian-Soviet relations and hopes the Soviet government does likewise.

Honourable senators, I have, in both English and French, the Aide-Mémoire which was transmitted by the Government of Canada to the Soviet Embassy. I ask leave to have it made part of today's record.

Hon. Senators: Agreed.

(*Text of Aide-Mémoire follows:*)

AIDE-MÉMOIRE

Since December 1976, the Canadian Government has discovered three incidents of Soviet intelligence attacks against Canada and has taken action against the Soviet officials concerned. On each occasion, the attention of the Soviet authorities has been drawn to the damaging consequences of those inadmissible activities on relations between Canada and the Soviet Union. Despite these warnings, and efforts to encourage the development of effective bilateral cooperation, the Soviet Union has continued systematically to use some of its officials in espionage activities directed against the security of this country.

The Canadian authorities are obliged to draw to the attention of the responsible authorities of the Soviet Union the discovery of a new major intelligence operation mounted by the Soviet Union against Canadian national security interests. Irrefutable evidence has been accumulated that, since April 1977, Soviet agents have sought to suborn a member of the Royal Canadian Mounted Police in an effort to penetrate the RCMP Security Service. This matter is of the most serious concern to the Government of Canada which wishes its strong protest to be conveyed to the Soviet authorities about the continuation of these activities.

The seriousness of the matter is evident from the intricate details of the operation, involving the use of thirteen Soviet nationals, including the wife of an Embassy official; the provision to the RCMP member of complex meeting and signalling instructions on film; the nature of the tasking given to the RCMP member; and the fact that he has been paid $30,500 cash during seven clandestine meetings. While one Soviet official, Igor P. Vartanian, First Secretary, acted as the major contact with the RCMP member throughout the operation, all other officials involved participated in varying degrees in different capacities, including support in transportation, counter-surveillance, both before and after scheduled meetings, and in constantly checking signal sites each Monday between April and the present.

The Canadian authorities are satisfied that the activities of all thirteen Soviet nationals involved in this operation have been conducted in violation of the Canadian Official Secrets Act and are incompatible with the status of these individuals in Canada. We are, therefore, requesting that all eleven persons identified in the attachment to this Aide-Memoire and who are still residing in Canada leave the country in accordance with the following schedule. Those most actively involved in this operation, Mr. Vartanian, Mr. Souvorov and Mr. and Mrs. Reztsov are to leave within 48 hours. The remaining seven persons are to depart Canada by February 23. The two Soviet officials who have left the country, Mr. Veber and Mr. Krysen, will not be permitted to re-enter Canada.

Ottawa, February 9, 1978.

ADDENDUM

The following persons are to leave Canada within 48 hours.

Igor P. Vartanian
Vladimir L. Souvorov
Oleg D. Reztsov
Vera A. Reztsov

The following persons are to leave Canada by February 23.

Nicolai M. Talanov
Anatoliy A. Mikhalin
Vadim A. Borishpolets
Vladimir I. Oshkaderov
Yevgeniy K. Koblov
Gennadi V. Ivashavitch
Petr R. Lillenurm

Ottawa, February 9, 1978

The Senate adjourned until Tuesday, February 14, at 8 p.m.

THE SENATE

Tuesday, February 14, 1978

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

Prayers.

LIBRARY OF PARLIAMENT

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Caouette (Villeneuve) has been substituted for that of Mr. Fortin on the list of members appointed to serve on the Standing Joint Committee on the Library of Parliament.

PRINTING OF PARLIAMENT

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Caouette (Villeneuve) has been substituted for that of Mr. Allard on the list of members appointed to serve on the Standing Joint Committee on the Printing of Parliament.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Lambert (Bellechasse) has been substituted for that of Mr. Allard on the list of members appointed to serve on the Standing Joint Committee on Regulations and other Statutory Instruments.

NATIONAL CAPITAL REGION

SPECIAL JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that messages had been received from the House of Commons to acquaint the Senate that the name of Mr. Lefebvre has been substituted for that of Mr. Harquail, and that the name of Mr. Harquail has been substituted for that of Mr. Lefebvre, on the list of members appointed to serve on the Special Joint Committee on the National Capital Region.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. Millar and Brown Ltd. and its employees, represented by the Office and Technical Employees Union, Local 15, dated February 3, 1978.

2. Bendix Heavy Vehicle Systems, Ltd. and its employees, represented by United Auto Workers Local 27, dated February 2, 1978.

3. City of Victoria Police Board and its employees, represented by the City of Victoria Police Senior Officers' Association, dated February 2, 1978.

4. Bonar and Bemis Limited and its Burlington plant employees, represented by the United Steelworkers of America, Local 8401, dated February 2, 1978.

First Semi-Annual Report of the Export Development Corporation on International Economic Boycotts for the period October 21, 1976 to July 31, 1977, issued by the Department of Industry, Trade and Commerce.

Report of the Commission on the Costs of Transporting Grain by Rail, Volume II, dated November 1977, appointed by Order in Council P.C. 1975-873, dated April 18, 1975, pursuant to Part I of the Inquiries Act (Mr. Carl M. Snavely, Commissioner).

Report on the Audit of the Office of the Auditor General to the House of Commons for the fiscal year ended March 31, 1977, pursuant to section 22(2) of the Auditor General Act, Chapter 34, Statutes of Canada, 1976-77.

Telexes from the Prime Minister of Canada to the Premiers of the Provinces concerning the First Ministers' Conference to be held February 13, 14 and 15, 1978, including the agenda for the meeting.

Copies of Report relating to warrants issued under the Official Secrets Act for the year ended December 31, 1977, pursuant to section 16(5) of the said Act, as amended by Chapter 50, Statutes of Canada, 1973-74.

Copies of Report relating to authorizations and interceptions under the Criminal Code for the year ended December 31, 1977, pursuant to section 178.22(4) of the Code, as amended by Chapter 50, Statutes of Canada, 1973-74.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between Treasury Board of Canada, Ottawa, Ontario and the group of its employees known as the Aircraft Operations Group, represented by the Professional Institute of the Public Service of Canada. Order dated February 13, 1978.

SAFE CONTAINERS CONVENTION BILL

REPORT OF COMMITTEE PRESENTED

Senator Bourget, Deputy Chairman of the Standing Senate Committee on Transport and Communications, presented the following report:

Wednesday, February 8, 1978

The Standing Senate Committee on Transport and Communications to which was referred Bill S-4, intituled "An Act to implement the International Convention for Safe Containers", has, in obedience to the order of reference of Wednesday, December 14, 1977, examined the said bill and now reports the same with certain amendments to the Schedule thereto.

These amendments, which are purely editorial in nature and which do not affect the substance of the Schedule, were adopted by your committee to reflect the rectifications to the said Convention made by the Secretary-General of the Inter-Governmental Maritime Consultative Organization and referred to in a statement from the Inter-Governmental Maritime Consultative Organization dated September 15, 1976.

A copy of that statement is attached hereto, together with the Procès-Verbal of Rectification referred to in the said statement, which sets out in detail the amendments agreed to by the contracting governments.

Respectfully submitted,

Maurice Bourget,
Deputy Chairman.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Bourget: Honourable senators, at this point I should like to make a request regarding the text of the amendments referred to in the report.

Because of the length and detailed nature of the amendments set out in the Procès-Verbal of Rectification attached to the report, I would ask that the statement from the Inter-Governmental Maritime Consultative Organization, and the Procès-Verbal of Rectification referred to in that statement, be printed as appendixes to the *Debates of the Senate* and the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent records of the house. The Procès-Verbal contains a series of very detailed editorial corrections to the Convention that, I submit, are more appropriately suited to be printed as an appendix to, rather than as part of, the main text of the *Debates* and the *Minutes of Proceedings.*

The Hon. the Speaker: Honourable senators, is it agreed?

Hon. Senators: Agreed.

(*For text of Statement from Inter-Governmental Maritime Consultative Organization, see appendix "A".*)

(*For text of Procès-Verbal of Rectification, see appendix "B".*)

Senator Bourget: I should also like to point out to honourable senators that the line numbers referred to in the Procès-Verbal of Rectification are the line numbers of the original text of the Convention, as signed by the contracting governments, and do not necessarily correspond with the line numbers of the text of the Convention as printed in the Schedule to Bill S-4. In adopting these amendments, your committee wanted to respect the original text of the Procès-Verbal, which, of course, refers to the original text of the Convention.

It is for this reason that I have arranged for distribution to honourable senators of copies of the schedule to Bill S-4 with the corrections marked thereon in the form of printer's instructions. This will give honourable senators an idea of the nature of the corrections and their location in the text of the Convention.

I can see that honourable senators have already received a copy of this, and I think they will realize that there is no very important amendment. These are purely editorial in nature.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Bourget moved that the report be taken into consideration at the next sitting.

Motion agreed to.

RETIREMENT AGE POLICIES

FIRST REPORT OF SPECIAL SENATE COMMITTEE ADOPTED

Senator Croll, Chairman of the Special Senate Committee on Retirement Age Policies, presented the following report:

Wednesday, December 14, 1977

Your committee recommends that its quorum be reduced to five (5) members.

Respectfully submitted,

David A. Croll,
Chairman.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Croll: Honourable senators, I move, with leave of the Senate, that the report be taken into consideration now.

Honourable senators, with your indulgence I should like to say a few words.

The Special Senate Committee on Retirement Age Policies was appointed on December 15. Early in January I came back to Ottawa and I passed out word that the committee desire to obtain a director, some top researchers, a translator, and some supporting staff. The deputy chairman and I had already

discussed the matter over the telephone, and on two other occasions.

● (2010)

We then realized that we could only make provision for two months. I had been advised by the Chairman of the Internal Economy Committee that funds were available only until the end of the fiscal year, which is normal under the circumstances. Moreover, we were advised that if Parliament were dissolved for an election, the committee would automatically be dissolved—no Parliament, no committee.

Matters have been a little different with respect to studies made by other than parliamentary committees. In any event, we had to plan for a period of two months, and so long as there was a probability of an election this year no long-term plans could be undertaken.

Since it was obvious that any study would take from a year to a year and a half, and special expertise was needed, it was not possible to make very definite plans. Therefore, we went about the business of housekeeping and organization. We could have remained dormant. We could let the matter rest for the time being, and wait for the new Parliament to reconvene in September or October, but that would mean an entire waste of two or three months. To have left this study in abeyance, with all the special interest there is in it at the present time, would have resulted in severe criticism.

If an election is called early in April, it will probably be for June, and the new Parliament will not likely meet until September or October. Therefore, we felt that we just could not stand everything aside, but must do something immediately.

There has been a change in the climate of opinion in the country, in the contradictions between the public awareness of age discrimination and institutional reactions to it that were surfacing. In the last few years, public opinion has radically altered towards age discrimination, pension adequacy and indexing, and those who once ignored the problem are now becoming conscious of its importance.

There are six organized studies going on at the present time concerning pensions and their ramifications, including retirement. There is one in Quebec, which I believe has concluded and will release its report shortly. There is another one in Alberta which is in process at the present time. The Economic Council is making a study of the problem. In Ontario there is a royal commission which is holding public sittings at the present time. The Treasury Board is conducting an interdepartmental study which has been going on for some time, and which may be finished in August, September or October.

We decided to proceed as quickly as possible because it is essential that we monitor each one of these studies that are going on to know exactly what is involved. If we do not do that, we will lose the time between now and when an election is called, and probably six months between the calling of the election and Parliament's reconvening. Then, additional time is needed for the summoning and inviting of witnesses. It is necessary to give them a minimum notice of 60 days, and it is more than likely some will require 90 days' notice. Therefore, if we do not proceed immediately, we will lose almost nine months in our study.

In addition to that, we need to find out what unpublished studies are available in governments and elsewhere and what the latest writings are on the subject. Moreover, we need to acquaint ourselves with the Washington scene. The Americans have gone through a process of study and have passed an act. In fact, they have the most recent and up-to-date experience, and are now arranging for further hearings. We have to prepare a questionnaire for statistical purposes and guides in preparing briefs. The questionnaire has to be prepared very carefully, because we need different ones for the automobile industry, the steel industry, the mining industry, multi-national organizations, manufacturing industries, and large, medium and small department and chain stores. In addition to that, we have to compile a list of possible witnesses from governments, farming and labour organizations, student organizations, and universities and communities.

If we are able to acquire a considerable amount of information we can use it to have research carried out with respect to questions that we can propose, and which will take some time to prepare. There is, as you know, a permanent research staff available to Parliament. When Parliament is not sitting, that research staff is not too busy. We can present the problems to them, and let them work on them during our adjournment.

With that in mind, we decided we needed a couple of people who know their way about. We undertook to hire, as chief of research, a man who is known to us, and who has been known to committees of this house for some time, Warren James.

Senator Asselin: Is it a matter for your committee to decide to hire a chief of research, or is that the responsibility of another body?

Senator Croll: Yes.

Senator Asselin: Would you explain it to the house?

Senator Croll: The committee has its own staff, and it has hired a person who will be in charge of research. He will carry out specific research, and will arrange for research to be carried out by others. I said that we had appointed Dr. Warren James, a man who is known to us. He worked with the Poverty Committee, and has just finished working for the Economic Council. He was available, and we engaged him to undertake the research aspects of our committee's work.

● (2020)

We needed another knowledgeable person at once, one experienced in this area, and who knows how we organize our committees, so we asked Senator Carter, who last year reached the mandatory retirement age, to help us out, and he agreed. He is a "workaholic", as honourable senators know, who can be depended upon to do a job and do it well. He is, without doubt, the very best man available for this work. It was not possible for us to take on anyone who would have to have the kind of job training that would be required. We wanted someone who was experienced.

This committee's search for retirement age policies is resulting in some very wide ramifications. We will be dealing with the compulsory aspects of retirement, and also, of course, with the question of pension indexing which is looming very importantly at the moment, especially as regards their adequacy or inadequacy, their portability, the splitting and funding of pensions, and the matter of private pensions. With the ratio of workers to the elderly beginning a long term decline, and with inflation not seeming to want to disappear, the question of who is to provide incomes for the elderly is emerging as a significant social issue.

We have built up a dossier of men and women, from which we will be able to choose the very best witnesses when the committee is able to function in the normal sense. If we have certain studies made during our absence, there is no reason why witnesses cannot be warned of the possibility that an invitation to appear at an appropriate time will be issued, even during the period when we are not sitting. We are fortunate, too, in that many of the personnel who are now employed in doing this work for other organizations will, in all probability, be available to us in September or October.

It is a tangled and complicated study that we are undertaking. I have confidence, however, that we will be able to do it justice, and we will try to accomplish as much as possible to this end within the next two months. There are so many committees meeting at the present time that it is difficult for a considerable number of members of this committee to attend its meetings, and the committee recommends that its quorum be reduced to five members. I ask the house to accept that recommendation.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Senator Grosart: I think we should be clear, honourable senators, as to what report we are adopting. My understanding is that the committee is recommending that its quorum be now five members, and I have no objection to the adoption of that report. As to the remainder of Senator Croll's remarks, these matters have been before the Internal Economy Committee. I think we should be clear on what we are adopting.

Motion agreed to, and report adopted.

CANADA-UNITED STATES INTERPARLIAMENTARY GROUP

COMPLIMENTS TO MADAM SPEAKER

Senator Lang: Honourable senators, I rise on a question of privilege, which is not personal, to report that last Friday and Saturday the Canada-United States Interparliamentary Group had a very successful meeting in the United States, on which there will be a report later.

I just would like to say that the success of that meeting was due in large part to the presence of our charming Speaker. She created an atmosphere that few people would have been able to create. Our affection for her is well known, but more importantly we were glad to find that it is now more than shared by our American colleagues. May I take this opportunity to thank her for what she has done for the Canada-United States Interparliamentary Group.

FIRST MINISTERS' CONFERENCE

AVAILABILITY OF GOVERNMENT POSITION PAPERS AND REPORT OF PROCEEDINGS—QUESTION

Senator Manning: Honourable senators, may I ask the Leader of the Government if the position papers of the government and the provincial governments that were presented at the opening of the First Ministers' Conference are available at this time, and also whether it is the intention, at the conclusion of that conference, to make available a report of the full proceedings?

Senator Perrault: Honourable senators, I do not have copies of the position papers immediately available to me; but as a matter of course I feel sure they will be public documents very shortly.

TRANSPORTATION

CRASH OF AIRCRAFT AT CRANBROOK, B.C.—CONFLICTING PRESS REPORTS—QUESTION

Senator Olson: Honourable senators, may I direct a question to the Leader of the Government concerning the recent air crash at Cranbrook? I ask this question because there are conflicting press reports as to what went wrong, and who made an error in judgment, if any. Does the leader know whether the Department of Transport has reached a conclusion as to the cause of the accident, or if it is going to have a further and perhaps much larger inquiry into this crash?

Senator Perrault: Honourable senators, I must take the question as notice. It was my understanding that a preliminary statement was to have been made later today. I do not have a copy of it, but should it become available it certainly will be presented to the Senate.

AIR CANADA

AVAILABILITY AT TORONTO OF TELEPHONE RESERVATION SERVICE IN ENGLISH—QUESTION

Senator Lang: Honourable senators, I should like to ask the Leader of the Government a question but I am somewhat doubtful as to how to frame it. My question arises out of something that occurred about 11.30 last night in Toronto when I telephoned to reserve a flight to Ottawa today. Each time I dialed the reservation number shown in the telephone book I got a recorded announcement to the effect that the lines were busy and that shortly I would be connected.

● (2030)

After half an hour of that I looked at the telephone book that was lying on my lap and saw a duplication of Air Canada

"en français" and the word "réservations". I telephoned "réservations" and immediately a charming young lady came on the line speaking in French. I said, "I am sorry, but I am one of those stupid unilinguals. Could you possibly help me by getting me a reservation?" She replied that she was sorry, that I would have to call such and such a number, that there were two different numbers, and I was referred back to the number on which I had been getting a recorded announcement.

I said to the young lady, "I don't want to have to go back to that number. Could you please get me a reservation on the 11.15 flight tomorrow morning?" She replied, "You really have to call that number." I said, "Why would you tell me that?" and she replied, "Because I am obliged to serve 'the cause.' "

I was really quite shocked at that. However, I did not take umbrage with her. I said, "But you could get me the reservation, couldn't you?" and she said, "Oh yes"; and I had it in a minute.

I do not quite know how to frame my question to the Leader of the Government. I would ask him whether it is the policy of government or of Air Canada, a crown agency of government, to deny bilingual services to a unilingual ignoramous such as myself; or, in terms of efficiency, is it not possible to have bilingualism, in its real sense, available not only to those who are unilingual francophones but also to the majority who are unilingual anglophones?

Senator Marchand: You have air controllers, and we have telephone reservation clerks.

Hon. Senators: Oh, oh.

Senator Perrault: Honourable senators, the information is not available to me this evening. Obviously, however, many Air Canada personnel are serving "the cause" of Air Canada extremely well, in view of the recent balance sheet of that crown corporation.

FIRST MINISTERS' CONFERENCE

CBC COVERAGE—QUESTION

[*Translation*]

Senator Côté: Honourable senators, I should like to put a question to the Leader of the Government. Could he find out from the CBC why its English network did not broadcast live the First Ministers' Conference today?

[*English*]

Senator Perrault: Honourable senators, I am able to provide at least a partial reply to that question, in view of the fact that I spoke late this afternoon with Mr. Johnson, head of the CBC. Earlier, I had received a number of calls with respect to CBC coverage of the proceedings of the First Ministers' Conference.

The coverage accorded to the conference, I am informed, was arranged at a joint meeting involving both the English- and French-language networks of the CBC, Mr. Johnson and others. The two networks have devised differing schedules. "Live coverage" carried the first day in English exceeded the hours carried in French, and I understand that today there was more "live" coverage on French-language CBC than on English-language CBC.

As well, I was informed that yesterday when the English-language network failed briefly in British Columbia during Premier Bennett's address to the conference, the CBC English-language television service switched to the French language for viewers in British Columbia. This, I understand, evoked some comment.

I understand further that Mr. Johnson will make a statement on the subject of CBC coverage of the First Ministers' Conference either today or tomorrow morning. Apparently, a number of questions and complaints have been received by the CBC. I repeat, however, that I have been informed that the two networks have devised differing coverage schedules guided in part by their previous programming commitments.

LEGAL AND CONSTITUTIONAL AFFAIRS

NOTICE OF COMMITTEE MEETING

Senator Langlois: Before the Orders of the Day are called, may I be permitted to remind honourable senators that, as announced last week, the Standing Senate Committee on Legal and Constitutional Affairs is at present meeting in room 356-S to consider Bills S-5 and S-6.

FISHING AND RECREATIONAL HARBOURS BILL

SECOND READING—DEBATE ADJOURNED

Hon. Ernest G. Cottreau moved the second reading of Bill C-2, respecting the administration and development of certain fishing and recreational harbours in Canada.

He said: Honourable senators, I am pleased to move the second reading of the Fishing and Recreational Harbours Bill.

Legislation for the administration of fishing and recreational harbours is now provided by the Government Harbours and Piers Act, originally enacted in 1895, the government wharf regulations and various other acts and orders in council.

The proposed new act consolidates and updates these scattered authorities and gives the Minister of Fisheries and the Environment the necessary legislative authority to develop and administer the commercial fishing and recreational boating harbours in Canada. There are some 2,300 of these small harbours and wharves located across the country, with some ports comprising several wharves and other marine facilities.

The sections of Bill C-2 concerning development are enabling provisions which will allow flexibility in the future to respond to changes in the nature of the commercial fishing and recreational boating as they occur. This is seriously lacking under the present legislation.

Commercial fishing is an important resource industry with about 38,000 fishing vessels, employing more than 77,000 men and women, if we include the fish-processing sector. In terms of the national economy, it provides more than $700 million a year, including some $400 million in exports. The industry is especially important in the economy of the Atlantic provinces and British Columbia. For these reasons, the government will continue to be concerned about the welfare of commercial fishermen in the country.

A prosperous fishing industry is, of course, dependent on the development of a sufficient number of harbours which are properly located in fishing zones and provide a high standard of accommodation and service for the fishing vessels. The government will therefore continue to construct, maintain and administer these harbours by giving priority to these types of projects when allocating budgetary funds.

Specifically, this requires the planning and development of a system of fishing harbours across the country under policies designed to meet the changing and diverse needs of the fishing industry; upgrading and expansion of present harbours and the creation of new ones; and the operation, administration and management of these harbours to best meet the needs of the fishermen.

The general rise in the Canadian standard of living over the past decades has stimulated the growth of secondary industries such as recreational boat building and the manufacture of related equipment. In 1974 there were approximately 800,000 Canadian-based pleasure craft and 70,000 tourist craft visiting from abroad. It is estimated that these numbers may increase by at least 50 per cent by the end of the 1970s. Neither the private nor the public sector is adequately meeting the rapid increase in demand for marinas and launching ramps catering to recreational boating.

● (2040)

As a result, the increasing numbers of recreational boats is causing acute congestion in many parts of the country, particularly in Ontario and British Columbia, where the major part of our recreational boating is concentrated. In many cases, this crowding results in dangerous situations, adds to the pollution and threatens to despoil the natural scenic attractions of the environment.

The government, of course, is aware that outdoor recreational activity and preservation of the environment are of concern to all levels of government, and for this reason the new legislation provides for these special interests of the provinces and municipalities.

Government policies for the provision of marinas and launching ramps will be responsive and directed towards promoting their development, while emphasizing joint planning and co-operation with the provinces to meet the needs of recreational boaters with minimum disruption of the environment. In the preparation of this legislation, the government has consulted with all provinces and will be able to enter into cost-sharing arrangements with provincial and municipal governments to respond to the need for these types of developments.

Honourable senators will have noticed that the bill contains enabling provisions which will allow the minister to manage and maintain harbours under his jurisdiction, to make and enforce regulations and to prescribe and collect charges for the use of harbours. Within this authority, the minister will be introducing a number of new arrangements to improve the management of harbours.

For example, the Government Harbours and Piers Act limits the minister in the leasing of wharves to provincial governments, municipal councils, harbour commissions, shipping companies and railway companies. The new legislation will also allow the minister to lease a wharf to a fish plant or fishermen's association where this is in the best interests of the fishermen. The government will also be able to lease part of a wharf to individual fishermen for fish sheds or gear sheds where these are needed. All lessees are, of course, required by the legislation to operate the wharf or part of the wharf under lease in accordance with the regulations—for example, tariffs charged by a lessee must be in accordance with the regulations.

At the present time, the majority of our small harbours and wharves have no day-to-day supervision but are managed by the small craft harbour regional managers in each region. A small number, about 200, which is 10 per cent of our wharves, have wharfingers, who are appointed by the minister and derive their renumeration from a percentage of the berthage fees they collect. Their authority to enforce regulations is minimal. This system, combined with an inequitable fee structure, has resulted in ineffective and spotty management. The government intends to establish improved management arrangements, which will be flexible and responsive to the needs of the fishermen. Harbour managers will be appointed at harbours where justified by the level of activity. These managers will be selected from local communities, will undergo training to deal with the public and to understand the techniques of harbour management, and will be given the authority to properly manage their harbours.

A schedule of berthing fees already exists in the government wharf regulations. Unfortunately, these rates do not take into account the varying conditions of the fisheries across the country, and moreover are not equitably applied. The new legislation includes an enabling provision to allow the Governor in Council to establish tariffs for both fishermen and recreational wharf users. In this connection, the government has no intention of adding to the financial burdens of already hard-pressed fishermen. The government therefore plans to retain, for the time being, the existing berthing rates without change under the new legislation until such time as conditions in the fishery improve. When this occurs, the whole question of berthing charges will be re-examined in consultation with fishermen with a view to removing the many existing inequities, and to gradually phase in, over a period of time, a simple and modest system of charges which is fair in its application

and will assist in the provision of improved on-site service to the fishermen.

The promotion of a vigorous and efficient fishery in Canada continues to be an important goal of this government. This requires the provision of good and properly managed harbours, so as to give the industry and the fishermen the harbours they need, when and where they are needed.

Honourable senators, I solicit your support for this bill on second reading.

On motion of Senator Phillips, debate adjourned.

CONFERENCE ON SECURITY AND CO-OPERATION IN EUROPE

VISIT BY PARLIAMENTARY DELEGATION TO BELGRADE, YUGOSLAVIA

Hon. Peter Bosa rose pursuant to notice of Thursday, February 9, 1978:

> That he will call the attention of the Senate to his recent visit to the Helsinki Conference on Security and Co-operation in Europe.

He said: Honourable senators, I am pleased to have this opportunity to call your attention to my visit to Belgrade, on January 31 last, as a parliamentary observer to the Conference on Security and Co-operation in Europe. In addition to myself, the Canadian delegation consisted of Messrs. Skoreyko and Joyal, both members of the other place. One could not wish to be in the company of two finer gentlemen.

Before I speak on the conference I would like to share with you a thought or two on Yugoslavia. Yugoslavia is a country of 22 million people; it is known as the Socialist Federal Republic of Yugoslavia. The federation consists of six republics and two autonomous provinces. They are like our provinces and territories, only more autonomous and more decentralized. The socialist republics are Bosnia-Herzegovina, Croatia, Macedonia, Montenegro, Serbia, Slovenia, and the socialist autonomous provinces are Voyvodina and Kosovo.

The Canadian delegation met with Mr. Peko Dapcevic, Vice President of the Assembly of the Socialist Federal Republic of Yugoslavia. Mr. Dapcevic gave us a brief rundown of the constitution and form of government of his country. We were informed that Yugoslavia is a highly decentralized, multicultural country. Basically, the federal government has jurisdiction over external affairs and defence. It would appear that all other matters, with some exceptions but including the issuance of passports, are the responsibility of the republics and autonomous provinces.

A fact that will be of interest to senators who felt that we have problems with bilingualism in Canada, is that parliamentary debates in Yugoslavia are translated and printed in eight different languages.

Of considerable interest to us was the fact that Yugoslavia has approximately 150,000 unemployed, who were described as people with limited qualifications. There are also approximately 750,000 Yugoslavs working in Western Europe and elsewhere. I thought unemployment was the scourge of our system. Some say that a socialist country with a communist government would not be faced with some of the problems we face. Article 159 of the constitution of the Socialist Federal Republic of Yugoslavia, a copy of which was given us as a souvenir by Mr. Dapcevic, under the heading of "Chapter III: The Freedoms, Rights and Duties of Man and the Citizen," states:

> The right to work shall be guaranteed.

And Article 164 states:

> Citizens shall be guaranteed the right to acquire a tenancy title to a dwelling in social ownership—

We were told that a person would have to wait about five years before he could secure an apartment for himself. I thought honourable senators might find these particular matters of interest.

The Conference on Security and Co-operation in Europe is more commonly known as the continuation of the Helsinki conference. The purpose of the Belgrade conference is to review the progress that has been made in the implementation of the Final Act, and to present and draft new proposals aimed at expanding previous agreements. Before dealing with these points I should like to refer very briefly to the reasons that brought about this conference.

Honourable senators will recall the tensions of the late forties and fifties—the iron curtain, the Berlin blockade, the Berlin wall, Korea, the Cuban crisis, Vietnam and many other trouble spots of the world. The Helsinki agreement came about as a result of a genuine desire to lessen the tension between East and West. The word "détente" became famous and it is still an aim of our foreign policy. Of course, there is a difference between what détente means to the East and what it means to the West.

While the West attaches a great deal of importance to humanitarian concerns, the East, it would appear, would be happy at this time not to go beyond the Final Act which they want, among other things, to provide recognition of the *status quo* in respect of present boundaries. I will come back to this point a little later.

There are 33 European countries participating as well as Canada and the United States, both of which have a vital interest in the European situation. There are, in addition to the NATO and the Warsaw Pact countries, the neutral and non-aligned nations such as Malta, Yugoslavia, the Holy See, *et cetera*. All decisions are made by consent. There is never a vote taken. If there is a dissenting voice, the subject is either dropped, postponed or modified.

After attending the conference in Belgrade, I have a new regard for the efficiency of the other place. I would go so far as to say that the members of the House of Commons by comparison seem to be turning out legislation on an assembly line basis. Efficiency, however, should not be the measuring stick. It must be recognized that this is the first time in the history of Europe that such a positive approach has been taken

to provide a climate for the pursuit of peace, and peace is the ultimate objective of the conference.

There are three main areas of approach which branch out in many directions. Each area with its related matters is contained in either Basket I, Basket II or Basket III. Basket I relates to military and political matters; Basket II to economic and related matters; and Basket III to humanitarian concerns.

Each one of these baskets includes other matters which I will touch upon very briefly. Let us start with the military. There are certain "confidence building measures" designed to reduce tension. For instance, there is agreement that upon compulsory notification of military manoeuvers involving 25,000 troops or more there shall be an invitation to observers from the participating states to attend. There is also a provision for voluntary notification of manoeuvers below that level.

In the fall of 1975, NATO issued three compulsory notifications of intended manoeuvers, each involving 25,000 or more troops, and a voluntary notification involving less than 25,000 troops. Months of suspense went by. There was concern as to whether the Soviet Union and her allies actually intended to implement the provisions of the agreement. Finally, notice was given in January 1976 of intended manoeuvers by the Soviets. Other non-aligned and neutral countries also gave notice of intended manoeuvers. A number of such exercises were witnessed by interested parties. Showing each other that these exercises are defensive in nature has the effect of lessening tensions. This, of course, is an over-simplification, but that is the general principle behind it.

Basket II relates to co-operation in the field of economics, science, technology and the environment. It is designed to promote greater trade between East and West, to reduce tariffs, and to improve communications and transportation.

By way of example, Austria had proposed the development of an inland waterway system. There are provisions for greater business contacts, such as the opening of permanent business offices and the publication and dissemination of economic and commercial information. There is a proposal by the Soviets, known as the Brezhnev proposal, which suggests a high-level conference on energy, transportation and the environment.

Basket III relates to co-operation in humanitarian matters and other fields. It includes co-operation and exchanges in the field of culture; facilitating international contracts and communications between authors and publishing houses; establishing copyrights; providing access to films and publications; co-operating in the field of education by promoting direct arrangements between universities and other institutions of higher learning; facilitating travel between participating states by scholars, teachers and students for the purpose of studying, teaching and researching; and broadening and improving co-operation in the field of science.

Basket III is, without doubt, the most sensitive subject to Canada because it deals also with human rights, family reunification, and human contacts which affect a great many Canadian citizens who have family ties in the Eastern European countries. This is very important to our government because the degree of progress that is made in these areas will determine Canadian response to the concept of détente. This is the area where the true intentions of co-operation of the Helsinki agreement are put to the test.

In conclusion, I would like to say that we are on the right road. While it is a long road, and while progress is slow, the objective is great. Confucius said that "a long journey begins with the first step." Let us hope that we will continue in that journey until we reach the objective which has eluded mankind throughout the ages. The Helsinki agreement can bring us to more stable and reassuring times.

● (2050)

Senator Thompson: Honourable senators, I wonder if I could ask the honourable senator a question. During his speech he said that the purpose of the Helsinki conference was, as I understood him, to give recognition to the post-war territorial boundaries of Eastern Europe. My understanding—and I would like him to clarify this—is that during and after the Helsinki conference the Prime Minister of Canada, who had attended the conference, stated that there was no legal justification for the recognition of the stabilization of boundaries. I also understand that the previous Minister for External Affairs again emphasized that there was no legal justification for the recognition of the boundaries. I understand, also, that Canada recognizes, and spokesmen for the Canadian government have recognized, the *de facto* situation of these boundaries, but will not give them *de jure* recognition.

Senator Bosa: Honourable senators, under Basket 1 of the military and political matters, the Soviet Bloc attached the most importance with respect to legal boundaries. These boundaries have not been legally recognized by us. I know that it is one of the most important planks on the part of the Eastern countries, to which they attach a great deal of importance and they want the recognition to be forthcoming. I am not really aware as to the sequence in the manner in which the honourable senator phrased his question. There are not any legal bases for Canada to recognize them. However, my understanding is that some West European nations have recognized the present boundaries of the states behind the so-called Iron Curtain.

Senator Grosart: I wonder if the honourable senator would clarify his statement that Western Europe has done so; who is "Western Europe" in that context?

Senator Bosa: The conference involves 33 countries, which are all European countries, the NATO countries and the Warsaw Pact countries, as well as the non-aligned and neutral countries. When I speak of "Western Europe" I mean the non-communist countries.

Senator Grosart: Is the honourable senator saying that individually these countries have recognized certain existing boundaries, or is he suggesting that in some way collectively they have said "we," whatever the group may be, recognize these boundaries?

Senator Bosa: No votes are taken when the conference is in progress. Every decision that is made is by consensus, so that

whatever decisions have been agreed upon would have been agreed upon unanimously by all participating countries. I am not so sure whether the honourable senator was referring to the recognition of the existing boundaries, whether they have been accepted by the remainder of the European countries. In other words, the non-communist countries. Was that the honourable senator's question?

Senator Grosart: The point of my question was: Has anyone recognized the existing boundaries in Europe? Has there been any official recognition by any countries, or any group of countries exercising a sovereign capacity in that respect?

Senator Bosa: The purpose of the conference is to examine the Final Act, which they contend is the recognition of the existing boundaries of the Soviet Bloc. When I was there they had made very little progress and they had not finalized the conference. I do not know whether this has been given emphasis as of now, but I know that it is one of their aims of the Helsinki agreement, by means of which the Soviets insist that their boundaries be recognized.

Senator Grosart: Is the suggestion, then, that someone, some conference, the Helsinki conference or some other group of nations has said, to be specific, that Estonia, Lithuania, Latvia and the Ukraine are now recognized as being for all time, in perpetuity, part of a national group which is generally known as the USSR?

Senator Bosa: No. If I may repeat part of my remarks, at the very outset I said that the purpose of the Belgrade conference is to review the progress that has been made in the implementation of the Final Act and for the presentation of and the drafting of new proposals which are aimed at expanding on previous agreements. The conference has not yet ended; consequently, I am not in a position to answer the honourable senator's question.

Senator Grosart: I hope not.

Senator McDonald: Honourable senators, having had some experience, not in connection with the Helsinki conference but with other military and political organizations in Europe to which Canada and the United States belong, I believe that if we read the records of this house and of the Congress of the United States we will find that the Soviet Union, rightly or wrongly, believed that the signing of the Helsinki agreement confirmed the boundaries of certain countries in Eastern Europe. However, if my memory serves me well, and I am positive it does, at that time the Prime Minister of this country and the President of the United States, as well as many leaders in Western Europe, said that the signing of the Helsinki agreement meant no such thing. I believe we can find documented evidence that the heads of governments of Canada, the United States, Britain and countries of Western Europe have never considered that the signing of that agreement meant that they had agreed to the present boundaries in Eastern Europe.

The Hon. the Speaker: As no other senator wishes to participate in the debate, this inquiry is considered as having been debated.

The Senate adjourned until tomorrow at 2 p.m.

APPENDIX "A"

(*See p. 323*)

STATEMENT FROM INTER-GOVERNMENTAL MARITIME CONSULTATIVE ORGANIZATION

The Secretary-General of the Inter-Governmental Maritime Consultative Organization presents his compliments to the Secretary of State for External Affairs of Canada.

He has the honour to refer to his Note Verbale A1/N/1.04 (NV.1) of 13 August 1975 with which he transmitted a list of proposed modifications to the signed original text of the International Convention for Safe Containers (CSC), and requested the Governments concerned to indicate before 1 January 1976 whether they agreed to these corrections being made.

The Secretary-General now has the honour to inform the Governments concerned of the rectification of the treaty to which he has proceeded as follows.

In the light of comment received the Secretary-General decided not to include in the rectification corrections proposed for the English, Russian and Spanish texts in respect of Annex I, paragraph 2(b) (line 5 in the English text; lines 6/7 in the Russian text; line 5 in the Spanish text), and in respect of Annex I, Appendix, footnote No. 9.

The Secretary-General incorporated all other proposed corrections in the signed original text of the Convention and drew up a Procès-Verbal of Rectification which he signed and deposited with the original text on 25 June 1976. In consequence, the Convention is now to be regarded as modified by the corrections indicated in the Procès-Verbal. One certified copy of the Procès-Verbal is enclosed.

C. P. SRIVASTAVA
15 September 1976

APPENDIX "B"

(*See p. 323*)

INTERNATIONAL CONVENTION FOR SAFE CONTAINERS (CSC)

PROCÈS-VERBAL OF RECTIFICATION

English Text

Whereas an International Convention for Safe Containers was done at Geneva on 2 December 1972 and is deposited with the Secretary-General of the Inter-Governmental Maritime Consultative Organization; and

Whereas certain errors have been discovered in the original signed copy of the said Convention and brought to the notice of Signatory and Contracting Governments; and

Whereas all these Governments have agreed to the following errors being corrected as indicated hereunder:

English Authentic Text

(All references relate to the text of the Convention as it appears in the certified true copy)

Article III, para. 2, line 1—delete "either"; line 2—insert "either" after "provisions".

Article X, para. 3, line 2—delete comma after "adoption"—insert comma after "unless"; line 3—insert comma after "time".

Article XIII, para. 1, line 6—insert comma after "If"—insert comma after "request"; line 7—insert "has" in place of "shall have"—delete "shall" after "arbitrators"; para. 2, line 1—insert "established" in place of "designated"; para. 3—insert "determine" in place of "decide"; para. 4, line 1—insert comma after "tribunal"; para. 5, line 2—insert "any of the parties" in place of "either party".

Article XIV, para. 1, line 2—insert comma after "XIII" in place of "and of"; line 3—delete "of those contained in".

Article XV, sub-para. (a), line 1—delete comma after "accessions".

Article XVI, line 3—insert comma after "Secretary-General".

ANNEX I

Regulation 1, para. 1, line 3—insert comma after "place"; line 4—insert comma after "purposes"; para. 2(a), line 7—delete comma after "containers"; para. 2(b), lines 1/2—insert "-wall" between "end" and "and/or"; line 2—delete "Regulation 1,"; lines 2/3—insert "of this Regulation" after "paragraph 3"; line 4—insert "the" between "for" and "first"; para. 3, line 3—insert "-wall" between "end" and "and/or"—insert "values" in place of "value"—insert "are" in place of "is".

Regulation 1, para. 3, line 4—insert "those" in place of "that"—insert comma after "Annex II"—insert "values" in place of "value".

Regulation 5, para. 1, line 3—delete comma after "approved"; para. 3, line 2—insert "will" in place of "shall".

Regulation 9, para. 1(d)(ii), line 4—insert comma after "Annex II"; para. 1(d)(iii), line 3—insert comma after "Annex II"; para. 2, line 4—insert "-wall" between "end" and "and/or".

APPENDIX, line 5—insert "the" in place of "its"—insert "of the Plate" between "surface" and "in".

ANNEX II

Page 15, Construction, para. 1, line 3—delete comma after "purpose".

Page 16, (Δ) LIFTING FROM CORNER FITTINGS

(i) Lifting from top corner fittings, line 6—insert "or" in place of "and".

Page 18, 2. STACKING

Externally applied forces

TEST PROCEDURES, line 6—insert "fitting" in place of "fittings".

Page 19, 4. TRANSVERSE RACKING

Externally applied forces

TEST LOADINGS AND APPLIED FORCES, line 2—insert "container" in place of "containers".

TEST PROCEDURES, line 1—insert "FORCES" in place of "FORCE".

Page 20, 6. END-WALLS, line 1—insert "end-walls" in place of "end walls"; line 2—insert "end-walls" in place of "end walls".

Page 21, 7. SIDE-WALLS, line 4—insert "shall" in place of "should".

French Authentic Text

(All references relate to the text of the Convention as it appears in the certified true copy)

Article IX, para. 2a), line 3—delete "membres"—insert "au" in place of "du".

Article X, para. 2, line 1—delete "membres"; line 2—insert "au" in place of "du".

Article XIV, para. 1, line 2—insert comma after "de l'article XIII" in place of "et"; line 3—delete comma

after "présent article"—insert "et" in place of "ainsi que sur celles".

ANNEXE I

Règle 1, para. 2b), line 3—insert "présente règle" in place of "Règle 1".

Règle 5, para. 4, line 2—insert "type" in place of "prototype".

Page 15, footnote no. 5—insert "de" in place of "et" after "admissible".

ANNEXE II

Page 20, 4. RIGIDITÉ TRANSVERSALE

Forces appliquées à l'extérieur

PROCÉDURES D'ESSAI, line 1—insert "Les FORCES EXTÉRIEURES doivent être appliquées" in place of "La FORCE EXTÉRIEURE est appliquée".

THE SENATE

Wednesday, February 15, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Joyal has been substituted for that of Mr. MacGuigan on the list of members appointed to serve on the Standing Joint Committee on Regulations and other Statutory Instruments.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between The Eastern Provincial Airways (1963) Limited, Gander, Newfoundland and the group of its airline pilots, represented by the Canadian Airline Pilots Association. Order dated February 7, 1978.

Report of the Department of Transport containing a Statement of Leases granted under authority of the Government Harbours and Piers Act, for the fiscal year ended March 31, 1977, pursuant to section 18 of the said Act, Chapter G-9, R.S.C., 1970.

PRIVATE BILLS

MARRIAGE LAW EXEMPTION (JAMES RICHARD BORDEN AND JUDY ANN BORDEN)—REPORT OF COMMITTEE

Senator Goldenberg, Chairman of the Standing Senate Committee on Legal and Constitutional Affairs, presented the following report:

Wednesday, February 15, 1978

The Standing Senate Committee on Legal and Constitutional Affairs, to which was referred Bill S-5, intituled: "An Act to provide an exception from the public general law relating to marriage in the case of James Richard Borden and Judy Ann Borden", has, in obedience to the order of reference of Tuesday, February 7, 1978, examined the said bill and now reports the same without amendment.

Respectfully submitted,

H. Carl Goldenberg,
Chairman.

The Hon. the Speaker: When shall this bill be read a third time?

Senator Bourget moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

MARRIAGE LAW EXEMPTION (EUGÈNE WADDELL AND MARGUERITE BENOIT)—REPORT OF COMMITTEE ADOPTED

Senator Goldenberg, Chairman of the Standing Senate Committee on Legal and Constitutional Affairs, presented the following report:

Wednesday, February 15, 1978

The Standing Senate Committee on Legal and Constitutional Affairs, to which was referred Bill S-6, intituled: "An Act to provide an exception from the public general law relating to marriage in the case of Eugène Waddell and Marguerite Benoit", has, in obedience to the order of reference of Tuesday, February 7, 1978, examined the said bill and now reports the same with the following amendments:

1. *Page 1:* Strike out lines 1 and 2 and substitute therefor the following:

"WHEREAS François Eugène Arthur Waddell (hereinafter referred to as "Eugène Waddell") and Marie Anne Marguerite Benoit (hereinafter referred to as "Marguerite Benoit"), both of the City of Montreal,"

2. *Page 1:* Strike out line 9 and substitute therefor the following:

"in what is now the city of Deux-Montagnes, in the"

3. *Page 2:* Strike out line 29 and substitute therefor the following:

"sons may not marry, François Eugène Arthur Waddell and Marie Anne"

4. Strike out the title and substitute therefor the following:

"An Act to provide an exception from the public general law relating to marriage in the case of François Eugène Arthur Waddell and Marie Anne Marguerite Benoit"

Respectfully submitted,

H. Carl Goldenberg,
Chairman.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Goldenberg: Next sitting.

• (1410)

Senator Bourget: Honourable senators, with leave, I would ask that this report be adopted now. The amendments are minor in nature, completing the names of the petitioners and correcting the description of Mr. Waddell's place of birth. Therefore, with leave of the Senate, I move that the report be adopted now.

Senator Croll: Carried.

The Hon. the Speaker: Is leave granted, honourable senators?

Senator Flynn: Yes, to comply with Senator Croll's request.

Motion agreed to and report adopted.

The Hon. the Speaker: When shall this bill be read a third time?

Senator Bourget moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

FIRST MINISTERS' CONFERENCE

SENATORS AS OBSERVERS—QUESTION

Senator Asselin: Honourable senators, I have a question for the Leader of the Government. The leaders of all parties in the House of Commons were invited to submit a list of observers from their membership to attend the First Ministers' Conference which is being held in Ottawa. I would like to know if the government invited the Leader of the Government in the Senate to send some senators as observers? If not, can the leader tell us why the Senate did not receive the same treatment?

Senator Perrault: Honourable senators, I attended some of the Conference sessions. Indeed, I was there for much of this morning. I am unaware that any honourable senator who expressed an interest in attending the conference was denied an opportunity to do so. It is my understanding that the initiative in this matter was very much with those members of Parliament who wished to be present.

Senator Flynn: We did not see you on TV.

Senator Perrault: I was there.

TRANSPORTATION

CRASH OF AIRCRAFT AT CRANBROOK, B.C.—POSSIBLE ACTION BY THE DEPARTMENT OF TRANSPORT—QUESTION

Senator Olson: Honourable senators, may I ask the Leader of the Government what further action the Department of Transport intends to take in connection with the crash of a PWA aircraft at Cranbrook, B.C., now that it has been established that the flight recorder on the aircraft was unable to retain an accurate recording because of the intense heat?

Senator Perrault: Honourable senators, as yet no statement has been made available to me by the Honourable the Minister of Transport. However, I shall reiterate this request for further information, and hopefully a statement on the matter can be made in this chamber in the near future.

SAFE CONTAINERS CONVENTION BILL

REPORT OF COMMITTEE ADOPTED

Leave having been given to proceed to Order No. 2:

The Senate proceeded to consideration of the report of the Standing Senate Committee on Transport and Communications on Bill S-4, to implement the International Convention for Safe Containers, which was presented yesterday.

Hon. Maurice Bourget moved the adoption of the report.

He said: Honourable senators, I should like first of all to acknowledge the courtesy extended to me by the members of this house, particularly Senator Phillips, in allowing the consideration of this report to be proceeded with now.

Honourable senators, I should like to explain that the amendments to the schedule recommended by the committee are, as the report states, purely editorial in nature. I suppose that all honourable senators have had the occasion to look at the nature of the amendments proposed to the schedule. Many of these amendments are corrections in grammar and punctuation, and others, in the case of specific words, simply replace the singular with the plural and the plural with the singular.

There are some 56 minor amendments to both the English and French texts of the Convention. Since they are set out in detail in the Procès-Verbal of Rectification referred to in the third paragraph of the committee's report, the committee did not consider it appropriate to adopt a separate motion for each amendment. In fact, since these amendments have already been agreed to by the contracting governments, they represent a fait accompli. Our main responsibility is to ensure that the schedule to Bill S-4 accurately sets out the original text of the convention as amended by the rectifications agreed to by the signatories to the Convention.

It is for this reason that the committee unanimously adopted these amendments by a motion stating that the schedule to Bill S-4 be amended to reflect the changes in the Convention agreed to by the contracting governments.

Last evening, copies of the schedule to Bill S-4 were distributed to members of the committee showing where the amendments, if adopted, would be inserted in the text of the Convention.

Honourable senators, if you had had an opportunity to examine these amendments, I am sure you will agree that they are simple amendments, and I therefore recommend the adoption of the committee's report.

Motion agreed to and report adopted.

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

Senator Petten moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

FISHING AND RECREATIONAL HARBOURS BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the debate on the motion of Senator Cottreau for second reading of Bill C-2, respecting the administration and development of certain fishing and recreational harbours in Canada.

Hon. Orville H. Phillips: Honourable senators, I should like to thank the sponsor of Bill C-2 for his introduction and explanation last evening. My appreciation would have been far greater had he not finished his remarks with an appeal for support of Bill C-2. There are many reasons for opposing Bill C-2, and in the debate in the other place, and in the explanation given last evening, we were given not one reason for supporting it.

Bill C-2 had its conception in a report of the former Auditor General who recommended that the fishermen begin paying for at least a portion of the cost of developing harbours and wharves. I cannot say that that particular Auditor General was a favorite of the government. Indeed, they often criticized him and ignored his reports.

● (1420)

For some strange reason the government has selected fishermen to be the first victims of the user pay policy. This is rather unusual when one considers that the government, very casually, wrote off $1 billion for the St. Lawrence Seaway, which was used by Panamanian freighters taking Volkswagens to Detroit. There was no objection either to the huge deficit of some $800 million at Mirabel Airport. The annual expenditure on small harbours of $30 million would provide only a parking space for one foreign-owned Boeing 747 aircraft at Mirabel.

The attitude of the government in dealing with fishermen seems to be that because they are Canadians they cannot go near the wharf until they have paid for it. It seems quite acceptable for one to run up a deficit in Canadian facilities if one is a foreigner; but if one is a Canadian fisherman, he must pay for it.

Small harbours have been neglected over the past 10 years. There are probably two reasons for that neglect, the first of which is that the annual budget of the Small Harbours Branch has remained fairly constant in the vicinity of $30 million, while the cost of repairs and new construction has greatly increased. We are now spending about 25 cents for every $1 we spent on small harbours 20 years ago.

The second reason is a bit more disturbing. There is a study and a plan under way whereby the government will reduce the number of small harbours by approximately one half. While it may make sense to someone sitting in an air-conditioned office in Ottawa to consolidate three harbours within a range of 100 miles into one big harbour, that sort of thinking overlooks the fact that small craft must fan out before dropping their nets and traps. One hundred boats cannot leave the harbour and drop their traps and nets into one area. They must spread out over this range of 100 miles, and that, of course, requires two or three hours' sailing. It requires two or three hours to go out, and two or three hours to come back. When threatened by a sudden thunderstorm, a small craft must be able to get back to the harbour in a hurry. A 40-foot fishing boat in high winds and a thunderstorm is not the most desirable place to be. Another problem is that in the spring of the year the ice along the Atlantic coast often blows in towards shore, and when that happens the fishermen have to go out and retrieve their nets and traps. If it is necessary to travel an additional 50 or 60 miles, the fisherman will be unable to retrieve his gear when it is threatened by ice.

It is my hope that the government, before proceeding with these changes, will consult the provinces and, above all, consult the local fishing associations.

The sponsor of the bill (Senator Cottreau), described it as a regulatory measure, and I would have to agree with that. Clause 9 contains several subclauses under which the government may make regulations. If there is anything the fisherman does not need it is more regulations. At present, he must begin the year by obtaining a licence; then there is a quota; and then there is permission to use a certain type of net or trap. If we add to that all of the possibilities provided under clause 9, he will need at least two accountants to wade through the paper work before he can begin fishing.

Bill C-2 is not only regulatory, honourable senators, but also, in my opinion, a tax measure. Under the present regulations, $1.5 million can be raised annually. Under the regulations provided for in Bill C-2 at least $3 million in fees and charges can be raised annually. These fees will, over a short period, be as high as $2,000 on the Pacific coast, about $350 in the Atlantic provinces and $200 in the province of Quebec.

I found it most interesting to read the proceedings of the Committee on Fisheries and Forestry of the other place, and should like to draw the attention of the Senate to page 7 of issue No. 5. Here the Director of the Small Craft Harbours Branch is explaining to the committee the term "vote netting." This is a term I had not met before. He says:

> Vote netting is a system whereby charges which we may collect from the general public may be used directly for administrative purposes by the department and not be voted *per se* in terms of estimates of the government.

Honourable senators, that raises an interesting situation. The Minister of Fisheries makes the regulations; the Minister of Fisheries sets the fees or charges; the Minister of Fisheries collects the fees or charges; the Minister of Fisheries then spends it on his own administration. I doubt if even the Mafia could come up with as good a system as that.

I raise this question in respect of the Financial Administration Act. All public moneys collected are supposed to be deposited to the account of the Receiver General of Canada. I

wonder why we should pass this piece of legislation when Parliament is being completely circumvented. Why should we give authority to the Minister of Fisheries to collect any amount of money he wishes? We will not be asked to approve the regulations or the fees, and Parliament will not be asked to approve the expenditures.

Quite recently the Auditor General warned that Parliament is in danger of losing its control over public expenditures. If we pass this piece of legislation without having a better definition of "vote netting," we are only increasing that danger.

● (1430)

The powers provided for seizure under clause 18 have caused me great concern. The average fisherman in the Atlantic provinces earns approximately $7,000 per year. Most of that will be made during a very short season of two months, when he is allowed to fish for lobster. If he has his boat seized—which may be for a number of reasons—and is unable to make the payment to the enforcement officer for use of the harbour, his boat can be held up to 21 days before it is released, and before the end of that period of 21 days the Minister of Fisheries may apply to the court to have the boat sold. However, the court is unlikely to hear the case within 48 hours. It could take two weeks, by which time the lobster season might have ended and the fisherman lost his opportunity to earn 60 per cent of his income.

The situation is even worse when we consider that his loss of income may have occurred through no fault of his own. If the boat has not been seized legally, what recourse does the fisherman have? Surely we should ensure that he has some means of applying to a court, such as the Federal Court of Canada, in order to get his boat back within a specified period. The minister can appeal to the courts. I find it rather strange that the bill provides that opportunity for the minister, but has completely forgotten the person who is supposed to benefit from the legislation—namely, the fisherman.

Bill C-2 provides for the appointment of enforcement officers, who will replace the so-called "wharfinger" under the present legislation. I ask the sponsor of the bill how they will be selected. The usual method of appointing the wharfinger has been for the party in power at the time to select someone—usually the poll chairman in the area. I hope that in this case the selection will be made by the Public Service Commission.

The minister, in the course of the debate in the other place, stated that the enforcement officer would have jurisdiction within a radius of 25 miles. I would ask the sponsor of the bill to clarify the search authority of the enforcement officer within that 25-mile radius. The Progressive Conservative members of the other place raised serious objections to the amendment with respect to leasing arrangements as proposed by Bill C-2. Those objections focused on the fact that one person may rent the wharf or harbour. I could perhaps accept this if we were assured that any fisherman who wished to use that wharf or harbour would still be allowed to use it at the same rate as if it had not been leased. In small fishing harbours, where one individual will be buying fish, you quite often find that he likes all 30 or 40 boats in that small harbour to sell their fish to him, so that he has no competition and has a monopoly on the price paid to fishermen. If one individual, a so-called fish buyer, leases a harbour, what happens to fishermen who are not selling fish to that particular individual?

Last evening, Senator Cottreau stated that C-2 merely provides regulatory authority. I would point out to the honourable senator that the minister in the other place refused to accept an amendment which would impose a moratorium on all fees, or all increased fees and charges, for a five-year period. This being so, honourable senators, and if the ministry does not intend to increase the fees and charges immediately, why ask for authority to do so in this bill?

I shall close my remarks by asking for a complete list of all possible fees and charges that may be levied under Bill C-2. Will the fisherman be charged for mooring, winter lay-up, and fish landings over the wharf? Will he be charged, as the sponsor indicated, for having a bait shed on the wharf? Before this bill goes to committee, I think we should have a complete list of all possible charges that are under consideration by the government.

Honourable senators, I began my remarks by stating that I could not support Bill C-2. I hope that I have given you some indication of my concerns about it, and I hope that it will receive a thorough study in committee.

Senator Grosart: I wonder if the honourable senator who introduced the bill would inform the Senate at this time whether it is the intention of the government, after the passing of this bill—if it is passed—to proceed with vote netting, as has been described by Senator Phillips. If so, is there any specific authority for vote netting in the bill before us? If there is not, and if the government does intend to use the device of vote netting, under what authority will this be done?

I would ask the honourable sponsor of the bill to answer that specific question, because it may be that a senator on this side of the house will wish to participate in the debate before he replies in full to Senator Phillips.

Senator Cottreau: I am sorry, Senator Grosart, I do not have the answer to that question. I would ask permission to take it as notice, and give you the answer prior to the third reading stage of the bill.

On motion of Senator Grosart, debate adjourned.

● (1440)

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

SECOND REPORT OF STANDING JOINT COMMITTEE ADOPTED

The Senate proceeded to consideration of the second report of the Standing Joint Committee of the Senate and House of Commons on Regulations and other Statutory Instruments, which was presented on Thursday, February 9, 1978.

Hon. Eugene A. Forsey moved that the report be adopted.

He said: Honourable senators, perhaps I should explain that this is really, except in one respect, a purely formal motion,

because the criteria which we are asking the House to approve, and which the other place has already approved, I understand, are, with a single exception, what we have already approved for the work of this committee.

I discovered, however, that by sheer negligence I had failed to ask for the proper reconfirmation of these criteria at the proper time, and so we are now trying to repair that omission. While we were at it, we thought we might as well add the one further criterion which is there dealing with the rights and liberties of the subject which, in fact, we had originally intended to have in our list of criteria for the committee's work, but which got left out by some difficulty or omission that arose in the course of having the criteria transcribed. I think that they were originally drafted by our counsel and then redrafted very carefully and very beautifully by our late Law Clerk, Mr. Russell Hopkins, and in the process this particular one got left out.

It is, I think, one of the criteria adopted by the corresponding committee in the British Parliament, and we felt it was desirable that it should be inserted in the criteria here, a view which I think honourable senators generally will be inclined to accept.

If anybody has any questions about the insertion of this criterion, or about the criteria generally, I shall, of course, be very pleased to answer.

Motion agreed to and report adopted.

LEGAL AND CONSTITUTIONAL AFFAIRS

NOTICE OF COMMITTEE MEETING

Senator Langlois: Before Motions are called, I would remind honourable senators that as soon as the Senate rises the Standing Senate Committee on Legal and Constitutional Affairs will meet in room 256-S to consider Bill S-7.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, February 16, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DISTINGUISHED VISITORS IN GALLERY

Senator Perrault: Honourable senators, I know you will wish to join me in extending a warm Canadian welcome to two distinguished visitors in our gallery today. I should like to introduce the Honourable C. W. Maguire, Minister of Tourism and Development of Industries and Resources, Turks and Caicos Islands, and his colleague, Mr. Herbert Been, Vice-Chairman of the People's Democratic Movement, Turks and Caicos Islands. These gentlemen are on an informal visit to our capital. We are delighted to have them with us.

Senator Argue: Honourable senators, I wish to associate myself with the remarks of the Leader of the Government.

A few weeks ago when the weather was poor in Florida, my wife and I decided to fly over to the Turks and Caicos Islands. There we met and received a warm welcome from our two guests who are now in the gallery. When I learned that Mr. Maguire was coming to Toronto for a meeting on Friday, February 17, I suggested to him that he visit Ottawa first, and I said that I would endeavour to arrange some informal meetings with senators and members of the House of Commons.

Senators and members of the other house have been most cordial in meeting these two gentlemen, and in discussing with them how co-operation between our two countries might be improved. Senator McIlraith and I had the honour some five years ago to meet Mr. Maguire.

I add my personal welcome to that of the government leader to our two distinguished guests, the Honourable C. W. (Liam) Maguire, and Mr. Herbert Been.

Hon. Senators: Hear, hear!

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, February 21, 1978, at 8 o'clock in the evening.

Honourable senators, before the question is put, I should like to outline for you as well as I can at this time what we can expect for next week.

Meetings of three committees have been set for Tuesday. At 9.30 a.m. the Joint Committee on Regulations and other Statutory Instruments will meet to study the Green Paper on Public Access to Government Documents; at 2.00 p.m. the Legal and Constitutional Affairs Committee will consider Bill S-8, respecting fugitive offenders in Canada, and at 2.30 p.m. the National Finance Committee will commence an examination of the estimates of the Department of Regional Economic Expansion.

● (1410)

On Wednesday the Banking, Trade and Commerce Committee will again consider Bill S-3, to amend the Canada Business Corporations Act, and there will be a further meeting of the Agriculture Committee on its inquiry into the Canadian beef industry when the Senate rises.

On Thursday at 9.30 a.m., the Banking, Trade and Commerce Committee will meet to continue its study of the subject matter of Bill C-13, the combines investigation legislation; also at 9.30 a.m. the National Finance Committee will again meet to consider the estimates of the Department of Regional Economic Expansion, and at 11 a.m. there will be a meeting of the Joint Committee on Regulations and other Statutory Instruments. There will be additions to this list as the week progresses.

In the Senate we shall proceed with the items now on the order paper. Hopefully, Bill C-16, to amend the Bank Act and the Quebec Savings Bank Act, will come to us from the other place.

It is the intention, subject to notice, to move—probably next week—the appointment of a special committee of the Senate to consider legislation concerning the northern gas pipeline. The subject matter of such legislation could then be referred to that committee in advance of the bill's reaching the Senate, thereby enabling us to deal more expeditiously with it when it does come.

There is also a strong possibility of there being some legislation introduced in the Senate in the first instance next week.

Senator Asselin: A "strong" possibility?

Senator Langlois: A very strong possibility.

Motion agreed to.

[*Translation*]

FIRST MINISTERS' CONFERENCE

OBJECTIVES OF THE CONFERENCE—QUESTIONS

Senator Flynn: I wish to ask the Leader of the Government whether the First Ministers' Conference, which ended yesterday, reached a general agreement, according to him, on the objectives that had been set?

[*English*]

Senator Perrault: Honourable senators, the government considers that the recently concluded First Ministers' Conference was a success. If it is the wish of honourable senators, I would be pleased to report on the conference early next week.

Hon. Senators: Hear, hear.

Senator Flynn: A supplementary question: Will that report include the conclusion of the government as to the pre-electoral objectives that it had in mind in connection with the conference?

Senator Perrault: At this time, honourable senators, the government is not obsessed with electoral considerations.

Hon. Senators: Oh, oh.

Senator Flynn: Is that a change from yesterday?

PARLIAMENT BUILDINGS

USE OF FACILITIES FOR LIBERAL PARTY CONVENTION—QUESTION

Senator Forsey: Honourable senators, I have a question. I am not quite sure to whom it should be addressed. It really concerns the privileges of this house in general. I shall, for form's sake, at least, address it to the Leader of the Government, and he can refer it to whoever is in a position to answer it.

Senator Flynn: You have no choice.

Senator Forsey: It arises out of the now cancelled party which I think the Liberal Party was proposing to hold in this building. In reading the newspaper accounts of this, I noticed that over and over again they said that the Speaker of the House of Commons had given permission and then that the Speaker of the House of Commons had changed his mind.

This raised in mind the question whether in fact the proper authorities—presumably Her Honour the Speaker—of this house had been consulted, or whether the Speaker of the House of Commons had taken it upon himself to assert jurisdiction over the whole building. I should very much like some clarification on this from anyone who is in a position to give it.

Senator Flynn: A good question.

Senator Perrault: Honourable senators, that type of question obviously poses difficulties in this chamber, because Madam Speaker is not in a position to reply directly to questions of honourable senators. I shall be glad to initiate such inquiries, and perhaps information in this respect can be provided to the Senate.

[*Translation*]

NATIONAL UNITY

SPEECH BY SENATOR GILDAS L. MOLGAT IN WINNIPEG—QUESTION

Senator Asselin: Honourable senators, I know that our standing orders do not allow me to put a direct question to a senator who is not the chairman of a committee. I will therefore direct it to the government leader who could refer it to the senator involved.

Last week, Senator Molgat delivered a speech in Winnipeg and according to the newspaper reports he clearly stated that when the referendum is held in Quebec, the vote will be in the affirmative, that is, the people will vote in favour of separation. Since the statement was made by a high official in the Liberal organization—Senator Molgat being a former president of the Liberal Federation of Canada—I wonder whether it is the new slogan of the Liberal Party in western Canada or the government which want to let it be known in western Canada that Quebec will vote for separation from Canada when the referendum is held.

I would like to know whether the government leader was advised of that statement, if he saw it before, whether his advice was sought and if he endorses it. Could he also tell us whether Senator Molgat will provide explanations and tell us where he obtained those details?

[*English*]

Senator Perrault: Honourable senators, as a member of a very democratic party I should like to advise the honourable senator that members of our party are not under the philosophical and political strictures that may perhaps be imposed on members of the loyal opposition.

Senator Flynn: Oh no!

Senator Langlois: You asked for it.

Senator Perrault: Senator Molgat is fully able to speak for himself, and should he wish to reply for himself at this time I would support him fully in that endeavour.

Senator Flynn: I don't know if he should. You are taking a great risk.

[*Translation*]

Senator Molgat: Honourable senators,—

Senator Asselin: Honourable senators, on a point of order, I must say that I had ahead of time given Senator Molgat oral notice that I would ask the question.

Senator Flynn: Agreed, but this is an exception.

Senator Molgat: Honourable senators, I know the procedure does not allow me do to do so, but, if the Senate will give me leave—

Senator Flynn: This is a question of privilege.

Senator Molgat: As a privilege, I shall be delighted to answer.

Some Hon. Senators: Agreed.

Senator Molgat: I thank my honourable colleague and former collaborator at a time when we were both members of the Joint Committee of the Senate and House of Commons on the Constitution.

Senator Asselin: It was not much of a success.

Senator Molgat: First, if you will allow me, let me make my position clear. I am against separatism. I am convinced that separation would be most prejudicial, if it does take place, to both Quebec and Canada.

So, then let us come back to what I said in Winnipeg. That was last Saturday. I said this: We must not believe, especially those of us who live out West and to whom this is often repeated, that there is no cause for alarm, though we hear it often said in the West. Moreover, I am sorry to say that, unfortunately, we hear it often voiced by political colleagues of my honourable friend.

Senator Flynn: Can you name them?

Senator Molgat: Yes, I can name some of them. I should be delighted to do so. People very often say that Quebec, to all intents and purposes, will base its vote on its needs or economic advantages, and will make it a dollar and cents issue. I, for one, am not so sure of that. What I was trying to say to those who were listening to me is that this is an illusion, a myth, and that when the time comes to vote, Quebecers are simply going to decide to remain united to the rest of Canada, because it is economically advantageous to them.

I feel that this is much more an emotional issue, that we need to be concerned about it, and that we, as westerners, should stop complaining all the time about small things which do not really matter. I used the expression "pork and beans cans in both languages". Well, who is doing that? Unfortunately one of the people who was supposed to speak after me on that occasion, Mr. Dan McKenzie, the honourable member for Winnipeg South Centre, certainly one of the greatest separatist elements in Canada, because everything he says—

Senator Flynn: You have James Richardson.

Senator Molgat: Yes, Mr. Richardson, and I named—

Senator Flynn: If you want to include Mr. Richardson.

Senator Molgat: If you so wish, I could also include Mr. Richardson, because his statements are precisely the kind which will help separatists, and especially when Mr. Richardson states that the country should be unilingual and Quebec bilingual, he is merely bringing wood to the fire. That is exactly what I said in that case. Mr. McKenzie does exactly the same thing.

What I proposed in that case was to change our attitude, that negative attitude which is all but too common these days in Canada. On the contrary, let us be positive. Let us look at the advantages instead of constantly bickering over nothing, over details very often, over small happenings which are really not that important. It is to the advantage of this country to stay united, I am convinced. But it is not by saying that Quebecers will merely vote for their pocket-book that we will convince them to vote against the referendum. That is not the way either to encourage people in the rest of the country to participate in this great ongoing debate. I am absolutely not arguing that Quebec will vote for the referendum, nor do I think it will. But we must not get the idea it will come about very easily.

• (1420)

[*English*]

Senator Perrault: Honourable senators, I suggest that it may be more appropriate for the honourable senator to consider a notice of inquiry, if he wishes to have a debate on the subject of national unity and on statements attributed to various honourable senators. It seems to me it is rather straining the limits of the question period to engage in this type of debate at this time.

Senator Flynn: Perhaps it would be a question of privilege.

Senator Perrault: I would be interested in the views of the Leader of the Opposition on this subject. Certainly, we would support a notice of inquiry on this side should the honourable senator wish to introduce one.

Senator Asselin: Am I to gather that in future we will not have permission to ask oral questions in order to try to satisfy ourselves as to a situation which seems to be unjust?

[*Translation*]

But I would like Senator Molgat to answer my question as to whether he actually stated that if a referendum were held in Quebec it would be resolved in the affirmative by Quebecers?

Senator Molgat: I thank you because if it is not clear, I do want to make it quite clear. No, I certainly did not say that. What I said was that there was a danger that this could happen and if the rest of the country showed a different attitude that would indeed help the seperatists in Quebec. But to say at this point that I believe Quebec would vote in favour of separatism, no I do not believe so. That is not what I said.

Senator Langlois: Your attitude is very wise.

Senator Robichaud: Honourable senators, I would like to ask a very simple question of the government leader in the Senate.

[*English*]

Perhaps I should pose my question in English, because it might meet with better understanding.

Senator Flynn: Non, non.

Senator Robichaud: It might be better because of names and words I will be mentioning.

I read in this morning's press that a statement of a rather extremist nature was made in the House of Commons yesterday by Tom Cossitt. A short while ago we had to exile someone from this country who was at the other extreme—that is, opposed to national unity. The name of the person exiled to Cuba is Jacques Cossette. So we have Tom Cossitt and Jacques Cossette.

I would ask the Leader of the Government whether he could ascertain whether there is consanguinity or parental affinity between the two gentlemen, who would like to separate our country for obviously opposite reasons.

Senator Perrault: Honourable senators, that information has not come to my attention, although I rather think the honourable senator has asked the question in a facetious

manner. I understand that the honourable member of the other place made some allegations recently, but I know of no proof provided to support those allegations, unless Senator Robichaud has seen evidence which has escaped the notice of the government.

OFFICIAL RECORD

CORRECTION

Senator Grosart: Honourable senators, before the Orders of the Day are called, I rise reluctantly on a question of privilege. It relates to a report which appears in the *Debates of the Senate* for last Tuesday, February 14.

The question of privilege concerns a statement made by Senator Bosa, for whom I have the greatest respect, and a question that I asked arising from the statement.

The statement that was made by Senator Bosa—and, if necessary, I am prepared to produce proof that it is the statement he made—was:

> However, my understanding is that Western Europe has recognized the legality of the present boundaries of the states behind the so-called Iron Curtain.

At which point I asked the question:

> I wonder if the honourable senator would clarify his statement that Western Europe has done so; who is "Western Europe" in that context?

Senator Bosa replied and made several comments.

My point on the question of privilege is that the statement which I now assert was made by Senator Bosa appears entirely differently in the printed *Hansard* of last Tuesday. It now reads:

> However, my understanding is that some West European nations have recognized the present boundaries of the states behind the so-called Iron Curtain.

That, of course, is very different from the statement made. In that form it makes my question meaningless and irrelevant. That is my point of privilege.

I hasten to say that I impute to no one any ulterior motive or intention to mislead the Senate in this matter. I merely point out that it is a matter of privilege when any change is made in a statement of a senator which affects the reply or comment by another senator.

Senator Bosa: Honourable senators, I wish to thank Senator Grosart for giving me prior notice of his intended question of privilege.

I would like to say that I am sorry. I did not know that I was supposed to rise in the chamber at the first opportunity in order to correct my statement. As the honourable senator said, there was no intention of misleading this house. I am sorry that I did not follow the normal procedure.

[Senator Perrault.]

• (1430)

PARLIAMENT BUILDINGS

USE OF FACILITIES FOR LIBERAL PARTY CONVENTION—QUESTION ANSWERED

Senator Perrault: Honourable senators, a question was asked earlier today by Senator Forsey with respect to a statement made by the distinguished Speaker of the House of Commons on the allocation of space in the Parliament Buildings for social events. I have had an opportunity over the past few minutes to review the record in *House of Commons Debates*, which is to be found at pages 2833 and 2834. May I quote briefly from the Honourable the Speaker's comments with reference to permission that he had granted for a social function for a group of Canadians to take place next week in these halls? He said:

> That permission was granted, and I think honourable members will understand that it would not be my intention to withdraw that permission at any time, particularly close to an event, even if it meant a re-examination of the policy would have to take place. I think that would have been an abdication of the responsibility I had originally assumed, and would have been an injustice to the organizers of an event which would perhaps have left them unable to complete the arrangements they had in mind on the basis of the permission which I had earlier given.

The Honourable the Speaker of the other place went on to say that he had received a letter from the President of the Privy Council, and the letter said in part:

> In spite of compliance with these guidelines, the proposed function has caused concern among some members and has placed you in a position of having to make a ruling on a question of privilege. This seems to me to exaggerate this matter out of all proportion in relation to the time the House of Commons should be devoting to the important issues before it. As I noted earlier, no final decisions have been taken on the location and the nature of the social event in question. I should now like to advise you that the members of Parliament involved are withdrawing their request to you and will choose one of the other alternatives which were also under consideration.

I read this only to point out that the Speaker of the House of Commons, in fact, rendered no decision with respect to the proposed function in the halls of Parliament. It is true that a group of members of the other place had requested him to allocate space for this meeting—this social function. However, they withdrew their request before it was necessary for any further possible ruling or action on the part of the Speaker of the House of Commons.

Senator Forsey: Honourable senators, I hope, nonetheless, that the Leader of the Government will find the information I requested as to this question of jurisdiction.

Senator Perrault: Yes.

PRIVATE BILLS

MARRIAGE LAW EXEMPTION (JAMES RICHARD BORDEN AND JUDY ANN BORDEN)—THIRD READING

Senator Langlois moved the third reading of Bill S-5, to provide an exception from the public general law relating to marriage in the case of James Richard Borden and Judy Ann Borden.

Motion agreed to and bill read third time and passed.

MARRIAGE LAW EXEMPTION (FRANÇOIS EUGÈNE ARTHUR WADDELL AND MARIE ANNE MARGUERITE BENOIT)—THIRD READING

Senator Langlois moved the third reading of Bill S-6, to provide an exception from the public general law relating to marriage in the case of François Eugène Arthur Waddell and Marie Anne Marguerite Benoit.

Motion agreed to and bill read third time and passed.

SAFE CONTAINERS CONVENTION BILL

THIRD READING

Hon. William J. Petten moved the third reading of Bill S-4, to implement the International Convention for Safe Containers.

Motion agreed to and bill read third time and passed.

FISHING AND RECREATIONAL HARBOURS BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the debate on the motion of Senator Cottreau for second reading of Bill C-2, respecting the administration and development of certain fishing and recreational harbours in Canada.

Hon. Allister Grosart: Honourable senators, Senator Cottreau, who gave us an excellent explanation of this bill, has been good enough to inform me that he is now in a position to answer the series of questions I asked after Senator Phillips had drawn attention to an important matter of principle arising from the bill. It seems to me that Senator Cottreau's reply is essential to any further consideration of the bill, and with his agreement, which I obtained before rising, I now ask leave for Senator Cottreau to place his answers on the record at this time, if he so wishes.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Senator Cottreau: Honourable senators, I am now in a position to answer the questions posed by Senator Grosart yesterday.

The first question was: Does the government intend to continue with vote netting? The answer is: Yes.

The second question was: Is there specific authority in Bill C-2 for vote netting? The answer is: No.

The third question was: If there is no specific authority in the bill, under what authority will this be done? The answer is: The Financial Administration Act, subsections 11(4) and 15(1), and the estimates for the fisheries and marine program, vote 5.

Senator Grosart: Honourable senators, I thank Senator Cottreau for those answers which, I think you will agree, cover the questions in a concise form. However, they do raise the question of the suggested authority in the Financial Administration Act in the estimates, and in the appropriation bill arising out of the estimates.

● (1440)

I have some very serious doubts as to whether the department should proceed on the authority of vote 5, but I will say more about that later.

Of the two sections of the Financial Administration Act that Senator Cottreau cited, one appears to be relevant, but the other, as far as I can see, has no connection whatsoever with this matter.

However, the questions and answers concern a matter of very important principle which arises rather incidentally in connection with this bill; that is, the so-called principle of net voting.

This term has been surrounded with great obscurity and, I think, deliberately kept hidden from public scrutiny by officials, so much so that when it was used in the House of Commons committee it appeared as "boat netting." That was subsequently corrected. Indeed, when this matter was raised by Senator Phillips yesterday, Senator Cottreau was frank enough to say that he made the same mistake.

I mention this to illustrate that vote netting, which is a very important principle in connection with the supremacy of Parliament and the whole financial administration of the country, has been so obscured that when Senator Cottreau, the committee of the House of Commons and myself heard it, we did not know what the words meant.

The history of vote netting goes back to the time of the Glassco Commission, which recommended it in certain circumstances. These circumstances have been expanded to the point—and this is something of the utmost importance to the Senate—where a government report, endorsed by the Public Accounts Committee and only two years old, states that it is time to stop the use of this procedure, except in very limited circumstances. The acceptable circumstances do not include the use contemplated by this bill.

Before this debate is carried further, I think it is important that honourable senators have the appropriate part of this important government report available to them. It is entitled *Report on the Study of the Accounts of Canada*, and dated October 7, 1975. It was examined and endorsed by the Public Accounts Committee of the other house in March 1976 and, I am told officially, it is currently being implemented by a Treasury Board task force.

A major recommendation is No. 21, which reads as follows:

> Net voting of revenues derived from outside the Government of Canada should be discontinued.

In spite of that recommendation, and in spite of its endorsation, we are now asked to approve a continuation of this practice.

In answer to my question, Senator Cottreau said that the department intends to carry on the use of this device, which has already been censured by a government report and the Public Accounts Committee of the House of Commons.

Documents such as this are subject to various interpretations. Therefore, I ask leave to have the relevant part of the report, pages 142 to 146 inclusive, printed as an appendix to *Hansard* of today so that honourable senators will be in a position to assess the validity, or otherwise, of the remarks I shall be making subsequently.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

(*For text of report see appendix, p. 345.*)

Senator Grosart: Honourable senators, it is not my intention to conclude my remarks at this particular time, but to move that the debate be adjourned until the next sitting of the Senate. This will provide Senator Phillips and me with more time in which to examine the authorities cited for the continuation of this procedure.

In addition, there are other matters arising out of Senator Phillips' thorough examination of the bill. He had brought these to my attention and asked that I make reference to them. One, for example, is the most extraordinary situation where there will be a ministerial police force. This police force will have no responsibility whatever to the Minister of Justice or the Solicitor General. It will be hired by and paid by the minister, and will be a police force with power to lay charges leading to imprisonment and fines.

Another point is whether it is in the public interest for a minister to be able to hire hundreds of people without any reference to the Public Service Commission, particularly in view of the fact that when the matter was questioned one of the reasons given was that public service benefits would not have to be paid.

These are points that Senator Phillips has brought to my attention. Senator Cottreau has told me that if this bill receives second reading he intends to refer it to the appropriate committee, and, of course, these matters will be raised in committee.

On motion of Senator Grosart, debate adjourned.

The Senate adjourned until Tuesday, February 21, at 8 p.m.

APPENDIX

(*See p. 344*)

NET VOTING AND COST RECOVERY

(EXTRACT FROM *REPORT ON THE STUDY OF THE ACCOUNTS OF CANADA*)

Parliament normally appropriates funds for expenditure on a gross basis; any revenue derived from the provision of services is ordinarily not available to departmental management to extend or improve the services except by specific action of Parliament. A direct relationship between expenditures for a service and particular revenues can seldom be established. There are, however, a few instances where expenditures and revenues can be linked, and gradually over the years the practice of permitting the netting of certain revenues against expenditures has been introduced. By the early 1960's there were 31 such net appropriations approved by Parliament.

In 1962, the Report of the Royal Commission on Government Organization (Glassco) recommended the extension of the practice of net voting. It was the opinion of the Commissioners at the time that:

> "control would not be lost by either Parliament or the Executive if all vote and allotment controls were to be based on net, rather than the gross cost of services, provided the revenue is directly derived from the provision of the service optional to the user".

The Glassco Commission in recommending in favour of the net voting practice did so on the basis that parliamentary control would not suffer provided that revenue is directly derived from the provision of a service optional to the user. The basis for this view was that consumer demand would control the expansion (or contraction) of such services and Parliament needed to be concerned only where the charge was not of an optional nature.

The purposes for this recommendation were primarily to:

—provide departmental management with incentive to increase non-tax revenue; and

—encourage managers to charge a fair price for services for which the public was willing to pay.

The facts demonstrate, however, that there is generally little relationship between the revenue credited to votes and corresponding expenditures. Certain revenues, for example fines and penalties, represent charges which are not of an optional nature. In other cases, there is no real option for a user to refrain from using a service which only the government provides. Hence the conditions recognized by the Glassco Commission rarely apply. The effect is not to give management the incentive that the Glassco Commission envisaged, but rather, if revenues are estimated conservatively, to create a fund for financing unanticipated requirements.

The facts indicate that:

—management has been little concerned with obtaining financial information that would permit it to know and control the relationship between revenue and expenditure;

—the introduction of net voting has not had a major impact on rates charged for services; and

—increased charges for services appear in practice not to be within managerial discretion.

Most departments operating on a net voting basis do not apply the practice internally. Gross budgets are approved for individual managers, and revenues are controlled centrally for allocation as and when required. This means that responsibility centre managers are entering into commitments as if revenues had already been realized. Because revenues are estimated conservatively, this procedure does not generally lead to over-spending of appropriations, but it is obviously questionable whether, as practised, net voting provides any real management incentive.

Most appropriations are now on a gross basis because most government programs are financed out of general tax revenues. Gross appropriations ensure that each service competes equitably for available resources. Net voting is an attempt to introduce a quasi-commercial practice into the resource allocation process. It assumes that a program has prior call on revenues derived therefrom and the service grows or contracts in relation to its revenue-earning capacity. Because departmental accounting in most cases does not result in revenues and related expenditures being compared, it is not possible to determine whether programs do in fact contract where revenues fail to materialize. Further, since there is little consistency in the application of net voting and similar types of revenue are often treated differently even within a single department, net voting as presently practised may be distorting, rather than improving, resource allocation decisions.

Although Treasury Board places all revenues in excess of 125 percent of those estimated under separate allotment control, the Auditor General has proposed that, where authority is provided for the spending of revenue, three figures—estimated gross expenditure, estimated revenue and net amount appropriated—should appear in the appropriation itself and the amount of revenue used to supplement the net amount appropriated should be limited to the estimated revenue shown in the appropriation.

Consideration was given to retaining net voting in the form proposed by the Auditor General in order to facilitate resource

allocation since it would make expenditures contingent upon generation of revenue. Departments, however, are not likely to favour an arrangement whereby they are penalized if revenues fall short, but where they derive no benefits if they exceed the amounts forecast.

There is one form of net voting that should be continued. In the previous section of this chapter, it was indicated that net voting practices have permitted more accurate identification of program costs through the device of charging a benefitting program for services provided to it and of crediting recoveries to the servicing program. This practice does not alter the total expenditure authority granted by Parliament, but only its distribution among programs. Generally, this type of net voting relating to intragovernmental services appears to be advantageous since it results in a more accurate display of program costs. However, such recoveries should be restricted to actual incremental expenditures, and there should be no recovery of fixed departmental costs or of imputed costs not paid out of the current appropriation since such practices undermine Parliament's intention of specifying the purposes for which funds can be used in appropriations. Under this restricted interpretation, there should be no need for either Parliament or Treasury Board to restrict the amounts recovered to those shown in the Estimates.

Recovery of incremental expenditures will be appropriate for those programs where the services provided are incidental to the main purpose of the program. Where the main purpose of a program is to provide common services to other departments and to other programs, recovery of only incremental expenditures is obviously not satisfactory. In these circumstances, a fund authority should be obtained since this permits full cost recovery. The use of funds for this purpose is discussed in the next chapter of this report.

This limitation of net voting may seem to reduce the incentive of management to maximize non-tax revenue, but this would not be the case if departments generating additional revenues receive proper consideration when they request additional spending authority. "Where there is, in fact, a close relationship between expenditures and revenues, departments should have little difficulty in justifying their requests for expenditure authority. To believe otherwise is to cast doubt upon the efficacy of the whole resource allocation process."

Recommendation 21—*Net voting of revenues derived from outside the Government of Canada should be discontinued.*

Recommendation 22—*Amounts recovered from other appropriations should continue to be net voted but such recoveries should be restricted to incremental expenditures.*

THE SENATE

Tuesday, February 21, 1978

The Senate met at 8 p.m., Hon. John M. Macdonald, Speaker *pro tem*, in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Langlois tabled:

National Capital Fund Budget of the National Capital Commission for the fiscal year ended March 31, 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, as approved by Order in Council P.C. 1978-75, dated January 12, 1978.

Copies of a National Energy Board report entitled "Statement of Position regarding Selection of Pipe for the Whitehorse, Yukon to Caroline, Alberta segment of the Foothills Pipeline System".

Report of the Superintendent of Insurance on the administration of the Investment Companies Act, for the fiscal year ended March 31, 1977, pursuant to section 27(1) of the said Act, Chapter 33, Statutes of Canada, 1970-71-72.

Report on operations under the Regional Development Incentives Act for the month of November 1977, pursuant to section 16 of the said Act, Chapter R-3, R.S.C., 1970.

Agreement, dated February 20, 1978, between the Government of Canada and the Government of Quebec concerning co-operation on immigration matters and on the selection of foreign nationals wishing to settle permanently or temporarily in Quebec.

Letter of Agreement, dated February 20, 1978, between the Government of Canada and the Government of Nova Scotia concerning the establishment of a joint Federal-Provincial Immigration Committee to assure continuing co-operation between the Canada Employment and Immigration Commission and the Province in matters of immigration, demography, and employment relating to immigrants, foreign temporary workers and students.

FUGITIVE OFFENDERS BILL

REPORT OF COMMITTEE

Senator Goldenberg, Chairman of the Standing Senate Committee on Legal and Constitutional Affairs, reported that the committee had considered Bill S-8, respecting fugitive offenders in Canada, and had directed that the bill be reported without amendment.

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

Senator McIlraith moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

STATUTE LAW AMENDMENT PROPOSALS

REPORT OF STANDING SENATE COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS PRESENTED

Senator Goldenberg, Chairman of the Standing Senate Committee on Legal and Constitutional Affairs, presented the following report:

Tuesday, February 21, 1978

The Standing Senate Committee on Legal and Constitutional Affairs, to which was referred the document entitled "Proposals to correct certain anomalies, inconsistencies, archaisms, errors and other matters of a non-controversial and uncomplicated nature in the Revised Statutes of Canada, 1970, and other Acts subsequent to 1970", tabled in the Senate on Thursday, February 2, 1978, has in obedience to the Order of Reference of that date, examined the said document and now reports the same with the recommendation that the document be amended by adding thereto the following:

1. *Canadian Human Rights Act:*

"The definition "appropriate Minister" in section 49 of the *Canadian Human Rights Act* is repealed and the following substituted therefor:

"appropriate Minister", in relation to a government institution, means

(a) the member of the Queen's Privy Council for Canada presiding over that institution or through which that institution reports to Parliament, or

(b) where there is no member of the Queen's Privy Council for Canada as described in paragraph (a), the person designated by order in council pursuant to this paragraph and for the purposes of this Part to be the appropriate Minister for that institution;"

● (2010)

2. *Citizenship Act:*

"Subsection 20(2) of the *Citizenship Act* is repealed and the following substituted therefor:

"(2) Nothwithstanding anything in this Act, but subject to the *Criminal Records Act*, a person shall not be granted citizenship under section 5 or subsection 10(1) or administered the oath of citizenship if

(a) during the three-year period immediately preceding the date of his application, or

(b) during the period between the date of his application and the date that he would otherwise be granted citizenship or administered the oath of citizenship

he has been convicted of an offence under subsection 28(1) or (2) or of an indictable offence under any Act of Parliament."

3. *Small Loans Act:*

"(1) The definition "loan" in section 2 of the *Small Loans Act* is repealed and the following substituted therefor:

" "loan" means a loan made by a money-lender of not more than fifteen hundred dollars and includes the consideration for a wage assignment; and if, after deducting all payments, whether on account of interest, expenses or principal, made by the borrower to the money-lender in respect of that loan at or about the same time as the loan is made, the amount retained by the borrower is fifteen hundred dollars or less, the transaction or transactions shall be deemed to have resulted in a loan of the amount so retained by the borrower notwithstanding that nominally a loan for a larger sum has been made;"

(2) Subsection (1) shall apply to all loans made on or after January 1, 1956.

Your committee also recommends that the said document be amended by striking out clause 21 on page 15 and substituting the following:

"21. Section 3 of the *Tax Review Board Act* is amended by adding thereto, immediately after subsection (1) thereof, the following subsections:

"(1.1) A person is not eligible to continue to hold office as a member of the Board unless, within sixty days after he is appointed to hold office and thereafter while he holds office, he resides in the National Capital Region described in the schedule to the *National Capital Act* or within forty kilometres thereof.

(1.2) Subsection (1.1) does not apply to a person who holds office as a member of the Board and who does not reside in the National Capital Region as described in subsection (1.1) prior to the coming into force of that subsection."

Respectfully submitted,

H. Carl Goldenberg,
Chairman.

The Hon. the Speaker *pro tem:* Honourable senators, when shall this report be taken into consideration?

Senator Goldenberg moved that the report be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

[Senator Goldenberg.]

FISHING AND RECREATIONAL HARBOURS BILL

SECOND READING—DEBATE CONTINUED

The Senate resumed from Thursday, February 16, 1978, the debate on the motion of Senator Cottreau for second reading of Bill C-2 respecting the administration and development of certain fishing and recreational harbours in Canada.

Hon. Allister Grosart: Honourable senators, when the Senate adjourned its last sitting, I had made some preliminary remarks on this bill arising out of some comments on the principle of the bill made by Senator Phillips, and an answer given on Thursday by Senator Cottreau to some questions which I had asked him as the sponsor of the bill. The main reason for adjourning the debate at that time was so that I could look up some references to the Financial Administration Act and the main estimates that Senator Cottreau had made in his reply.

The main point I was dealing with at that time was that raised originally by Senator Phillips about the device known as "vote netting" or "net voting." As I said at that time, this is an obscure device, so much so that it has appeared as "boat netting" in committee proceedings of the House of Commons, and it has appeared as "vote metting" and as "net voting" in our own *Hansard*, and so on. That indicates that this is an obscure device to which I am calling the attention of the Senate, following Senator Phillips' original remarks.

The main point being made at this time is that the department has indicated that it intends to carry on the expenditure of public funds by this device, in spite of the fact that there is a report, which is in our proceedings of last Thursday, a government report, saying that this device should be discontinued, that the Public Accounts Committee of the other place has approved that report, and that the Treasury Board has stated that this device should be discontinued in the type of use that is contemplated by the department if this bill passes.

The point, of course, that I am presenting to the Senate is whether it would make sense for the Senate, under these circumstances, to pass this bill without amendment when we are aware that the department, under the authority that will be given to it by the Senate and the House of Commons, will carry on a device which has already been disagreed with, and which, according to the information I have, is being phased out as fast as it can be by a task force at Treasury Board. That is the issue being presented to the Senate at this time.

Perhaps I should attempt to explain what vote netting is. There was very little reference to it in the other place, which is one of the reasons I think this is an important issue for the Senate to deal with. The principle seems to have been completely overlooked. There was only a very casual reference, and in response to that casual reference an official of the department which would administer this bill, Mr. W. A. Reid, whose title is Director, Small Craft Harbours Branch, Department of Fisheries and the Environment, which is the department concerned, gave this definition:

Vote netting is a system whereby charges which we [the department] may collect from the general public may be

> used directly for administrative purposes by the department and not be voted per se in terms of estimates by the government.

I presume he meant estimates presented by the government, not estimates voted by the government. In response to a question by a member of the committee, "In other words, it is not taken into the Consolidated Revenue Fund?" Mr. Reid replied:

> Precisely. We are able to spend the money we collect rather than it going into the Consolidated Revenue Fund.

That is what we are dealing with in this question of the principle of whether vote netting should be continued by the department as a result of the passage of this bill.

The government report, which appears as an appendix to the *Debates of the Senate* of Thursday last, deals exhaustively with this principle. May I offer honourable senators just a few quotations? The report begins by saying:

> Parliament normally appropriates funds for expenditure on a gross basis; any revenue derived from the provision of services is ordinarily not available to departmental management to extend or improve the service except by specific action of Parliament.

● (2020)

In reply to my question, Senator Cottreau made it clear that the department intends to carry on with this device, and that it is not provided for in any way in the bill before us.

This report, entitled *Report on the Study of the Accounts of Canada*, published in October, 1975, was examined and endorsed by the Public Accounts Committee of the other house in March 1976. It goes on to state:

> Most appropriations are now on a gross basis because most government programs are financed out of general tax revenues. Gross appropriations ensure that each service competes equitably for available resources.

The report further states:

> Further, since there is little consistency in the application of net voting and similar types of revenue are often treated differently even within a single department, net voting as presently practised may be distorting, rather than improving, resource allocation decisions.

The report again states:

> However, such recoveries—

And here the report is speaking of the kinds of recoveries that would be covered in this bill.

> —should be restricted to actual incremental expenditures, and there should be no recovery of fixed departmental costs or of imputed costs not paid out of the current appropriation since such practices undermine Parliament's intention of specifying the purposes for which funds can be used in appropriations.

The report further states:

> "Where there is, in fact, a close relationship between expenditures and revenues, departments should have little difficulty in justifying their requests for expenditure authority. To believe otherwise is to cast doubt upon the efficacy of the whole resource allocation process."

And, finally, Recommendation 21 reads as follows:

> Net voting of revenues derived from outside the Government of Canada should be discontinued.

The then Secretary to the Treasury Board, Mr. G. F. Osbaldeston, who is well known to the members of the Finance Committee, made the following statement to the Commons committee:

> This practice, which is called net voting, was designed to create a greater incentive for management to increase nontax revenues. It can result in some revenues' being excluded from the normal resource-allocation processes of both the Treasury Board and of Parliament, particularly where more revenue is earned than was forecast and the excess is thus available to finance contingency items that were clearly not included in the estimates.
>
> The practice of net voting is contrary to the traditional method of voting funds on a gross basis and it is proposed that it be discontinued, except where the revenue involves a transfer between two appropriations.

This is not the case, of course, with the use of net voting that might result from the passage of this bill without amendment.

The issue which arises, honourable senators, is one of principle. It is in no way a partisan principle. It is one that goes to the heart of the whole business of parliamentary control of expenditures and the parliamentary stamp of approval on specific expenditures which, of course, is short circuited by this particular device. It is a principle concerning the handling of public funds, and the question which arises is whether by implication—that is by doing nothing about this principle in our disposal of this bill—the Senate should actually endorse the continued use of a device which is contrary to government policy, contrary to the policy of Treasury Board and contrary to a recommendation of the Public Accounts Committee in the other place.

I believe this is the kind of principle which the Senate should take into serious consideration, particularly because it seems to have been completely overlooked in the discussions in the other place, which is not unusual.

Many honourable senators, I know, believe that a major function of the Senate is that sober second look to pick up this kind of overlooking which occurs from time to time in the other place because of the pressure of business and the problems they have in manning committees. In fact, the proceedings of the committee of the other place make it clear that there was complete misunderstanding, because one member said, "This money will go to the Consolidated Revenue Fund," and no one contradicted him.

So the assumption on the part of many members is that this money will go to the Consolidated Revenue Fund. But, under the device suggested, the money will not go to the Consolidated Revenue Fund. It will be credited to the account of the Receiver General of Canada, but will be disposed of entirely at

the discretion of the minister. He will be in a position to spend this money in any way he pleases.

One of the questions I asked was: If it is not in the bill, where is the authority that the department relies on for its statement that it is going to continue the use of this device? The answer given by Senator Cottreau—and I presume it is the official answer—was that it is justified under subsections 11(4) and 15(1) of the Financial Administration Act. Subsection 11(4) reads as follows:

> Every person employed in the collection or management or charged with the receipt of public money and every other person who collects or receives public money shall pay all such public money to the credit of the Receiver General in such manner as the Treasury Board may prescribe by regulation.

The department tells us that that gives them authority to use this device, but I see nothing in it which gives them such authority. It deals only with the deposit of moneys. It says that the Treasury Board has the power to prescribe by regulation the method by which it will be deposited. It gives no authority whatsoever, that I can see, for the use of this device in expending that money.

The second reference is subsection 15(1), which also seems to me to be completely irrelevant. It says:

> Money received by or on behalf of Her Majesty for a special purpose and paid into the Consolidated Revenue Fund may be paid out of the Consolidated Revenue Fund for that purpose, subject to any statute applicable thereto.

I do not know how that can be taken as justifying the use of this procedure. Perhaps the last phrase, "subject to any statute applicable thereto," does that, but I point out again that there is no such authority in the bill before us.

With regard to the third official answer that we received—I am sure that Senator Everett, the Chairman of the Standing Senate Committee on National Finance, will be interested in this—the claim is that there is authority for the use of this device in the main estimates. The reference is to vote 5 of the Fisheries and Marine Program of the Department of the Environment, which reads as follows:

● (2030)

> Operating expenditures, Canada's share of expenses of the International Fisheries Commissions, authority to provide free accommodation for the International Fisheries Commissions, authority to make recoverable advances in the amounts of the shares of the International Fisheries Commissions of joint cost projects and to spend revenue received during the year.

Here we have a vote authorizing the expenditure of $164 million on International Fisheries Commissions and sneaked—and that is the only possible word—sneaked in at the bottom is this tremendous general spending authority "and to spend revenue received during the year." If ever there was a case when the public, Parliament, or our own committee should complain of authority being sneaked into a bill—an appropriation bill eventually—this, surely, is it. This is a $164 million item dealing with International Fisheries Commissions and hidden at the bottom is this quaint phrase "and to spend revenue received during the year."

I am not a lawyer, but I am inclined to think that the words "and to spend revenue received during the year" might be taken by a court as referring to the main substance, the $164 million for the International Fisheries Commissions, yet the department asserts this as its authority for the continued use of this device.

So much for the principle. It actually goes beyond that, because added to this kind of alleged authority we have a fantastic degree of ministerial discretion suggested in this bill. I am sure Senator Forsey will be interested in this. There is a general clause giving the minister the right, the power, the authority to make certain regulations. Apart from the authority to make regulations, which I will deal with in a moment, the minister seeks the authority—and I am sure honourable senators will be interested in this—under clause 4 to collect fees; under clause 7 to set the fees; under clause 10 to designate the officers who will collect the fees; and under subclause 27(2) to fix the remuneration for those officers. In other words, the minister can set the fees and name the persons charged with collecting those fees. In naming the officers to collect the fees he will in no way be subject to the Public Service Commission. He can appoint anyone who, in his opinion, would be suitable for the job. He will be able to set the fees and have them collected, and then these people also become, at his discretion, enforcement officers. Under the very wide powers given, he could set up a police force.

This is the case presented originally by Senator Phillips, and arising, of course, from his thorough knowledge of the whole subject of this bill, which is fishing and recreational harbours. Perhaps I should point out that this measure does not deal with all harbours. There are harbours that are exempt, such as those which come under the National Harbours Board, and those which are under the jurisdiction of the Department of Transport and the Department of Public Works.

This is the case we put before honourable senators, and I hope, subject to any further comments, that it might change some opinions and result in support for amendments the committee might make. I put the case as simply as that.

There are other matters in the bill that I must refer to, because it is a most extraordinary bill. I must mention clause 9 which gives the minister regulatory powers. Those contained in subclauses (*a*) to (*n*) are the usual powers that you would expect. Subclause (*o*) is the usual basket clause, which reads:

> generally for carrying out the purposes and provisions of this Act.

That is considerably better than the wording we used to get, which often gave the minister the power to make regulations about anything which, in his opinion, would help carry out the act. I suggest that the time has come when the Senate should insist that the word "necessary" always be included in that basket subclause.

I have said before, and I say again, that the essence of the control of this regulatory discretionary power is the statement that whatever use of the regulatory power the minister makes must be demonstrably necessary and in accord with the purposes of the act; otherwise, there is no control. As I said, this particular subclause is better than the usual kind we have had in the past, but the minister is still given power "generally for carrying out the purposes and provisions of the act." It could be argued, of course, that this clause does relate those regulations to the act, but I suggest that in future, in this Senate, we insist on the word "necessary" being there.

Clause 10, on first reading, is very frightening. On second reading it is less so, but is still not reassuring. The heading of this portion of the bill is "Enforcement", and clause 10(1) provides:

> For the purposes of enforcing this Act and the regulations, the Minister may designate as an enforcement officer any person who is, in the opinion of the Minister, qualified—

et cetera.

This means that the minister may appoint anybody, and give him the authority, which is clear, to become a police officer. This person is not in any way subject to the benefits or control of the Public Service of Canada, and it would seem to me that these wharfingers, as they have been called—they will probably now be called enforcement officers—will, if they do not have a union already, have one very shortly to make sure that they are not as completely at the mercy of the whim of the minister as clause 10 would suggest.

I turn now to clause 11. At this point let me say that I do not think I am usurping the function of the committee because, in my view, these are all matters of principle. Under clause 11, these enforcement officers have very wide powers. They may board any vessel; they may prohibit the use of a harbour to any vessel; they may lay charges.

By clause 25 the minister, or the Governor in Council, which is much the same thing, is given authority to designate—that is the word used. It reads:

> (1) The Governor in Council may by regulation designate any offence under this Act or the regulations as an offence with respect to which
>
> (a) notwithstanding the provisions of the *Criminal Code*—

● (2040)

And it gives the enforcement officer the power to lay an information. The minister may fix the amount of the fine in the case where the alleged offender decides to plead guilty.

But then clause 20—and I can hardly believe my eyes—reads as follows:

> Every person who contravenes section 12 or the regulations is guilty of an offence and liable on summary conviction to a fine not exceeding twenty-five thousand dollars or to imprisonment for a term not exceeding six months or to both.

Honourable senators, I am not a lawyer, and I hope some eminent lawyer will rise here or in committee to tell me that I am simply an uneducated layman reading into this something which is not there. The clause commences:

> Every person who contravenes section 12 or the regulations is guilty of an offence—

We do not have the regulations. Am I right in saying that this, in effect, gives the minister the right to say, "Such and such will be a crime, and you will be subject to a fine of $25,000 or six months' imprisonment or both"? Is it true that all he has to say is that this will be the punishment for an offence, when we do not even know what the offence is? As I say, I hope some eminent lawyer will rise to tell me that, no, there is another act some place which modifies that.

If my interpretation of this is correct, should we permit a minister, or the Governor in Council, to create an offence, in advance of any indication or information as to what the offence might be, punishable by a fine of $25,000 or six months' imprisonment or both?

Honourable senators, my main point in rising was to deal with the fiscal principle that I have discussed. The honourable sponsor of the bill, Senator Cottreau, has informed us that it is his intention to send the bill to committee. I hope that some of these matters that have been raised tonight will be raised in committee. If the interpretation I have given with respect to the intention of the department to proceed against government policy, against Treasury Board policy, against the policy endorsed by the Public Accounts Committee of the other place, is correct, and if that is the situation, then I trust that honourable senators will find it their duty to suggest that the bill be amended.

Senator Everett: I wonder if the honourable senator will permit a question. Is he able to tell me the difference between net voting and revenue dependency, such as is operated by the Department of Supply and Services, and the operation of a revolving fund? Is he able to tell me the differences between those three methods of operation, all of which, as I understand it, involve the receipt of funds by a department and the subsequent spending of them with perhaps a minimal amount of parliamentary control, and certainly not by individual appropriation?

Senator Grosart: I have not researched the question in that light, although I have considered it because these are matters that we have discussed in the National Finance Committee. I would take it that all of these devices are, in effect, net voting.

Senator Flynn: Vote netting.

Senator Grosart: The word, of course, is a complete misnomer. I do not know how it arose, but what it is really saying is that these expenditures are amounts that are not voted. The specific authority to expend this money is not voted. Therefore, I would suggest that whenever authority is given to a department, or to anybody, to take public money into the account of the Receiver General without having it go to the Consolidated Revenue Fund, that is a form of net voting.

With respect to the two cases mentioned by Senator Everett, who has an extensive knowledge of the estimates, so far as I can recall there is always in an act—and it may be only an appropriation act—specific authority for setting up a revolving fund. In the case of the Department of Supply and Services, yes, the same would apply.

It should be noted that Treasury Board and this report say that there are cases where this device can used legitimately, but they restrict it to interdepartmental exchanges. That, in many cases, would be the situation with respect to the Department of Supply and Services.

That is all I can say. I am not an expert on the subject. I would say that any case where a department or a minister is authorized to take in money, short circuit the general rule that it must go to the Consolidated Revenue Fund, and spend it without specific authority, is a case of the use of the device of net voting.

Senator Everett: I can agree with the honourable senator in his argument, but I am concerned that what he is arguing might do away with revenue dependency and the revolving fund. Probably one of the best methods of control of expenditure is the revenue dependency system as is used by the Department of Supply and Services. Senator Grosart says that that is a form of netting, but he distinguishes revenue dependency and revolving funds by saying that the revenue is received from another federal government department.

Senator Grosart: Not always.

Senator Everett: I was hoping he would stick with that, because I rather think that he is right.

Senator Grosart: Not always. It is not always interdepartmental.

Senator Everett: In the appendix at page 345 of *Debates of the Senate* of February 16 last it is stated:

> The facts demonstrate, however, that there is generally little relationship between the revenue credited to votes and corresponding expenditures.

Again, in the case of revenue dependency, there is a correlation between those two matters—a very close correlation.

So if the honourable senator's argument is that the act should be amended to prevent that sort of thing from happening, because "there is generally little relationship between the revenue credited to votes and corresponding expenditures," then, of course, I would have to agree with him, because that does mean a distinct lack of parliamentary control. However, I hope that he is able to say that he would exclude from his argument the very necessary concepts of revenue dependency and revolving funds. On that basis, he would have my agreement to and, certainly, my support for an amendment of the act. If I understand what is going on in this act—and I believe I do from this very lucid explanation—I think it is bad parliamentary practice and bad financial control practice. Perhaps the honourable senator would say if he agrees to take that position?

[Senator Grosart.]

• (2050)

Senator Grosart: Yes, I would be inclined to agree, largely because I am not sure of the degree to which revenue dependency, or the establishment of a revolving fund, would come under the decision of the Treasury Board that has stated as follows:

> The practice of net voting is contrary to the traditional method of voting funds on a gross basis and it is proposed that it be discontinued, except where the revenue involves a transfer between two appropriations.

That is the position apparently taken by the Treasury Board.

With respect to the point raised by Senator Everett as to the connection between the revenue and the expenditure, this is almost a perfect case, because the expenditures of the department on these fishing and recreational harbours is estimated to be approximately $30 million per year. The total involved in the net voting is about $3 million, so there is no direct relationship between the revenue received and the cost to the government.

There are exceptions made such as the question of optional use. Where the use is entirely optional, particularly with respect, for instance, to sports fishermen and recreational use of these ports, the case is that if it is optional, the person should pay. I am not arguing at all whether the person should pay, but I am discussing what should happen to the public money when it is picked up by an appointee of the department. I would leave that other matter open, because I am dealing now only with this bill and the statement from the department that they intend, or had intended—perhaps they have changed their minds—to use this device with respect to these specific moneys which cannot, according to any definition I can find, come under an exception to the general rule stated by the government report, the Public Accounts Committee and the Treasury Board, that, by and large, net voting should be discontinued.

Exceptions have been suggested, but my point is that I am dealing with this bill, and there is no evidence that I can see that this type of use of this device comes in any way under any possible exception to that decision of the government, the Treasury Board and the Public Accounts Committee.

Senator Flynn: Honourable senators, I have listened with great attention to the discussion between Senator Grosart and Senator Everett. I am not too sure that I understand it, and I wish to read *Hansard* tomorrow and try to figure out exactly what conclusion should be drawn from this learned debate. Therefore, I move the adjournment of the debate.

Senator Argue: You could have done it more directly.

On motion of Senator Flynn, debate adjourned.

THE ECONOMY

EXCHANGE RATE OF CANADIAN DOLLAR—DEBATE ADJOURNED

Hon. Jack Austin rose pursuant to notice of Thursday, February 16, 1978:

That he will call the attention of the Senate to the situation with respect to the Canadian dollar, the floating exchange rate and its relevance to the Canadian economy.

He said: Honourable senators, when I placed on the order paper last Thursday, February 16, this inquiry into "the situation with respect to the Canadian dollar, the floating exchange rate and its relevance to the Canadian economy," it was with the conviction that the continuing decline in the value of the Canadian dollar in terms of most other world currencies, and in particular the U.S. dollar, which is the most important to our trade, raised matters of the clearest importance to our economic well-being.

I am further convinced that the Senate of Canada, composed of men and women knowledgeable in the political, social and economic affairs of our country, experienced in business and legal matters, and with a solid background in the problems of government operations, as witness the debate we have just heard between Senator Grosart and Senator Everett, offers a unique forum for the examination of the international role of the Canadian dollar for our world trade and for our domestic investment.

You will see from my later remarks tonight that my understanding of the meaning of the events of the last year or so in the world currency commodity markets is imperfect—indeed alarmingly so. I am not comforted by ignorance, especially when I realize that it is shared to a great extent by the members of this chamber and by the Canadian public at large. Except for a small handful of experts in the federal government, and perhaps some of the provincial governments, and in some of the financial and mainly large business corporations of this country, there is a considerable inadequacy in grasping the meaning of world currency developments for the Canadian economy and its businesses, unions, wage earners, farmers, professionals, and governments at all levels.

Yet there is concern in every walk of life in Canada. The decline of the Canadian dollar in terms of the U.S. dollar and other world convertible currencies appears to many Canadians to be a cause for anxiety. It causes fear about the security of investments held and wages earned, and reduces confidence in government, business and other centres of leadership in Canada. Are we right as Canadians to be concerned? In the main, are there benefits from the new external value of the Canadian dollar that could outweigh the losses? Do the benefits and costs of these events fall fairly on the Canadian people, or unevenly and needing adjustment?

Honourable senators, I pretend nothing about having the answers. I do not know and perhaps most of you do not know either. But I have many questions, and I am certain you have. I submit that in pursuing our questions we can render a great service to the education of the Canadian people on a subject of real importance to them. Indeed, I submit that it is our responsibility as senators to do so. I believe the Senate has a vital role as an investigator of key public issues, and consequently as a source of general public education on these issues. I believe that by providing a format and a focus we can allow Canadians to speak to us and to one another about the benefits and costs of various matters of public policy, and thereby add much to the knowledge of all of us about our people and our country.

● (2100)

In less than two years the value of the Canadian dollar has declined by 14 per cent in comparison with the United States dollar. In addition, over that same period the United States dollar has declined dramatically in relation to the world's most convertible currencies; 50 per cent against the Swiss franc, 34 per cent against the Japanese yen, 31 per cent against the West German mark and, believe it or not, 21 per cent against the British pound. The Canadian dollar has had corresponding declines in those currencies. Obviously, as Canada and the United States are one another's most important single trading partners, a total of $70 billion in two-way trade, the most important international currency for Canada is the U.S. dollar.

Yesterday the Canadian dollar was quoted at a low of 88.90 U.S. cents, its lowest level since June 1933. The Canadian dollar's lowest level ever came in December 1931, when it fell to 80.08 cents in U.S. dollar equivalent. Yesterday the U.S. dollar also hit record lows against the major convertible international currencies. Tied to the U.S. economy as we are by our trade and our borrowings, I should think it unlikely that the Canadian dollar will see much difference in treatment from world currency markets, and who knows, as yet, what the U.S. dollar has in store for it?

Accordingly, for me at least, it is not surprising that the Minister of Finance, the Honourable Jean Chrétien, is not disposed to provide any substantial support for the Canadian dollar in world currency terms. A $1.5 billion standby fund would disappear like the proverbial snowball in hell if it were pitted against the forces pulling down the U.S. dollar. It might be another thing to employ the Bank of Canada and standby reserves to protect the value of the Canadian dollar for a short while in relation to the U.S. dollar alone.

I should mention that tonight at 7 o'clock Mr. Chrétien announced that the Canadian government would borrow abroad, as necessary, to prevent further speculation and to strengthen the Canadian dollar. He did not say how much or whether he had any level at which he would provide support. I believe this is the first time in a decade that the federal government has announced that it proposed to borrow for currency exchange purposes.

Frankly, I have no idea what the circumstances might be which would call for this eventuality, but I do believe the Canadian people should become more aware of what is happening, why it is happening and what can be done about it.

Of course, the Canadian people have noticed quite a few things happening, particularly at the consumer level. Those expensive German cars, and even the not so expensive Japanese models, have jumped in a staggering way in price, up something like 25 to 30 per cent. Those favourite Japanese appliances, TVs and electronic equipment, are similarly higher. The food we import, particularly large volumes of

citrus and vegetables, cost a lot more. I saw a sign in a store in Vancouver last Sunday: 3 oranges for $1.00. I decided to pass them up for McIntosh apples from the Okanagan Valley of B.C., but they were still 20 cents each.

My point is that every adult Canadian is exposed to the consequences of these movements in comparative currency value, has seen prices rise, the dollar decline and in spite of being somewhat enured to constant change in his economic environment, prices, wages, savings and so on, is now wondering whether anyone knows what is going on and could tell him.

Let us begin to answer with some of the things we think we know. First there is the Canadian economy. There are as many disagreements about where we are as there are economists. Out of their clamour, however, it appears that while we are not buoyant about ourselves, there is still no country we would like to change places with. Being Canadians, we feel more comfortable in exaggerating the downside and under-rating the upside, which is another clear way we distinguish ourselves from those other Americans in the United States whose credo is to "accentuate the positive and eliminate the negative," once very well expressed in a popular song of theirs. We take in a lot of their cultural messages, but we missed that one.

Let us compare ourselves with our most immediate American neighbours in the decade of the 1970s. First, personal income in Canada in real terms has increased by 38 per cent and that is even taking into account today's weaker Canadian dollar. The U.S. figure is only 17 per cent. I agree that there is still a gap between U.S. and Canadian living standards, but it has narrowed considerably in this decade. Second, total investment spending in Canada has increased by 168 per cent compared to 107 per cent in the U.S. At the same time, we have been creating new jobs 50 per cent faster than the U.S. Third, whether or not you may think corporate profits are adequate today, still in the period Canadian corporate profits have increased after tax by 186 per cent while U.S. corporate profits increased by 179 per cent.

I do not want to be taken to suggest that 1977 or 1978 are great years. Our GNP has been stuck on a plateau, and although the most recent quarter reported 5.2 per cent real growth the volume of output actually stood only 2.5 per cent higher than one year previously. Admittedly, unemployment stands at 8 per cent or higher, and our consumer price index is 8 per cent higher than a year ago. We are stuck with "stagflation," to use a favourite term of the economists; inflation without adequate growth.

We have a variety of advice to choose from about the economy of 1978 and 1979. The Minister of Finance is suggesting that in 1978 Canada will have a real growth rate of 5 per cent with food prices declining. In 1979, we are told that inflation will slow to about 6 per cent, and we fervently hope it will be so. In a speech made last December 12 to an economic outlook conference, the assistant deputy minister in charge of fiscal policy and economic analysis, Mr. S. J. Handfield-Jones, made clear just how significant is the lower value of the Canadian dollar to these projections. But he called it a "two-edged sword" and warned that while it improved Canada's export potential, the recaptured competitive position had to be retained if there was to be lasting benefit. Wage contracts had to be kept within the guidelines and profit capture consistent with a solid competitive position. If we took too much in wages or profits, we would be back where we started, and the lower value of the dollar would not help us. We should use the devaluation, he said, to "get our domestic costs and prices into line with other countries."

In a speech given by George Post, Acting Chairman of the Economic Council of Canada, last November 16, much the same point was made to the Men's Canadian Club of Ottawa:

> Canada has been losing ground steadily in its international competitiveness in manufactured goods. Not only is Canada selling proportionately less, it has been buying proportionately more. Today Canada's net trade deficit for manufactured products is in the order of $10 billion. Now the depreciation of the Canadian dollar will help offset this imbalance but unless underlying cost-push inflationary tendencies are remedied, depreciation is only a temporary palliative.

And a few sentences later:

> But the immediate situation is that despite the 10 per cent increase in effective protection derived from the Canadian dollar depreciation, protectionist sentiment has never been higher in the postwar period.

I should point out that the Economic Council of Canada, in its 14th report, issued at the end of last year, was considerably more pessimistic than the Department of Finance on real growth potential and curbing of inflation. On the other hand, the Conference Board is closer in its projections to the Department of Finance. And there are the voices of the C.D. Howe Institute, the Fraser Institute, the banks and many others, including Mr. Sinclair Stevens, the official opposition critic in the other place. He is not among those who accentuate the positive and eliminate the negative.

The consensus is that the economy will pick up momentum in 1978 and 1979, and I, for one, believe that the pessimism has been overdone. The groundwork is being laid now for a more sustainable period of economic growth than in previous recoveries. Slow growth is having the effect of squeezing high costs out of the economy, and many inefficiencies are being eliminated by free market forces. At the same time nearly one million more people are employed now than when the economy last peaked in 1973. Our bad employment percentages are more a tribute to our rapidly growing labour force than to anything else. There are therefore grounds for optimism in the longer term, and I believe in general the federal government's economic policy for Canada deserves to be considered a success.

● (2110)

However, pessimism has existed and still exists, and one of its key causes these past several months, and by any measure one of the most significant developments in 1977, has been the increasing volatility of our dollar and its accompanying decline. The Quebec 1976 November election triggered a run

of speculation against the dollar, and other forces have also been at work.

One fundamental cause of our weaker dollar is our current account deficit, which has been in the $5 billion range since 1975. In fact, some persons now suggest that the real surprise is not the weakness of the Canadian dollar in 1977 but its strength in 1976. During 1976 we enjoyed a record inflow of $7.9 billion of long-term capital, and the dollar was strengthened by conversion of those borrowings into Canadian dollars from various currencies.

Some United States writers are predicting a further decline during 1978, perhaps to the level of 85 cents in United States terms. Recent evidence has not disproved their contentions, which include the gloomy political and economic news from Canada, which they believe persuade corporate treasurers and individuals to decrease their holdings of Canadian dollars; concern over the ever-increasing cost of servicing our foreign indebtedness, although that indebtedness has not been growing more than proportionate to our economy; the recent widening wage-cost gap between Canada and the United States, which some believe is rapidly rendering us less competitive, particularly in the manufacturing sector; and finally, the widening gap between our energy imports and our energy exports, and the consequent new demands on our economy to pay for the negative oil balance which we will have to import. When such views are accompanied by a rapid decline in the value of the Canadian dollar it is no wonder that we witness growing interest and concern. Furthermore, Canada's massive travel and tourism deficit, now about $2 billion, has shown no serious signs of reduction, even with the dollar now at a discount.

I might mention that there was talk on the street earlier this year about the possible need for currency and exchange controls should our balance of payments deficit reach unsustainable proportions. The Minister of Finance in the past week has again asserted that no such policy is in contemplation.

Senator Flynn: How could he do it?

Senator Austin: Because of the currency of those stories, a number of people have sought to cover themselves by buying United States dollars. The Minister of Finance, of course, tried last October to calm those fears by announcing his $1.5 billion arrangement with the Canadian banks as a standby against currency speculation. In any event, my contention is that those currency and exchange controls would never work in this country with the kind of economy we have.

Senator Flynn: Unless they invoke the War Measures Act.

Senator Austin: Unless, of course, circumstances in this country would call for the amendment of the economic, social and political liberties which we now enjoy, something none of us believe is likely to happen.

However, we should all recognize with some satisfaction that there is a net inflow of direct investment into Canada again. Obviously, some foreigners see something in Canada which we, being amidst the trees, are unwilling to see. On balance I think there is general recognition abroad and at home that there are possible longer term forces which will tend to move the Canadian economy, and with it the dollar, to higher levels. Still, at this time we have the problem on the capital inflow side that, while in 1977 the merchandise surplus accounted for $2.9 billion, the services account deficit was about $5 billion. Possibly Mr. Chretien had that gap in mind as well when he made his announcement tonight.

Another factor worth noting is the increasing volatility in the trading range day by day. People in the foreign exchange business have told me that it has not been uncommon in recent days to have the bid and ask quotes bouncing around from 40 to 60 basis points within an hour; that is about half a cent. In comparison, just a few months ago on the foreign exchange trading desk volatility was equated with movements of three or four basis points in a single day. Times have certainly changed.

This raises the important question of the impact on all of us of the Canadian dollar falling so fast and so far, and whether there is any basis on which the Canadian government should intervene, and whether we could be effective in that intervention even if we wanted to intervene. For myself, I wonder whether the United States government intends to do anything about the decline in its dollar, and whether they have within their means the power by themselves to do anything about it.

The United States has had some real advantages in its external trade from the decline of their dollar relative to other convertible currencies, and world inflation has improved the price of their oil imports due to stable OPEC pricing. It is hard for me to imagine the Saudis not wanting United States action to defend the United States dollar some time soon, or in effect their own oil is depreciated. Perhaps there is some other consideration which the Saudis and the United States have in mind.

Because all of these are important issues, I believe that the Standing Senate Committee on Banking, Trade and Commerce should be authorized to inquire generally into these matters, and in particular should also consider the following more specific questions. First, is the floating Canadian dollar encouraging speculation? Canada's economic policy is firmly committed to the principle of the freely floating exchange rate, and this has yielded many advantages, not the least of which are the independence it permits monetary policy within Canada, and the automatic correction, devoid of political consideration, which it provides to our external balance of payments. But I believe it is fair for us to ask ourselves if the floating exchange rate approach, which Canada pioneered in the post-World War II era, which is now common to many countries, is doing the job it was designed to do.

Specifically, has the floating Canadian dollar been accompanied in today's economic climate by growing uncertainty as to the future level of the Canadian dollar, and does this uncertainty affect trade and investment? Again, has the floating Canadian dollar encouraged speculation against itself, exaggerating normal market adjustments in a highly artificial manner, which benefits only the market traders while tending to discourage trade and investment?

On the question of speculative pressures, I am informed that on the Chicago Commodities Futures Market the action in recent months has in fact evolved around the Canadian dollar. I was told that individual traders call upon credit lines of up to $20 million, and they might at times collectively take a position on the Canadian dollar which might approach the sum of $¼ billion. For those who may be interested in futures on the Canadian dollar, in Chicago it shows that a further decline is contemplated. If speculative demand from that one source alone could reach the sum of $¼ billion and move into and out of the Canadian dollar in a matter of a day or two, what would be the impact of this on the volatility of the Canadian dollar? Does it have any beneficial purpose?

I am told that the Bank of Canada tends to smooth our foreign exchange rate fluctuations according to a formula of approximately $100 million of reserves expenditure for every ten basis point movement of the Canadian dollar. If that is the formula, it would appear that merely to smooth out the speculative pressures could readily require the expenditure of significant portions of our foreign exchange reserves. Is our policy adequate to do this task?

Again on the matter of speculative movements into and out of the Canadian dollar, I would ask to what degree the exaggerated movements we have seen over the past several months was the result of long or short positions taken by corporate treasurers and individuals attempting, in the course of their normal day to day transactions, to gain a few dollars or defend existing dollar values during a market of sliding exchange rates.

● (2120)

What, if anything, is the consequence for Canada? Political factors have also contributed to the speculation. We read a great deal today about the Province of Quebec in such publications as the *Wall Street Journal* and *Fortune* relating to the outflow of assets from that province. It seems virtually impossible to monitor this outflow. Therefore, we have no means of obtaining precise numbers. We read reports stating that assets are being transferred to branches of major financial institutions outside Quebec, particularly to Alberta, Ontario and border towns in Vermont and New York. It can therefore be assumed that the outflows have reached important proportions of some hundreds of millions of dollars.

What are the facts? What is the impact on the dollar? Will these reported flows continue? Should we have any contingency plans?

I know these are difficult questions to answer, and I am not sure we have the statistical data to answer any of them. But, if we do not have the adequate data, surely that in itself is an appropriate topic the Senate should review. In any case we should not permit uncertainty in our exchange markets to become magnified for purely artifical reasons.

The second question that I would suggest the committee look at is whether other nations are playing by the same rules Canada is playing by. Specifically, are all nations of the world following a clean float, or is Canada simply being the "downy-cheeked innocent" in a rough trading world?

What is the impact of a dirty float? For example, I am told that our Japanese trading partners are amazed to learn that Canada does not, in fact, control its foreign exchange markets, and that it does not command, more or less, at what foreign exchange rate various transactions should take place from the central bank's point of view.

Now, I would ask: What is the effect on Canada of such behaviour by others, if such behaviour takes place, and whether it calls for any action on our part in response? Perhaps nothing is an appropriate reply, but I am not sure that these issues are properly understood by the public.

Also I should like to ask whether changes in the United States Corporate Accounting Rules have played a major role in the recent volatility we have witnessed in the Canadian dollar. For example, I am told that there is a new regulation entitled "Financial Accounting Standards Board Rule No. 8," and that possibly as much as one to two billion of the 1977 movement out of Canadian dollars may have been the result of changes in FASB Rule No. 8, which caused some United States-based firms to repatriate surplus cash. Was this a one shot adjustment not fully digested, or are there more changes of this type that can be inflicted upon us?

The third question is: How is a weaker Canadian dollar impacting on certain industries and certain regions of Canada? As a matter of national policy, should we have some view as to the appropriateness of any particular level for the Canadian dollar?

There has been an historically based psychological conviction that the right range for the Canadian dollar in terms of the United States dollar lies between 90 cents and $1.00. Is that a valid conviction, or is that a myth we have operated under?

Should the Canadian dollar begin to weaken further in 1978, then what should our reaction be? Should we spring to its defence or let it slide? If it continues to strengthen, should we push it up?

Certainly, we can influence to a degree the level of the dollar in many ways, not the least of them being policy utterances from the Minister of Finance or high officials in the Department of Finance and the Bank of Canada as to what they think is appropriate.

One marvellous example of policy jaw boning was that of the Secretary of the Treasury in the United States, Mr. Blumenthal, who mused out loud one day and saw the United States dollar decline, which was something that surprised him because he was seeking to strengthen it.

It is also clear that the interest rate differential between Canada and the United States continues to exert a powerful, real and psychological force upon the exchange rate. The Bank of Canada, to a degree, can influence interest rates, particularly in the short end of the market, and can therefore have some impact on the exchange rates. But how should this power be exercised? Is it exercised now? What is the current operative

philosophy of the central bank in this regard? That is something which I am curious about.

The issue is not merely idle or academic. Movements in exchange rates have a distinctive differential impact on certain industries in certain regions. For example, the Quebec economy is suffering to a greater extent that most of Canada. In recent years Quebec's industry has suffered from aging physical plant, poor productivity, rapid wage escalation, and increased taxation and labour unrest.

Quebec labour intensive industries, such as textiles, footwear and furniture, were hit hard by the wage-price spiral. They are, even today, especially vulnerable to cheaper imports. Last year's strong dollar clearly aggravated their problem. Today we have a weaker dollar, and this alleviates the situation.

Are these benefits which Quebec and those in the same situation as Quebec are obtaining genuine and lasting, or are they transitional, and how does that affect our policies?

What is the impact on our auto trade, mining, oil and gas, and on our more advanced secondary manufacturing? What is the impact on forestry and agriculture? These are answers which we should seek.

The fourth question is with respect to debt service. How much foreign debt can we as a nation afford to make interest payments on? Our debt servicing costs were $3.3 billion in 1976 and will have totalled $3.8 billion in 1977. In other words, they are climbing at the rate of one-half billion dollars per year. Is there a limit to this? I believe, in prudence, we should examine the issue of our ability to pay. According to some numbers I have seen, Canada's foreign debt is at about $40 billion, or about 22 per cent of GNP, putting us at the top of the industrial world's debtor list.

Finally, are we going to take any steps to correct our tourist deficit? This is one of the principal causes of our weaker Canadian dollar. It would seem that in these winter months one-half of Canadians are on route to or from Miami or Hawaii, and certainly not Plattsburgh or Seattle. Immediately, I will admit that I am, at least, as great a sinner as most Canadians when it comes to seeking the sun. But, I wonder whether and how it will all end.

Our travel and tourism deficit was $1.2 billion in 1976; $1.7 billion in 1977; and at least $2 billion in 1978. Is this a trend which we are prepared to allow to continue indefinitely? What should we do about it?

Honourable senators, many such questions can be raised by us. All I intend to do is illustrate the importance of the subject matter.

If honourable senators indicate their support for a special Senate study to be undertaken by the Standing Senate Committee on Banking, Trade and Commerce, I will be pleased to put such a motion to this house. I understand from the chairman of that committee that he believes it would be an appropriate assignment for the committee.

On motion of Senator Desruisseaux, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, February 22, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Report on Vocational Rehabilitation for the fiscal year ended March 31, 1977, pursuant to section 8 of the Vocational Rehabilitation of Disabled Persons Act, Chapter V-7, R.S.C., 1970.

INCOME TAX CONVENTIONS BILL

FIRST READING

Senator Perrault presented Bill S-9, to implement an agreement between Canada and Malaysia and conventions between Canada and Spain, Canada and Liberia, Canada and Austria and Canada and Italy for the avoidance of double taxation with respect to income tax.

Bill read first time.

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

Senator Perrault: Honourable senators, I move, with leave, that the bill be placed on the Orders of the Day for second reading at the next sitting of the Senate.

Senator Grosart: Honourable senators, I wonder if the Leader of the Government would be in a position to inform the Senate as to the number of such double taxation treaties that have been entered into by Canada, and to list for us the countries with whom there is no such agreement, and to indicate in due course the effect of the lack of such agreements on Canadian investments in those countries.

Senator Perrault: Honourable senators, an endeavour will be made to obtain that information, and it may be that it can be made available during the course of the debate on this bill.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

TRANSPORT AND COMMUNICATIONS

CHANGE IN COMMITTEE MEMBERSHIP

Senator Macdonald, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the name of the Honourable Senator Phillips be substituted for that of the Honourable Senator Macdonald on the list of senators serving on the Standing Senate Committee on Transport and Communications.

Motion agreed to.

AGRICULTURE

GRAIN ELEVATOR FACILITIES AT PRINCE RUPERT—QUESTION

Senator Austin: Honourable senators, I should like to ask the Leader of the Government a question regarding the possibility of a large capacity grain elevator being constructed at Prince Rupert.

The Department of Transport has a report from Swan Wooster Engineering Co. Ltd., and another from C.D. Howe Western, Ltd., recommending an important expansion to the present capacity. My information is that the Premier of Alberta, Mr. Lougheed, has offered financing. Can the government leader tell us whether an early announcement of the construction of a new large grain facility at Prince Rupert is in the offing?

• (1410)

Senator Perrault: Honourable senators, I must take that question as notice because of its detailed nature.

Senator Argue: Honourable senators, I should like to ask the Leader of the Government a supplementary question. When he is looking into this matter, would he ascertain whether or not there has been opposition from the Pioneer Grain Company and/or the Saskatchewan Wheat Pool for such a facility? I am not expressing any opposition to it. Would the leader also inquire as to whether the Canadian Wheat Board is pushing for this facility? My impression is that it is. I think that as some grain companies have already committed large sums of money to the expansion of grain facilities at Vancouver, their position should be canvassed.

Senator Perrault: Honourable senators, that supplementary question will form part of the inquiry going forward on behalf of Senator Austin.

THE ECONOMY

DECISION TO BORROW ABROAD TO SUPPORT CANADIAN DOLLAR—QUESTION

Senator Grosart: Honourable senators, might I ask the Leader of the Government if he would now or in due course inform the Senate as to whether the decision by Canada to borrow abroad to support the market value of the Canadian dollar was made initially by the Bank of Canada, or by the

Department of Finance—and therefore the government—and also if the announcement of that new strategy was first made privately or publicly by the Bank of Canada or by the Minister of Finance—

Senator Flynn: And where?

Senator Grosart: And where, as the Leader of the Opposition says. That is a very important question. Thirdly, if there was prior consultation between the decision of the Bank of Canada and that of the Minister of Finance.

Senator Perrault: Honourable senators, this is an appropriate and important question. It is my understanding that the Honourable the Minister of Finance is to make a statement on this matter this afternoon in the other place. Information relevant to the action will be brought to the Senate as soon as it is available, possibly later today or tomorrow.

TRANSPORTATION

CRASH OF AIRCRAFT AT CRANBROOK, B.C.—QUESTION ANSWERED

Senator Perrault: Honourable senators, a question was asked by the Honourable Senator Olson on February 14 regarding the tragic air crash at Cranbrook, B.C. I have at this stage only preliminary information. The investigation is continuing and a team will be examining the wreckage until at least the end of the week.

There were reports that all tapes had been incinerated and that no tape evidence was available. I can, however, advise that two airplane tapes and two air-radio tapes were recovered and sent to Ottawa. The two airplane tapes are not of sufficient quality of clarity, because of heat and incineration damage, to be audible, but the two air-radio tapes are decipherable. The information on those tapes is at present under investigation and analysis. Beyond this preliminary information, I have nothing further that I can report at this time.

PARLIAMENT BUILDINGS

USE OF FACILITIES FOR LIBERAL PARTY CONVENTION—QUESTION ANSWERED

Senator Perrault: Senator Forsey inquired regarding the method by which available space in the Parliament Buildings is allocated from time to time for events of a non-governmental, non-partisan or non-political nature.

Senator Grosart: He asked about partisan events; not non-partisan events.

Senator Perrault: And even partisan events, occasionally. I have received a letter from the Honourable James A. Jerome, Q.C., M.P., Speaker of the House of Commons, in response to an inquiry which I forwarded to him. His letter, in part, reads as follows:

> —Madam Speaker and I have enjoyed the most cordial and cooperative relationship in the sharing of our responsibilities and I would never at any time presume upon her clearly established authority. There is hardly a week goes by that we do not have to collaborate on some decisions of this sort; however, I am not in the habit of offering my advice on decisions which concern Senate premises or in seeking her advice on decisions which concern solely House of Commons premises.

If honourable senators will consult *Hansard* for Tuesday, February 14, they will be able to draw the correct premise. Mr. Jerome continues:

> I gave my permission initially and never withdrew it. It was the representatives of the Liberal Party who changed their minds.

Senator Forsey: I wonder if I might ask a supplementary question, because in the first place I do not think I received a clear answer. Did the Speaker of the House of Commons give permission for the use of that part of the Parliament Buildings which may be under his jurisdiction, or did he give permission for the use of the whole building? If the latter, did he consult the Speaker of this house expressly on that matter?

The other thing I should like to ask is whether in fact the jurisdiction of either Speaker, with all due respect, really extends to this sort of thing? I should have thought that the building is vested in the Crown, that it is the property of the Crown and that, therefore, it would be only the Crown on the advice of its ministers which could give permission of this sort.

I should be very interested to find out what the jurisdiction of the two Speakers is over the use of the building—either end of it or both ends of it. I am not by any means clear in my mind that, in fact, their jurisdiction extends to this kind of thing. I should like to find out what statutory or other basis there may be for it.

Senator Perrault: Honourable senators, it is my understanding that a reception which had been organized for a group of tax-paying Canadians here over the coming few days—a reception which, as a result of certain recent events, is no longer scheduled—was to have been held almost entirely in the House of Commons area of the Parliament Buildings. However, additional inquiries will go forward with respect to Senator Forsey's observations.

The honourable senator makes reference to the fact that he believes the Parliament Buildings belong to the Crown. If this suggestion implies that the buildings belong to the taxpayers of Canada, I agree with him. I think all honourable senators would agree as well that Canadians of all political parties should be given as free access as practical and practicable to these buildings, because the buildings are certainly part of the heritage of all Canadians.

Senator Flynn: When the Leader of the Government speaks of tax-paying Canadians attending the meeting, does he suggest that young people who are unemployed and who do not pay taxes will not be part of the events.

Senator Forsey: May I ask one other supplementary question? Is it not true that at Westminster the Houses of Parliament are a royal palace? Possibly this building might conceivably be qualified in the same way.

FUGITIVE OFFENDERS BILL

THIRD READING

Senator McIlraith moved the third reading of Bill S-8, respecting fugitive offenders in Canada.

Motion agreed to and bill read third time and passed.

FISHING AND RECREATIONAL HARBOURS BILL

SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Cottreau for second reading of Bill C-2, respecting the administration and development of certain fishing and recreational harbours in Canada.

[*Translation*]

Hon. Jacques Flynn: Honourable senators, I adjourned the debate last night to attempt to grasp the crux of the differences of opinion between Senator Grosart and Senator Phillips on one hand, and Senator Everett on the other. I do not think I succeeded in my attempt to go to the core of the matter. But before discussing this particular point, I should simply like to point out that, to my mind, the debate has shown that this bill gives frightening powers, first to the Governor in Council, then to the minister. It allows the Governor in Council to establish tarriffs, penalties, all sorts of things without any restriction whatsoever. Of course, I understand the minister of the Governor in Council might not abuse such powers, but they exist and that is somewhat frightening.

I would single out in particular the point raised last night by Senator Grosart to the effect that offences created by regulation may be punishable by a $25,000 fine and a jail sentence of six months. These are all offences we know nothing about. It will be for the Governor in Council to say to whom and why it will be possible to inflict such a penalty, one which you will agree is not minimal.

I surely would like to know—and all honourable senators would also like to know what the minister has in mind—whether in any event it would not be appropriate to impose certain restrictions on the exercise of these powers.

My second point, naturally, is the one I raised last night, and that is the very important question of "net voting" or "vote netting" which is translated in French by the words "d'affectation nette de revenus". It is clear enough in French. I think that what it means is that it is a practice which relates more to an appropriation bill than to the bill which is before us. I think that net voting means that Parliament votes a precise amount for such or such program, but that on top of this amount, the responsible minister may spend the revenue derived from the program as is the case now with docking fees, fishing rights, etc.

The most typical case is, of course, the one of the Department of Consumer and Corporate Affairs where fees are collected when letters patent or supplementary letters patent are issued. It is really saying that for the purpose of applying the program to issue letters patent you are entitled to spend so many million dollars, and you can spend, in addition, the amount of those fees which are set by order in council. But, to my mind, nothing in the bill refers specifically to that practice.

I suspect it is a problem one runs into, or can run into, with appropriation bills. The problem stems from the fact that when this bill was in committee in the other place, Mr. Reid, an employee of the department concerned, indicated that the minister intended to proceed by way of "vote netting". By virtue of what authority? That act or another one, I do not know. But the question is very important and, as far as the control Parliament can exercise on expenditures is concerned, Senator Everett recognized it last night. That is also why I feel that the minister himself should appear before the committee to tell us exactly, if he intends to proceed that way, under what authority and for what reasons.

So, there are several important questions to be put to the minister. I hope that when the bill comes before the committee, the minister will appear and give us satisfactory answers or answers that will suggest corrections to the apparent weaknesses that have been pointed out in this bill.

● (1420)

[*English*]

Hon. Douglas D. Everett: Honourable senators, this bill does indeed appear to permit vote netting for, as I understand it, revenues will be derived from fees paid by the public, and there does not appear to be any control on how the department will spend those fees. The result is that the normal appropriations method, whereby Parliament retains control of government expenditures, will in fact be by-passed.

In the Report on the Study of the Accounts of Canada, which Senator Grosart referred to yesterday, the practice of vote netting is condemned. The reason why it is condemned—and this is also the test—is that there is generally little relationship between the revenue credited to votes and the corresponding expenditures. That is clearly the case that exists here and I, for one, as I said yesterday, would support an amendment to have these fees returned to the consolidated revenue fund and to have the department apply for a normal appropriation for the expenditures that it wishes to make.

However, I do want to make a distinction. In taking that position I am not opposed—and I believe Senator Grosart and Senator Flynn would agree with me—to all forms of net voting or vote netting; the terms are used interchangeably. In the Report on the Study of the Accounts of Canada there is a paragraph, in this particular section, which states as follows:

> There is one form of net voting that should be continued. In the previous section of this chapter, it was indicated that net voting practices have permitted more accurate identification of program costs through the device of charging a benefiting program for services provided to it and of crediting recoveries to the servicing program. This practice does not alter the total expenditure authority granted by Parliament, but only its distribution among programs. Generally, this type of net voting relating to intragovernmental services appears to be advantageous since it results in a more accurate display of

> program costs. However, such recoveries should be restricted to actual incremental expenditures, and there should be no recovery of fixed departmental costs or of imputed costs not paid out of the current appropriation since such practices undermine Parliament's intention of specifying the purposes for which funds can be used in appropriations.

It goes on to say:

> Recovery of incremental expenditures will be appropriate for those programs where the services provided are incidental to the main purpose of the program.

That is the traditional revolving fund. The paragraph continues:

> Where the main purpose of a program is to provide common services to other departments and to other programs, recovery of only incremental expenditures is obviously not satisfactory. In these circumstances, a fund authority should be obtained since this permits full cost recovery.

While the authors of this report condemn vote netting, they do say that in two special circumstances it should be permitted. Those are revolving funds, such as are used for the supply of inventories, and revenue dependency, such as is used by the Department of Supply and Services. I did want to make that point because it is important, if we take a position against net voting, that we do not take a position against those two very important controls on public expenditures which are a form of net voting, and which, when employed, do not reduce but, in fact, enhance the control of Parliament over expenditures.

In relation to this particular bill, I say again that where improper net voting is to be used I shall take pleasure in supporting an amendment to prevent it, to compel the department to come to Parliament for an appropriation, and to return the revenues that it receives in the form of fees to the consolidated revenue fund. I hope other senators will support such an amendment.

Hon. Ernest G. Cottreau: Honourable senators—

The Hon. the Speaker: I wish to inform the Senate that if the Honourable Senator Cottreau speaks now, his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator Cottreau: Honourable senators, I want to start by thanking all senators who have made a contribution to this debate. Their constructive criticism on certain points—as a matter of fact, on many points—in this bill will, I am sure, serve a useful purpose in eliciting information on certain areas of the bill which may be unclear. For my own part, I know that the points raised had me scurrying to my resource material, and, on many occasions, to officials of the department for information. The debate has opened my eyes to the impact that the ramifications of this bill can have on the fishing industry as well as the pleasure craft industry.

I cannot adequately respond to the many important points that have been raised and will admit that I rely greatly on the work of the committee to which this bill will be referred. Incidentally, in response to Senator Flynn's hope that the minister himself might appear before our committee, I have the minister's word that he will personally make himself available to us and will be only too glad to try to clarify the points that bother us.

● (1430)

In replying to the points raised during the debate, I should first like to comment on the disposal of small craft harbours. The government has no plans to reduce significantly the number of small craft harbours. There is no usable and useful small craft harbour facility that has been abandoned yet. Some facilities no longer used have been abandoned, but these are few in number and account for less than 1 per cent of the total. As a matter of fact, the total number of facilities has been increased. It is economically unsound to spend money on facilities that are no longer in use when there are others that are needed. The government's approach is to maintain and improve facilities where required, and to abandon those no longer serving any useful purpose.

Fees were mentioned, and on this subject there is very little I can add to the comments made by the minister in the other place, where he stated that the present system of fees would remain unchanged for the time being, until the health of the fisheries improves and subsidies to the various fishing areas are reduced. He said that in the meantime discussions will take place with the fishermen and their associations.

A complete list of all possible fees and charges that may be levied under Bill C-2 is not yet available, because they have not yet been developed. I should like, however, to quote the Minister of Fisheries, in his speech on January 31, 1978, when he said:

> What we intend to do now is discuss with fishermen and their organizations how we can achieve a modest and equitable fee structure that would allow both better management of facilities and better on-site services for Canada's commercial fishermen.

I have available a copy of the government wharf regulations, which illustrates the fees and charges that are to be continued for the time being. Senator Phillips asked for a complete list of charges. These are the only charges that are available, and I shall be only too glad to provide Senator Phillips with a copy of these regulations.

I almost fear to mention the subject of vote netting, for the simple reason that it is something which is beyond my comprehension, having no idea of its nature until I listened to this debate. However, I should like to say that, as a result of the remarks made by Senators Grosart, Phillips, Flynn and Everett, I reviewed this matter with the departmental officials and can report that the intention is to carry on with vote netting for the remainder of this fiscal year. As a result of the debate in this chamber, I am sure the Small Craft Harbours Branch of the Department of Fisheries and the Environment will be seeking specific direction on this means of cost recovery in the future.

I feel I must comment on the remarks made concerning ministerial police officers. This point was raised before the Standing Committee on Fisheries and Forestry of the other place. In part, the responses to the questions were given by officials of the Department of Justice, who noted that the responsibilities of an enforcement officer would be restricted to enforcing compliance with the act and regulations. The activities of the enforcement officers are related to the specific actions mentioned, and they will not have the powers of police constables, as is sometimes provided under other statutes. Consequently, they will not be authorized to carry weapons or make arrests.

In the same line of thought, Senator Phillips requested clarification of the search authority of such officers. I believe the honourable senator was wondering with respect to the enforcement officer having under his jurisdiction different wharves, some distance apart. In the exercise of his authority would this enforcement officer have the power to enter upon or into a boat that happened to be along the shore between two wharves—in other words, outside the wharf? My answer is no, the authority of the enforcement officer is restricted to boats which are on government property, either wharves or scheduled harbours. In other words, he would have absolutely no power to board vessels not in harbour or at a wharf.

I know this has been explained before, but the point was raised as to whether it is in the public interest for a minister to be able to hire hundreds of employees without reference to the Public Service Commission. I should emphasize that harbour managers will be required to work irregular hours and generally not full time all the time. Their type of work does not lend itself to normal public service relations. These people are required to work varying hours—some perhaps in the summer and not at all in the winter, perhaps more at weekends than during the week in the case of recreational facilities, and so on. It is proposed, therefore, to contract the services of these personnel on a part-time basis in order to facilitate the best possible management of the federal harbours.

I come now to another subject, with which I am personally not qualified to deal but on which I have again sought advice. A discussion developed yesterday and today concerning clauses 20 and 25 of the bill. Clause 25, of course, refers to minor offences and it should be noted that clause 25(2) provides as follows:

> A fine fixed in respect of an offence by a regulation made under this section may be lower for a first offence than for any subsequent offence but in no case shall it be greater than the lesser of
>
> (a) the maximum fine in respect of that offence that is provided in this Act; and
>
> (b) fifty dollars.

Clause 20, on the other hand, refers to obstruction of an enforcement officer in carrying out his duties which are related to those offences included in clause 11 and, of course, these can be much more serious. Of course, the maximum amount of a fine would be determined by a judge, as I understand it, on summary conviction. In other words, such fines could only be imposed by a court. The fine and imprisonment under the clause could be much less than the maximum, but in no case could they exceed this amount. In these cases the offender would be charged under the Criminal Code by someone other than an enforcement officer, as detailed in the bill. I do not know whether this is a sufficient explanation, or whether it has any legal value. I take it to be official, and that is the way I wish to leave it on the record.

There are a few specific questions, which I do not believe I have really answered, posed by Senator Phillips. He expressed misgivings with respect to the leasing arrangements proposed in Bill C-2. Clause 8 permits the minister to lease a harbour to one person. The concern expressed by the honourable senator is that this could lend itself to a situation whereby a fish buyer could acquire a lease and exercise a monopoly over the price of fish by, more or less, forcing the fishermen using the harbour to sell their fish to him. I might say, coming from a fishing community myself, that I can well appreciate his concern.

● (1440)

The explanation I received with respect to leasing arrangements was that it would be highly unlikely that the government would enter into a lease agreement with one individual person regarding the use of the complete harbour. What is meant by that clause is that this would be a lease between the government and a group of persons—for example, a lease between a company and the government, a municipality and the government, a township and the government, or between a provincial government and the federal government. In those cases, the wharf would be leased in its entirety.

If there were a lease agreement between one individual and the government, it would have to be one whereby a fish buyer or fisherman leased part of the facilities. For instance, this could be a shed which is on government property. The fisherman or fish buyer could lease this to store his equipment in. As I say, it would be very unlikely that a fisherman could lease more than that.

In any event, there is another feature of the leasing arrangements which requires whoever leases the premises from the government to abide by the rules and regulations made under this bill. They could not, in any way, interfere with the public use of a wharf. I hope that I have allayed any fears which Senator Phillips had in that respect.

Another question raised by Senator Phillips referred to the refusal by the minister to accept an amendment which would impose a moratorium on all increased fees and charges for a five-year period. His question reads as follows:

> —if the ministry does not intend to increase the fees and charges immediately, why ask for authority to do so in this bill?

The fees that are in place now must remain flexible so that they can be adjusted, either by way of increases or decreases, to the local needs at the time. We must remember that there are in existence now a number of privately-owned wharves and facilities which have their own schedule of fees, and their

ability to compete would be adversely affected should the government allow its own fees to be frozen for any period of time. This is the reason why the minister did not allow this change.

Honourable senators, I know I have not answered all the questions which were raised, but I have answered those I noted. I trust that during the committee hearings we shall cover all other questions.

Senator Williams: I wonder whether Senator Cottreau would permit one question in reference to Bill C-2 and the word "fishing". Will this bill affect, and include in its jurisdiction, wharves and harbours that are on Indian reserves?

Senator Cottreau: Yes. In the definition of "agency" authority is provided for Indian councils to rent the premises. This leads me to believe that the bill is equally applicable to them.

Senator Grosart: Honourable senators, I hope I am not out of order in complimenting Senator Cottreau on the answers he has given to us at this time. I appreciate the extensive and exhaustive research he has undertaken. However, in view of the unavoidable absence of Senator Phillips, I wonder if I might put one or two more questions to him. The first one is quite simple. Would he consider it important to suggest that officials from the Treasury Board be invited to give their views on the question of vote netting to the committee?

My second question is: Did I understand him correctly to say that he had a copy of the regulations? I am quite sure that that is what he said, because it seemed to me that he quoted from regulations with respect to the fee schedule. If Senator Cottreau has a copy of the regulations, and is prepared to make them available to the Senate, it would probably be the first time in history that the Senate has been given regulations in advance of the passing of a bill. I merely ask the honourable senator if he has those regulations.

The third question relates to a response of the minister. Did he assert that it was the intention of the department to proceed with the vote netting to the end of the fiscal year—which is understandable because it would already be in an appropriation act—but that it would phase out the whole concept of vote netting after the current fiscal year?

Senator Cottreau: Honourable senators, I certainly would not be opposed to the idea of having officials from the Treasury Board attend the meetings of the committee. The subject of vote netting is a very important one, and it seems to raise serious questions in the minds of many senators. We ought to take every available measure to clear up those questions, so I will consent to that.

Perhaps I did not express myself quite clearly with respect to the regulations. The regulations that I have in hand are the Government Wharves Regulations, under the Government Harbours and Piers Act. Those fees that are in place now will continue under this bill. I have obtained a copy of the Government Wharves Regulations, in the latter part of which is a complete list of all fees. Those are the fees that are currently in use, and which will be continued until such time as a structure of fees under the proposed act comes into effect.

• (1450)

Senator Grosart asked me if I had the word of the minister with regard to vote netting. I do not have the word of the minister. I have the word of officials of the ministry, particularly that of Mr. J. E. Hall, Acting Director, Small Craft Harbours Branch. He is the person whom I have been consulting in respect of this matter, and it is he who gave me the information relative to vote netting and the aim of the department to seek specific direction in its use of that device in the future.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Cottreau moved that the bill be referred to the Standing Senate Committee on Transport and Communications.

Motion agreed to.

STATUTE LAW AMENDMENT PROPOSALS

REPORT OF STANDING SENATE COMMITTEE ON LEGAL AND CONSTITUTIONAL AFFAIRS ADOPTED

The Senate proceeded to consideration of the report of the Standing Senate Committee on Legal and Constitutional Affairs on the document entitled "Proposals to correct certain anomalies, inconsistencies, archaisms, errors and other matters of a non-controversial and uncomplicated nature in the Revised Statutes of Canada, 1970, and other Acts subsequent to 1970," which was presented yesterday.

Hon. H. Carl Goldenberg moved that the report be adopted.

He said: Honourable senators, I think I should take a few minutes of your time to explain some of the amendments made to these proposals. As you are aware, these proposals were tabled in the Senate on February 2 last, and referred to the Legal and Constitutional Affairs Committee. The proposals are, in fact, a draft of the second Miscellaneous Statute Law Amendments Bill.

The first bill of this kind was enacted in June 1977. As you may recall, that measure followed the unique procedure of being tabled in the House of Commons in proposal form, and referred for study to the Justice and Legal Affairs Committee of that house. The subsequent bill incorporated the recommendations of that committee as reported to the House of Commons. Thereafter, it was introduced in that house and followed the usual procedure of a bill, with the exception that it was not referred to committee after second reading.

The procedure was changed this year, in that the proposals were referred to the Legal and Constitutional Affairs Committee of the Senate for consideration before being printed as a bill for introduction in the House of Commons.

The purpose, as the title of the proposals makes clear, is to correct certain anomalies, inconsistencies, archaisms, errors

and other matters of a non-controversial and uncomplicated nature in the Revised Statutes of Canada, 1970, and other Acts subsequent to 1970.

The committee studied the proposals, which were tabled in the Senate on February 2, and as a result of that study a slight amendment was made to the proposal relating to the Tax Review Board Act. In addition to the proposals then submitted, three further proposals were submitted to the committee, the first of which was to amend the Canadian Human Rights Act. That amendment, I think, is clear. The various government departments have to report to Parliament through an appropriate minister. There was an oversight, in that the Auditor General does not report through a minister, and the proposed amendment simply provides that a minister may be designated through whom a report can be made by the Auditor General in relation to the Canadian Human Rights Act.

The second proposed amendment was to the Citizenship Act, again to correct an oversight—an oversight which, I must admit, I found rather surprising. The Citizenship Act, as amended last year, provides that a person shall not be granted citizenship or administered the oath of citizenship if during the three-year period immediately preceding the date of his application he has been convicted of an indictable offence. There is no provision to cover the case where the individual was convicted of an offence in the period between applying for citizenship and the granting of citizenship. The proposed amendment would correct that oversight.

There is also a proposed amendment to the Small Loans Act. This amendment is necessary—and the committee, after hearing the evidence, agreed that it was necessary—in order to restore the long-standing interpretation of part of the definition of the word "loan" which has been followed by the Department of Insurance since 1940. Apparently, a recent judicial decision cast some doubts on that interpretation, and this amendment would correct that.

Those are the three additions to the proposals which were submitted to the committee. The committee, in considering these proposals, heard from officials of the Department of Justice, the Chairman of the Tax Review Board, and the Superintendent of Insurance.

Senator Grosart: Honourable senators, I wonder if I might ask two questions of the Chairman of the Legal and Constitutional Affairs Committee.

I understood him to say that a decision had been made, contrary to former practice, to refer certain proposals, which would form the subject matter of a contemplated bill, to the Senate. Do I understand that this is a change in procedure and practice? If so, it would seem to be a very important following of a precedent that has been set by one of our other committees.

Secondly, were all of the proposals suggested referred to the committee, or were there only the three to which the chairman referred?

[Senator Goldenberg.]

Senator Goldenberg: All of the proposals suggested were referred to the committee, and we heard evidence respecting those proposals on which we thought evidence was necessary.

With respect to the first question, I am advised that the procedure followed last year in respect of the first bill was unique, and that the procedure adopted this year is a further change and is also unique, in that the proposals are submitted first to the Senate committee, and then the recommendations of the Senate committee will be embodied in the bill which in due course will be submitted to the House of Commons.

Senator Grosart: May I ask whose decision it was to make this unique change in the practice of the Department of Justice?

Senator Goldenberg: I would assume the change was made on the advice of the Department of Justice, but I have no further information on that.

Senator Grosart: Where did the reference to the Senate committee come from originally? In what form was the reference to the committee made?

Senator Goldenberg: As I recall it, the government leader tabled these proposals on February 2, 1978. I am confident that my memory does not fail me when I say that he did not say where they came from. He just tabled the proposals together with other documents which he tabled that day, but at the same time he asked that they be referred to the committee.

Senator Grosart: Perhaps the Leader of the Government would help to explain this. I am not in any way critical. I think it is an important recognition of the work of the Senate that this has been done. Perhaps the Leader of the Government would tell us who made the decision. Did the idea that we should expand the procedure of the past of having proposals which are to be incorporated in legislation referred to the Senate in advance of the bills emanate from the government or from the Department of Justice? If this is a decision to utilize another committee of the Senate in this important way, it is a quite significant one.

Senator Perrault: Honourable senators, the thought that it should be tabled in this chamber was first advanced by the Honourable the Minister of Justice in a communication I had from him.

Senator Flynn: With the approval of the Deputy Prime Minister?

Senator Perrault: I am afraid I cannot describe the scenario beyond that, but I understand that the Minister of Justice is quite cooperative in these matters and I think it is a practice which should be continued.

Senator Flynn: But you had to have leave from Mr. MacEachen.

Senator Forsey: Honourable senators, I read this report with great interest, I need hardly say. I regret very much that some means was not found by the committee of calling attention to what I think is an error—a non-controversial error, I hope—an

inadvertent error, I hope—in the Appendices to the Revised Statutes, where we have the British North America Act printed in both languages.

Some time ago, when the Revised Statutes came out, I was running through this and I discovered that in section 93 of the British North America Act, dealing with education, the English text is reproduced correctly but the French version, the French translation which appears in the adjoining column, has a rather peculiar omission, as it seems to me.

Honourable senators will recall that the section begins:

> In and for each Province the Legislature may exclusively make Laws in relation to Education—

And so on.

In the volume compiled by the late Law Clerk of the House of Commons, M. Maurice Ollivier, "British North America Acts and Selected Statutes," in the French version which I have upstairs in my office the wording is: "dans chaque province et pour chaque province la législarure . . ." but in the French version in the Appendices to the Revised Statutes it appears simply as: "Dans chaque province . . .". There is no translation of "and for each province."

It seems to me that this is at least unfortunate; and it is possible that it might have some serious consequences, especially in the light of the fact that Senator Hicks, I think, has mentioned, and Professor J. A. Corry, a former principal of Queen's University, has argued, that the words "and for each province" may have some constitutional significance and may indicate that there are certain aspects of education which fall within the jurisdiction of the Parliament of Canada, under the well-known "aspects" doctrine of interpreting the Constitution enunciated by the Judicial Committee of the Privy Council in the case of *Hodge v. The Queen*, if my memory serves.

I call attention to this error in the French translation—and it seems to me a palpable error in the French translation—of section 93 of the British North America Act in the Appendices to the Revised Statutes. I very much regret that I did not think of this when the committee was sitting and turn up at the committee, of which of course I am not a member, and mention the matter.

Senator Flynn: These are Revised Statutes of 1970?

Senator Forsey: Yes. I might add for the information of honourable senators a curiosity. I called up the Department of Justice people about this at the time the Revised Statutes of 1970 appeared, and I was referred to a Mrs. Somebody, whose name I have forgotten but who I was told was in charge of this, and when I called her she said, "I am sorry, but I don't understand French."

Senator Goldenberg: Honourable senators, I do not think Senator Forsey can blame the committee for having failed to consider a proposal which was not before it. These proposals contain amendments which were suggested for inclusion by government departments, by senators and by members of the House of Commons. If Senator Forsey had recommended that that be included in the proposals, I assure him that no committee of which I am chairman would be prejudiced to the degree of refusing to consider his recommendation.

Senator Forsey: I have already assumed a white sheet, and said that I should have been there and made the point.

Senator Flynn: I would have given you a good answer.

Motion agreed to and report adopted.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, February 23, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. McKinley had been substituted for that of Mr. Baldwin on the list of members appointed to serve on the Standing Joint Committee on Regulations and other Statutory Instruments.

DOCUMENTS TABLED

Senator Perrault tabled:

Estimates for the fiscal year ending March 31, 1979, together with copies of a news release containing a statement by the President of the Treasury Board on the said Estimates and a booklet entitled "Federal Expenditure Plan: How your tax dollar is spent".

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. Northern Transportation Co. Ltd. and the Public Service Alliance of Canada, dated February 17, 1978.

2. Abex Industries Ltd. and its hourly paid Production and Maintenance Group, dated February 17, 1978.

THE ESTIMATES

NATIONAL FINANCE COMMITTEE AUTHORIZED TO MAKE STUDY

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on National Finance be authorized to examine and report upon the expenditures proposed by the estimates laid before Parliament for the fiscal year ending the 31st March 1979, in advance of bills based upon the said estimates reaching the Senate.

Motion agreed to.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, February 28, 1978, at 8 o'clock in the evening.

Honourable senators, in advising you on our prospects for next week, I shall deal first with the committees.

The Standing Senate Committee on National Finance plans to meet at 10.00 a.m. on Monday, Tuesday, Wednesday and perhaps also on Thursday to consider its report on the estimates of the Department of Public Works with respect to the accommodation program of that department. Is is expected that the meetings on both Monday and Tuesday will continue in the afternoon. All of these meetings will be *in camera.*

The Special Joint Committee on the National Capital Region will meet on Tuesday at 3.30 p.m. and the Subcommittee on Health, Welfare and Science on Childhood Experiences has called a meeting for 4.00 p.m. on that day.

The Banking, Trade and Commerce Committee will hear witnesses on the subject matter of Bill C-13, the Combines Investigation Act, on Wednesday at 9.30 a.m. Also on Wednesday, when the Senate rises, the Legal and Constitutional Affairs Committee will consider Bill S-7, to provide an exception from the public general law relating to marriage in the case of Lucien Roch Joseph Morin and Marie Rose Hélène Morin.

In the Senate, in addition to the items already before us, I believe we will receive another bill next week for introduction here in the first instance, and, of course, we are still looking for the Bank Extension Act. It would appear that this bill will reach us next week.

Motion agreed to.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

STANDING JOINT COMMITTEE—CHANGE IN SENATE MEMBERSHIP

Senator Flynn, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the name of the Honourable Senator Yuzyk be substituted for that of the Honourable Senator Bélisle on the list of senators serving on the Standing Joint Committee on Regulations and other Statutory Instruments; and

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

Motion agreed to.

AGRICULTURE

BENEFITS FROM EXCHANGE RATE OF CANADIAN DOLLAR—QUESTION

Senator Argue: Honourable senators, I have a question for the Leader of the Government in the Senate arising out of the very violent outbursts that followed the government's move to support the Canadian dollar after it had gone below 90 cents U.S. My question is: does the Leader of the Government feel that 90 cents is an appropriate level for the Canadian dollar under the present economic circumstances in Canada?

I can say to him that grain farmers are happy with the 90-cent dollar. It has added 35 cents a bushel to the price of wheat.

The Agriculture Committee brought in a report on the beef situation. The members of the committee asked for a five-cent tariff on beef.

My question is this: Does the Leader of the Government not agree that a dollar depreciated by ten per cent has given the beef producers five cents a pound on beef, and that this is one of the things which flow from this policy which are beneficial to the economy?

Senator Flynn: Honourable senators, I rise on a point of order. Senator Argue is using the pretext of a question in order to make a speech. I would suggest the answer the Leader of the Government can give to him is that the Senate has no choice but to accept the 90-cent dollar at this time.

Senator Perrault: The honourable leader knows more about the rules of the Senate than to suggest that in any way his is a valid point of order. It may well be that he will have an opportunity in the near future to explain to the people of Canada some of his party's policies regarding the dollar and other matters.

Senator Flynn: I rise on a point of order. The answer is also out of order.

Senator Perrault: Again that is no valid point of order and, Senator Flynn's views to the contrary, is in contravention of any rules that we have here.

Honourable senators, the so-called 90-cent dollar is certainly of real value to the exporting industries of this nation, and in many areas of endeavor it has provided opportunities for Canadians to become more competitive.

Senator Flynn: Does the Leader of the Government suggest that this is an ideal situation and that we should have a 90-cent dollar? Is it a permanent policy of the government to keep the dollar at 90 cents?

Senator Perrault: Honourable senators, the fact is that Canada has produced one of the best economic performances of any nation in the world in the past ten years. The difficulties that we have experienced with the purchasing power of our dollar and inflation are minuscule in comparison with the experience of most other nations competing in the world today. However, I think that many Canadians are increasingly concerned with the continuing efforts by the opposition in this country to denigrate efforts by the Government of Canada to turn around the economy and provide a decent standard of living.

Senator Flynn: Do I gather from the long answer of the leader that the 90-cent dollar was an objective of the government, and that it is very happy to have achieved it?

Senator Perrault: As certain members of the honourable senator's own party have pointed out frequently—

Senator Flynn: Answer my question.

Senator Perrault: As certain members of the honourable senator's own party have pointed out frequently, there are advantages to having a dollar valued between 90 and 95 cents in terms of our competitive position in the world. I well recall when the Leader of the Opposition was a member of the Privy Council in a Conservative government in years past, that government, too, defended the value of having a dollar in the range of 90 to 95 cents as a great boost to Canada's competitive position. This is an argument which I think they should be reminded of today in view of their very critical attitude with respect to the present situation.

Senator Flynn: Does the Leader of the Government remember what his party said during that time and during the election campaign? What they said they said irresponsibly, just to win the election and to keep the dollar at 92½ cents.

Senator Perrault: Is the honourable senator thereby suggesting that the attack he makes today is irresponsible?

Senator Flynn: No, I am not. There was no attack. It was merely a question. I rose on a point of privilege. The leader is distorting the words I uttered. I asked a simple question, but the leader was unwilling to reply to it frankly.

Senator Langlois: Don't impute motive.

Senator Flynn: There was no motive; I was being very objective.

NATIONAL SECURITY

SOCAN AIRCRAFT LIMITED—POSSIBLE APPEARANCE OF PRESIDENT BEFORE SENATE COMMITTEE—QUESTION

Senator Argue: Honourable senators, I have another question for the Leader of the Government. It arises out of the statement that Socan Aircraft Limited of Calgary is a completely or largely Soviet-owned company operating in Canada, and the suggestion that the federal government may be monitoring this company to make certain that none of its profits will be used to finance KGB activities in Canada or to support extremist elements. This is a statement made in the other place by Tom Cossitt.

My question arises out of a news item in the Ottawa *Citizen* of February 18 that Arthur Smith of Calgary, President of

Socan Aircraft Limited, and a former member of Parliament, had informed Opposition Leader Joe Clark by telegram that he was seeking "a public apology to the company and to myself as a former MP." The news item continues:

> In his message to Clark, Smith said he was requesting an appearance before the Conservative caucus because there was no other tribunal before which he could appear to deal with Cossitt's statements.

I notice that the Chairman of the Standing Senate Committee on Legal and Constitutional Affairs is not in the house at the moment, and therefore I am addressing my question to the Leader of the Government. Is it the leader's opinion that the Standing Senate Committee on Legal and Constitutional Affairs is an appropriate body before which Mr. Arthur Smith might appear? Apparently he has been denied an audience elsewhere and he does not know that this forum might be available to him, as it has been available to others who have had grievances in the past.

● (1415)

Senator Perrault: Honourable senators, the proposal seems to have at least some degree of merit. I suggest that the honourable senator confer with the distinguished Chairman of the Standing Senate Committee on Legal and Constitutional Affairs. I know that all senators in this chamber would wish to give people with legitimate grievances a full opportunity to be heard in this country, regardless of their party and affiliation.

Senator Flynn: A good joke on both sides.

Senator Argue: Only Conservatives involved.

ESTONIA

SIXTIETH ANNIVERSARY OF THE PROCLAMATION OF INDEPENDENCE

Hon. Andrew Thompson: Honourable senators, with leave I should like to draw the attention of the Senate to the sixtieth anniversary of the Free Republic of Estonia.

I do this for several reasons. The first is that the Senate has always had an interest in minorities across this country. Many senators are fully aware of the large number of compatriots from not only Estonia but the other two Baltic countries.

I do so also because next Wednesday, as many senators are aware, the Baltic Federation will be hosting us at one of their usually very wonderful affairs in the Parliament Buildings.

I do it as well because I think every senator is aware of the history of this small republic, and of the fact that, after a long history of bondage, sixty years ago they achieved independence, during which time, through social and labour legislation, they pioneered many great achievements with their small nation. They later had a constitutional convention at which they refined their parliamentary institutions. I suggest to the Senate that it is worthy of our consideration that we should study that new constitution, under which minority interests were represented in their institutions.

[Senator Argue.]

I think all honourable senators will, with me, recognize the extraordinary ability and will of free men, given the opportunity to decide their own constitution and their own destiny. All of us will, with regret, recognize that the period of independence for that little republic lasted only twenty years and now suffers under occupation.

DISTINGUISHED VISITORS IN GALLERY

Senator Adams: Honourable senators, I should like to draw the attention of the Senate to the presence in our gallery of Mr. Peter Tatty and Melinda Tatty, who both work for Rankin Inlet Hamlet Council.

Hon. Senators: Hear, hear.

INCOME TAX CONVENTIONS BILL

SECOND READING—DEBATE ADJOURNED

Hon. Daniel A. Lang moved the second reading of Bill S-9, to implement an agreement between Canada and Malaysia and conventions between Canada and Spain, Canada and Liberia, Canada and Australia and Canada and Italy for the avoidance of double taxation with respect to income tax.

He said: Honourable senators, I recall very well that two years ago, in February 1976, I had the honour of introducing Bill S-32 on second reading. My recollections of that experience are not altogether pleasurable, inasmuch as the contribution by the opposition, led by Senator Grosart, consisted of a question period for me that lasted about thirty minutes.

● (1420)

I hope that those same questions will not be repeated today with the intensity and degree of perception which Senator Grosart exhibited at that time. I am somewhat relieved to find that he is absent from the chamber this afternoon.

I mention that because what we have in Bill S-9 is merely a continuation of a program under the direction of the Minister of Finance to bring about a revision of old tax conventions and the introduction of new tax conventions, which program will probably extend into the future for a considerable length of time.

Honourable senators may recall that in 1976, Bill S-32 introduced a tax convention between Canada, on the one hand, and France and Belgium and Israel, on the other.

In June of 1977, Senator Hicks moved second reading of Bill C-12, which was a counterpart of the bill of the previous year. That bill involved tax conventions between Morocco, Pakistan, Singapore, the Philippines, the Dominican Republic and Switzerland, on the one hand, and Canada, on the other.

We have before us today Bill S-9, which involves conventions between Canada, on the one hand, and Malaysia, Spain, Liberia, Austria and Italy, on the other.

As I have already mentioned, this program of revising the 16 tax treaties that were in effect on January 1, 1972—namely, the date of our tax reform bill—and implementing conventions with countries with whom we had no accord at

that time, has been going on apace, until today we have 23 conventions in place. Some are revised conventions that were in effect prior to 1972, and some are new conventions that postdate our so-called tax reform enactments.

I can add very little to what was contributed to the debate on this subject matter by my colleagues in 1976 and in June of last year, and I would not want to bore honourable senators with repetition.

The bill follows exactly the same pattern as the previous enactments. It is like its forerunners in form. It is a massive tome, as honourable senators who have the bill on their desk will see. Of approximately 132 pages, 125 make up the conventions themselves. The enactment provisions comprise the first seven pages of the bill.

Within the enactment sections—which are in turn divided into five parts, each enacting the convention with each of the five countries—there is another part which applies in common to all five conventions.

Part VI of the enacting part of the bill deals with the mechanism providing amendments to the conventions after this bill becomes law. This gives the Governor in Council the power to approve and bring into force amendments, subject only to the necessity of tabling those changes in Parliament within 15 days after they are enacted by order in council, and thereafter those amendments remain in force unless revoked by Parliament within another 15 days.

This is an important provision in that it reserves to Parliament the power to curb the executive authority in respect of such tax matters. It is not a new provision. It is the same provision that appeared in Bill S-32, and the other.

The five tax treaties contained in this measure are, in form, very much like the ones we have dealt with previously. They follow the general draft treaty schedules produced by OECD. We depart from the OECD model in connection with withholding tax rates, particularly on dividends, interest and royalties.

In general, the main withholding tax provision is to limit that tax to 15 per cent. In the case of the treaty between Canada and Malaysia, as Malaysia has no withholding tax we accord them a reciprocal provision.

There are also provisions in the bill exempting certain forms of what I refer to as development incentives; that is, if a less developed nation offers a tax incentive to encourage pioneer industries, those tax incentives will not be taken into account by Canada in computing the reciprocal privileges, thus preserving the advantage for Canadian companies from a tax point of view when operating abroad.

As in previous bills of this type, there is also provision concerning withholding tax on royalties. With Malaysia, for instance, the rate is 15 per cent; with Liberia, 15 per cent, and, in certain instances, it is 20 per cent. But, as is general with Western European countries such as Spain, Austria and Italy, there is no withholding tax on royalties which are basically defined as payments for the use of artistic and cultural copyright matters.

Dealing with the capital gains aspect, Canada, of course, did not have a capital gains tax until January 1, 1972. These conventions merely recognize the right of the source country to tax these gains, such as those arising out of the sale of real property, business assets, and shares in real estate companies—basically, the immovable concept in international law.

● (1430)

The non-discrimination provisions, as we have hitherto seen in the like bills, is again reincorporated. However, as heretofore we do exempt from the non-discrimination provisions our right in Canada to treat Canadian nationals in a special way in connection with, say, dividend tax credits and other fiscal incentives which we felt necessary to promote our own industrial infrastructure.

Senator Hicks will be pleased to see that in these treaties there is no special concession given for bringing in from abroad teachers or professors.

As is fundamental to all of these bills, there is the provision for relief from double taxation in the hands of the two contracting parties. I do not intend to elaborate on that, because it is a self-evident objective and one with which we are most familiar.

In the last bill, which Senator Hicks dealt with at some length, we had what the department referred to as the "tax sparing provision," which is rather interesting from a technical point of view because it means that, if a foreign country provides tax incentives to set up business there, we in Canada will not take that into account in applying the provisions of the convention. In other words, we preserve that incentive.

I could go further into many of the aspects of these conventions, but I would not be adding anything to what was said in this house during the debate on the previous tax convention bills last year and the year before.

The general provisions are almost exactly the same as in the previous bills. The rates on withholding tax on dividends vary slightly from country to country, but the principles involved are almost precisely the same.

There is one unusual aspect to this bill, however, in respect of the convention with Italy. I am sure it will be of great interest to Italo-Canadians to note that incorporated in this convention is an exemption of pensions up to $10,000 a year paid from either Canada to Italy or, reciprocally, from Italy to Canada. I am glad to see this provision incorporated, because one of the great sources of strength and character in the city of Toronto is our vital Italo-Canadian population. Regretfully, I rather assume from this exemption that many of these people, when they retire, return to sunny Italy rather than face the ferocious climate of our Canadian winter. This was recently a matter of interest in the press, and it is now incorporated in the convention and will become law, if, as and when Parliament passes this bill.

Honourable senators, I commend the principle of this bill to you. If it is the wish of this house, I will refer the bill to the Standing Senate Committee on Banking, Trade and Commerce. Before doing that, I should point out that the bill in

1976 was referred to the Banking, Trade and Commerce Committee because it was primarily a tax matter within the peculiar expertise of that committee; on the other hand, the bill of 1977 was not referred to committee at all. I will therefore reserve a motion to that effect until I have your opinions.

Senator Laird: Honourable senators, on that particular point may I ask the sponsor a simple question? Other than what he has stated, is there a difference between these and other tax conventions that would make it necessary for the bill to be the subject of a committee study?

Senator Lang: As I explained, the only way in which this bill differs from previous ones is in respect of the rates of withholding tax as, for example, between 10 per cent and 15 per cent on royalties, interest and dividends. It is not a matter of substance, but really a matter of rate. The only major distinction is in connection with the provisions for pension transfers between Canada and Italy.

Senator Laird: In that case, I do not believe it necessary to refer the bill to committee.

Senator Bélisle: Honourable senators, I would like to congratulate the sponsor of the bill for his clear explanation. However, I know that he enjoys listening to the sagacity and wisdom of Senator Grosart, on whose behalf I now move the adjournment of the debate.

On motion of Senator Bélisle, for Senator Grosart, debate adjourned.

● (1440)

THE ECONOMY

EXCHANGE RATE OF CANADIAN DOLLAR—DEBATE CONTINUED

The Senate resumed from Tuesday, February 21, the debate on the inquiry of Senator Austin calling the attention of the Senate to the situation with respect to the Canadian dollar, the floating exchange rate and its relevance to the Canadian economy.

[*Translation*]

Hon. Paul Desruisseaux: First of all, I should like to congratulate Senator Austin for his excellent presentation to the Senate last Tuesday. I listened with great interest to the outline of our colleague on the economic policies which, in Canada, have important consequences for our long and short term future, results that depend on the state of the Canadian dollar, the floating rate of exchange and their repercussions on the Canadian economy.

The suggestion of Senator Austin to refer the problem of our national economic policy to a Senate committee, which could make recommendations, deserves our serious consideration. For my part, in a few moments I shall discuss its deserving aspects as I see them.

The committee Senator Austin has suggested should study the matter is our Standing Committee on Banking, Trade and Commerce; it could indeed perform the task very competently. It would certainly not decline to do so because of its rather heavy schedule. Still, others believe that our Standing Committee on National Finance could also carry out the task very well. As for me, I wonder which of the two, by virtue of its definition and its functions, would be better qualified to undertake the study.

I should like to consider some of the points of view of Senator Austin.

The economic problems of Canada, including the state of the Canadian dollar and its floating rate, are not that different from those that were experienced, in turn, in almost all developed countries. Such situations always call for somewhat similar comments and remedies.

Senator Austin mentioned the position of our dollar in relation to the American dollar, which of course most affects our country. I believe that a lower value of the Canadian dollar in relation to the American dollar is now of great importance for the development of our international trade. I also believe it is now important that the money of our international customers can purchase our Canadian money at a good discount to buy our national products aimed at the export trade, since this can also reduce unemployment in Canada through substantially increased production. We must recognize that our government cannot be absolutely sure that the depreciation of the Canadian dollar can be a permanent solution to the rather complex commercial problems of our country. This would certainly not be in the interests of Canada at the moment. At another time, this would not be so because other factors would affect the situation.

In spite of our anti-inflationary policies, which I have sometimes criticized in this house, I must note that from June 1974 to June 1977 the factors which greatly affect monetary values resulted in the following inflation rates in industrialized countries: West Germany 15.7 per cent, the United States 23.6 per cent, Canada 28.2 per cent, France 34.4 per cent, Japan 34.5 per cent, Italy 62.6 per cent and Great Britain 68.9 per cent. The Canadian situation was therefore certainly quite acceptable and it was even considered enviable in some countries.

As for me, in the final analysis, I consider that our situation is reasonable in this sector of our economy. I also believe that it is in the interests of Canada to maintain the value of the Canadian dollar below the value of the American dollar which is now floating below the currency of several other industrialized countries in accordance with the present policy of depreciation of the American dollar, which aims at better establishing the international competitive situation of the United States.

Since the end of the monetary agreements of Bretton Woods, which established an accepted basis among its members for international exchange payments, the developed countries are witnessing a stagnation of their exchanges and monetary values. Band-aid solutions were not sufficient to establish order in the world monetary system. The American monetary values went down and, for the reasons already mentioned, Canadian monetary values slumped further, which once more

resulted in a good Canadian competitive position on foreign markets and a favourable position for our exports.

I do not feel this should be a cause of anxiety or concern for Canadians. It is my view that the situation arising from the dollar devaluation is more in the nature of a correction of an unfavourable position that tended to get worse and harm our foreign trade still further. Let us remember the favourable effects for Britain of the last devaluation of the pound.

Right now I do not feel that the Bank of Canada's role is to re-peg the Canadian dollar. Its proper role in my view right now is mainly to follow the monetary system and ensure that in this country's best interest the Canadian dollar reach and maintain a level somewhat lower than the American dollar, for reasons of international competition on foreign markets. It would be unrealistic and most unwise to panic. I am convinced that right now we should get ready to take full advantage of the coming boost in international trade. A number of major countries, including Japan, are preparing for it in silence, and indeed in secret. I believe that our government departments, with their roles in our economy, are justified in preparing themselves for substantial advances in the economy and our national prosperity. The private sector is preparing also. Renewed confidence in the business community will trigger a new impetus that will gradually bring about the Canadian dollar recovery.

[*English*]

The reference made by Senator Austin to the growth in Canadian personal income of 38 per cent, taking into account today's weaker dollar, compared to 17 per cent in the United States, is dramatic. Canada has all the ingredients necessary for the initiation of a rate of national economic growth that would be hard to equal anywhere in the world. The Province of Quebec will not cause that much damage to the federal economy. We shall find that common sense will prevail everywhere in Canada.

● (1450)

There has been so much said about allowing the Canadian dollar to float. Some years ago, the federal government supported the dollar at a certain level. The economic custom in a great many of the developed countries was to let the value of their currencies float. This became a sort of rule in the international monetary system. Most countries did very little of what was called "dirty float." Very little, if any at all, was really done by Canada.

Responsible economists have recommended the use of the floating system for currency in constant use. The bankers have recommended the floating of the Canadian dollar as the best and most realistic policy for our economy. The Bank of Canada believes this policy recognizes the stable approach to real money values. I am not certain that the floating Canadian dollar encourages speculation, as is sometimes affirmed. Actually, there is very little evidence of this, and, as was rightly said, Canada's economic policy is firmly committed to the principle of the free floating exchange rate which reveals economic advantages and which excludes political considerations. It would be, in my own opinion, a mistake to change it. I believe the inquiry would reveal just that.

In the Fourteenth Annual Review of the Economic Council of Canada, Recommendation No. 4, at page 91, is:

> We recommend that the federal government, together with representative organizations, establish appropriate advisory and consultative mechanisms (with adequate staff resources) to examine serious long term structural issues.

The suggestion of Senator Austin seems to me to meet this recommendation. The Senate, as an important part of Parliament, would, I believe, be well advised to analyze and review the situation with respect to the Canadian dollar, the floating rate of exchange and its relevance to the Canadian economy. It is suggested that the committee to be assigned this study is the Banking, Trade and Commerce Committee, but, as I said before, some believe it should be the National Finance Committee. Both of these committees are well qualified for this task.

Honourable senators, I strongly support an in-depth inquiry into the situation with respect to the Canadian dollar, the floating exchange rate and its relevance to the Canadian economy, so that Canadians will be well informed on the present economic policies of Canada.

Hon. George van Roggen: Honourable senators, it was not my intention to participate in this debate, because it is usually unnecessary, in economic matters, to add to the excellent presentations made by Senator Desruisseaux. However, I am prompted, by the incredible line of questions by the Leader of the Opposition a few minutes ago, to rise on this occasion to make it quite clear on the record that nothing that is happening at the moment involves the Canadian government in an attempt to peg the Canadian dollar anywhere.

I was rather surprised that the Leader of the Opposition, for whom I have the highest regard—and I am sorry he is not present at this moment—was not better informed, and that he followed the rather specious arguments that his friends in the other place made yesterday. The Minister of Finance has done nothing more than is done by nearly all countries in the world that have a floating currency, which is to intervene in the marketplace with sufficient funds to maintain an orderly float, and that is all. We are not pegging the dollar. We floated the dollar in 1970—I think it was Mr. Mitchell Sharp who was then the minister—and it has been the policy of the Canadian government to keep the Canadian dollar floating since that time. We did not endeavour to peg it at $1.03. I think it was then too high in value, but that was induced by borrowings by provinces, and other things.

From an export point of view, as the Leader of the Government has already pointed out, it is to our advantage to have the value of the dollar go down, as it has, but the government has not dictated that it go down, has not directed that it go down, and has not stated that it should go down to 90 cents, or 95 cents, or 92 cents. The government has simply supported the concept of a floating dollar. I support the government

entirely in that, and I say that it is the only intelligent manner in which we can act at the present juncture of events in the world. I can give you an example of a government that for a short time did not intervene to maintain an orderly market for its currency. I refer, of course, to the United States government. Before Christmas, and when the outcry became so loud about the completely disorderly way in which the American dollar was behaving with regard to the European currencies, Mr. Blumenthal was forced to change his mind and enter the marketplace to regulate the float.

What has happened is only a regulation of the float, and has nothing to do with pegging the dollar. I am surprised that the opposition does not understand that.

Hon. H. A. Olson: Honourable senators, I want to participate in this debate initiated by Senator Austin, for several reasons. While I congratulate him on the exposé he made of the situation in Canada with respect to where the Canadian dollar now is, and perhaps how it got there, I am not sure that I am in favour of setting up a committee at this time to inquire into the reasons for this situation, because I am afraid it may have a tendency to add to a crisis situation that some people in this country seem to think the 90-cent dollar has created for Canadians. Quite frankly, I do not believe we have a crisis with respect to the dollar. It seems to me that if we refer this matter to a committee, the action may be interpreted by the public as meaning that this chamber believes there is a crisis that needs immediate investigation.

I believe that the benefits that have flowed to Canada from the devaluation of the dollar in the international marketplace far outweigh the disadvantages to some people in the country. An inquiry as to who are the winners and who are the losers as a result of the change in the value of the dollar might be useful for educational purposes, and certainly an investigation of the many questions Senator Austin raised about how this change in the value of the dollar could affect certain sectors of our economy could be a useful exercise. I also think that the general public should have a better understanding of why the value of the dollar changes from time to time, particularly in relation to the United States dollar. But I want to emphasize that I do not believe we are in a crisis situation.

● (1500)

As a matter of fact, I believe that an adjustment in the value of these two currencies was probably overdue by the time it happened. Our prices and costs in terms of Canadian dollars, if they are to be at par with United States dollars, had risen to the point where they were causing some difficulties in Canada. The most appropriate measure to be taken was the setting of a more realistic value as between these two currencies. Since the change has taken place, although it happened rather suddenly, there has certainly been an improvement in the export position of many of our commodities which, I am sure all senators will agree, has been of value to Canada.

A few minutes ago during the Question Period, Senator Argue said that the grain farmers on the prairies certainly welcome this change in the value of our dollar to 90 cents because it improves their position relative to other sellers in the international market. Certainly, the people involved in producing beef realize that the change has improved their position significantly in relation to the United States. While I cannot speak with great experience or authority for other commodities, I am sure they have done equally well, particularly those of our primary producers.

[Senator van Roggen.]

Honourable senators, although it may appear very complex, it can be reduced to a very simple fact. We have increased our whole price structure in Canada at a rate more rapid than in the United States, and certainly at a different time. The change that has come from the international market place is simply a reflection of that fact.

At the same time we must also agree that Canada is in an almost unique position insofar as the industrialized nations are concerned, in that there are other factors, such as foreign investment, which influence the value of the Canadian dollar significantly when, in fact, other costs such as the cost of processing and raw materials would have adjusted the difference in value. We get these distortions from time to time because of the high percentage of foreign investment coming into Canada at times. We have to recognize that this does happen from time to time.

For example, when the Canadian dollar was valued higher than the United States dollar, there was no reason for that to happen on the basis of merchandise or commodity trade between the two nations. It happened, first of all, because of foreign investment in the private sector at a very high level, and also because of very large borrowings, particularly by provincial governments, in the United States which created a demand in the international marketplace for Canadian dollars, and therefore pushed the price up.

There is one other thing which I think is important to recall during the course of this debate, and that is that about four or five years ago the inflation rate and unemployment levels in the United States were going up much more rapidly than in Canada. I can remember Canadians, and particularly the government, being rather proud of the fact that their inflation rate and unemployment rate were lower at that time. I think it is clearer now in retrospect—and, of course, everyone's wisdom is greater in retrospect—that these things do, in fact, catch up with you.

Wage demands, for example, continued at much higher levels than in the United States, particularly after the inflation pressure had slowed down in the United States, and certainly our inflation pressure, and therefore our costs for all of the things that go into manufacturing, did, in fact, go on longer than it did in the United States. Consequently, we find ourselves in this position today.

Honourable senators, I hope that we can get through this problem because it really is almost an automatic adjustment that is taking place. When the dollar goes down in value, as it has, it increases our exports and makes us more competitive in the international market, particularly in the United States market. It also decreases our imports to some extent because they become more expensive.

The general public ought to know that there have been times when we have been living a little beyond our means. Our standard of living rose a little bit too high, and a great deal of it was based on commodities and merchandise that were of the imported variety. Sooner or later that does catch up with you. I say that because there are some good and, I think, substantial economic reasons why we find ourselves in this situation today, in addition to the political instability that is perceived by some people outside Canada.

I heard the Minister of Finance last night suggest that one of the problems he runs into from people involved in the major United States money market is uncertainty about the political stability of Canada. I think that this adjustment in the value of our dollar vis-à-vis the United States was due with or without what happened in Quebec on November 15, 1976. I am sure that it may cause some additional difficulties—psychological difficulties, if you like—but our trade and our costs were such that in straight economic terms, without any political overtones at all, a revaluation or a devaluation of the Canadian dollar was required.

The minister has announced that he is going to intervene in the market from time to time with the $1.5 billion standby credit he has arranged. He made it completely clear, so far as I am concerned, that there was only one reason why he or the Bank of Canada would intervene. Senator van Roggen has already alluded to this. Making sure that the market does in fact work to set the value of the dollar from time to time has to be done in an orderly way. Therefore, if there are extreme movements, which really are not true movements but are distorted movements caused by speculation, the government and the central bank will intervene temporarily from time to time to even out some speculative action. I think that is a proper and responsible action for the government and the Bank of Canada to take periodically.

● (1510)

One other reason that the Minister of Finance drew to the attention of Parliament and the country was that there has been a significant withdrawal from the international money market by the provinces and their agencies. This, of course, does indeed cause some problems, because the international market becomes uneasy and does not adjust well to extreme changes in the flows. Not very many years ago the provincial governments and their agencies—such as Quebec Hydro, Ontario Hydro and many other large provincial crown corporations—were borrowing massive amounts of money, bringing it into Canada, and when that borrowing slowed down significantly, and in some cases almost stopped, there was, of course, a distortion of the usual pattern in that market. Again, I believe that the federal government has a responsibility to take up some of that slack so that we do not have a disorderly change in the market from time to time.

Foreign investment in Canada is, of course, a mixed blessing and curse. We appreciate it because in many cases it provides additional investment in manufacturing plants, creates new jobs and so on, but it also bolsters the Canadian dollar. However, somewhere down the road it has to be paid back, and it has to be paid back with interest, and sometimes with dividends—at least, that is the hope when the investment is made. That is another problem Canada is now facing, that a very large part of the money going out of Canada is to make these interest and dividend payments on investment that was made in Canada many years ago.

I am sure it was the hope of the government then, and still is, that the expansion in our economic activity as a result of foreign investment would put us in a position where we would be able to earn or create sufficient money in Canada to take care of those foreign interest and dividend commitments without difficulty. However, this also happens to be one of those eras when almost all of the industrial nations are having some economic difficulty, so our foreign account payments for interest and dividends loom very large at the same time as these other problems.

Therefore, I do not view with complete distaste—if that is the right word—a slowdown in foreign investment in Canada. I think it would be difficult if we had sudden changes, as we have experienced with some other factors, but I think that sooner or later we have to face the fact that a continually high level of foreign investment in Canada that is not matched by an increase in economic activity and earnings, so that we can pay it back comfortably, is probably not a desirable thing over a long period of time.

I should like to add, honourable senators, that for its educational value I think this inquiry is a good thing, but I have mixed feelings about the whole matter being sent to a committee now. If it is indeed referred to a committee on the basis that we perceive some kind of crisis in Canada because our dollar has decreased in value by 10 per cent, I am afraid that that would, in fact, exacerbate the problem rather than help it.

Senator Bell: I wonder if I might ask Senator Desruisseaux a question? Alternatively, perhaps Senator Austin could reply. Is there a quarterly analysis of the money supply? Perhaps that could be correlated with the consumer price index over, say, the period of the last three or four years. Do you know if there is such an analysis?

Senator Desruisseaux: I believe there is. I recall seeing it, but I cannot pin it down. I think the government publishes those statistics, and possibly Senator Austin will have looked at them in preparing his speech. I believe it is among the information that is important to those who are responsible for the rate of exchange of the Canadian dollar. Other than that I have very little knowledge of the subject. I have not seen the last one.

Senator Austin: Honourable senators, I would supplement Senator Desruisseaux's answer by saying that those figures certainly exist. Senator Bell's question goes to the heart of monetarist theory. The relationship is something that is not yet well understood, but the monetarists believe that is one of the significant areas of focus for policy. If honourable senators agree to refer the subject of this inquiry to a committee, the committee could well look into the question.

Would honourable senators permit me to address myself for a moment to the remarks of Senator Olson? I believe Senator Olson and I are on all fours with respect to the issues in play.

Senator Everett: Is the honourable senator closing the debate?

Senator Austin: No. I am asking for permission to make a comment during the debate.

Senator Bélisle: I shall be adjourning the debate.

Senator Austin: I apologize to Senator Olson if I did not make it clear in my speech that I was in no way considering we had a crisis. This is, as Senator van Roggen said, a normal event in the system of the floating dollar. However, I do suggest that over a period of time, and in a deliberate way, we should investigate these issues so that the Canadian people, businesses and others affected in Canada, can be better informed about the way in which that system operates.

Hon. Douglas D. Everett: Honourable senators, I had not intended to take part in the debate at this point, but the superb presentation of Senator Desruisseaux and the points raised in the excellent speech of Senator Olson cause me to say a few words.

I find myself in agreement with Senator Olson in his view that, while this is a most interesting subject, it is also an extremely complex one, and one which cannot be isolated from the rest of economic policy. We cannot just look at the exchange rate policy. We must also look at the effects of monetary and fiscal policy.

● (1520)

What we are really talking about here is a major economic study. I might say parenthetically, in reply to Senator Bell's question about the money supply figures, that they are published every week by the Bank of Canada; once a month they are seasonally adjusted, and I believe that once a month the Bank of Canada produces a major publication, giving a wide range of statistics including money supply statistics. So there is a lot of material that is available on the rate of growth of the money supply.

What we are talking about here is a major economic study. Like Senator Olson, I would be just a little bit concerned about embarking on a study of the exchange rate at this particular juncture. Everyone knew that the Canadian dollar at $1.03 was highly overvalued, that it had to come down, and that is was supported, as Senator Olson said, by borrowing from foreign countries, mainly the United States, due to an abnormally high interest rate in Canada. It has come down, and at some point it is going to find the level that relates to the difference in inflation between Canada and the rest of the world, and most especially the United States.

Although we do not have the facts at this stage, we can suspect that it has come under some sort of speculative attack. It may be necessary for the time being for the central bank to support the dollar until that speculative attack ceases. But at some stage, under a floating system—which I personally endorse—it will find its natural level.

[Senator Austin.]

For us to get involved in a study right now, it seems that two things are wrong. As Senator Olson has said, we would be reacting at a time when our currency may be under, or may come under, a speculative attack. Secondly, these things change very quickly. Within a month our dollar could be stabilized. At that stage we could be looking into something that is past history. So I would not want to look into the question of the exchange rate on the basis that we have a problem now, but I do like the idea of having a look at our exchange rate policy, our floating rate policy, and our entire economic policy, at another time when we can do it in a way that makes good sense and allows us to involve expert opinion. I believe, therefore, that if we are going to undertake such a study it must be an all-embracing and well-founded study.

Senator Austin said that the matter should be referred to the Standing Senate Committee on Banking, Trade and Commerce. I differ from him in that it is my view that if this matter is referred to a committee, it should be referred to the Standing Senate Committee on National Finance. If honourable senators look at the rules they will see that the National Finance Committee is concerned with government finance. On the other hand, the Banking, Trade and Commerce Committee is concerned with banking, insurance, trust and loan companies, credit societies, caisses populaires, small loans companies, customs and excise, taxation legislation, patents and royalties, corporate and consumer affairs, bankruptcy, and natural resources and mines.

I was a member of the Rules Committee, chaired by Senator Molson, when we rewrote the rules not long after I came to the Senate—somewhere around 1967 or 1968. At that time we discussed the powers that should be given to the National Finance Committee and those that should be given to the Banking, Trade and Commerce Committee, It was decided that the Banking, Trade and Commerce Committee should deal with taxation, although that is a matter that in some ways falls more likely into "government finance." It was decided that the spending estimates should be dealt with by the National Finance Committee, and that taxation should be dealt with by the Banking, Trade and Commerce Committee.

It was thought that government economic policy would likely be dealt with by the National Finance Committee. Indeed, the National Finance Committee in the past has made two major economic studies and reported to the Senate. One report in which I was involved is entitled *Growth, Employment and Price Stability*, and the other report was made before I became a member of the committee or, indeed, a member of the Senate.

It seems fairly clear that government economic policy is a matter which comes within the ambit of the National Finance Committee and not within that of the Banking, Trade and Commerce Committee. If this matter is referred to a committee—and at this stage I am not recommending that it should be—I believe it should be referred to the Standing Senate Committee on National Finance.

[*Translation*]

Senator Bélisle: Honourable senators, if you will allow me, I shall congratulate all those who have taken part in the debate and have expressed their opinions from the fiscal point of view. In addition, if you will allow me another remark, those who spoke saw things from the same point of view, though, I perceived, in not quite the same perspective because they did not all share the same views.

If you will also allow me, I should like to say to Senator van Roggen that, though he may question the knowledge, the information or the sincerity of Senator Flynn, I certainly do not. I believe that during his 15 years here Senator Flynn has been one of those who have worked long hours to familiarize themselves with all the bills put before us, every subject, knowing his point of view would then be more impartial than those we have heard until now, or, at least, impartial from the government point of view. And now please allow me, on his behalf, to move the adjournment of the debate.

[*English*]

Senator van Roggen: Honourable senators, on a point of order, I would like to make it quite clear that at no point in my remarks did I bring Senator Flynn's sincerity into question. I did not use that word—I am quite positive of that—and would never do so concerning that particular gentleman.

On motion of Senator Bélisle, for Senator Flynn, debate adjourned.

The Senate adjourned until Tuesday, February 28, at 8 p.m.

THE SENATE

Tuesday, February 28, 1978

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

Prayers.

DISTINGUISHED VISITORS IN GALLERY

BALTIC HONORARY CONSULS

Senator Yuzyk: Honourable senators, I draw your attention to the presence in the gallery of the Honorary Consuls of the Baltic States. I should like to introduce and, on your behalf, welcome Mr. Ilmar Heinsoo of Estonia, Dr. Edward Upenieks of Latvia and Dr. Jonas Zmuidzinas of Lithuania.

These distinguished visitors are here to attend the Sixth Baltic Evening on Parliament Hill, to be held tomorrow in celebration of the 60th anniversary of the self-determination, independence and statehood of the Baltic nations. This was referred to by Senator Thompson on February 23 last.

I am happy to state that Canada, the United States, and several other democracies do not recognize the Soviet military occupation and the forcible incorporation of these countries by the Soviet Union which took place in 1940.

The Latvians, Lithuanians and Estonians, now numbering over 100,000 in Canada, are among the best citizens of our country.

Hon. Senators: Hear, hear.

Senator Yuzyk: These people treasure the freedom, democracy and human rights of the Canadian way of life. Their many-sided contributions are enriching our economy and the Canadian cultural mosaic.

STATUTE LAW AMENDMENT PROPOSALS

CLARIFICATION OF REMARKS MADE ON THE MOTION FOR THE ADOPTION OF REPORT OF COMMITTEE

Senator Goldenberg: Honourable senators, I wonder if I might, with leave, correct a misunderstanding arising out of my statement in moving the adoption of the Report of the Standing Senate Committee on Legal and Constitutional Affairs on the Miscellaneous Statute Law Amendment Proposals on Wednesday of last week.

Comparing the procedure for tabling these proposals with the procedure followed in the case of the first Miscellaneous Statute Law Amendment Bill in 1977, I said, and I quote:

> The procedure was changed this year, in that the proposals were referred to the Legal and Constitutional Affairs Committee of the Senate for consideration before being printed as a bill for introduction in the House of Commons.

This was substantially the statement made by the Parliamentary Secretary to the Minister of Justice when he appeared before the committee. As a result of questions put to me by Senator Grosart, I made further inquiries and found that the change in procedure was not as radical as the statement implied. In fact, the proposals were tabled both in the House of Commons and in the Senate and referred to the respective committee of each house. I give Senator Godfrey credit for drawing this to my attention.

The actual difference between the procedure followed in 1977 and the procedure adopted this year is that in 1977 the proposals were tabled in the House of Commons and referred to its Committee on Justice and Legal Affairs, whose recommendations were then incorporated into a bill which was introduced in the house and which followed the usual course. This year the proposals were submitted to both houses, and the bill when introduced will incorporate the unanimous recommendations of both the Standing Senate Committee on Legal and Constitutional Affairs and the House of Commons Committee on Justice and Legal Affairs. It will then follow the normal course of a bill through Parliament but without further reference to a committee. The difference in procedure is, therefore, that this year the Senate committee will also have had the opportunity to study the proposals and report thereon prior to their introduction in Parliament as a bill. It is my hope that this procedure will be followed in future.

● (2010)

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

SPECIAL JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Baldwin had been substituted for that of Mr. Hnatyshyn on the list of members appointed to serve on the Standing Joint Committee on Regulations and other Statutory Instruments.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Committee on International Hockey to the Minister of State, Fitness and Amateur Sport (The Honourable Sidney L. Buckwold, Chairman).

Report of the Law Reform Commission of Canada for the year ended May 31, 1977, pursuant to section 18 of

the Law Reform Commission Act, Chapter 23 (1st Supplement), R.S.C., 1970.

Report of the Roosevelt Campobello International Park Commission, together with its financial statements certified by the Auditor General, for the year ended December 31, 1976, pursuant to section 7 of the Roosevelt Campobello International Park Commission Act, Chapter 19, Statutes of Canada, 1964-65.

Letter of Agreement, dated February 23, 1978, between the Government of Canada and the Government of Saskatchewan concerning the establishment of a joint Federal-Provincial Immigration Committee to assure continuing co-operation between the Canada Employment and Immigration Commission and the Province in matters of immigration, demography, and employment relating to immigrants and foreign temporary workers.

SPORTS

REPORT OF COMMITTEE ON INTERNATIONAL HOCKEY—NOTICE OF INQUIRY

Senator Buckwold: Honourable senators, with leave of the Senate and notwithstanding rule 44 (2), I give notice that later this day I will call the attention of the Senate to the Report of the Committee on International Hockey to the Minister of State, Fitness and Amateur Sport, tabled this day.

The Hon. the Speaker: Is leave granted?

Hon. Senators: Agreed.

NORTHERN GAS PIPELINE

NOTICE OF MOTION

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 44(1)(d), I give notice that tomorrow, Wednesday, March 1, 1978, I will move:

> That a special committee of the Senate be appointed to consider legislation concerning a northern gas pipeline or the subject matter thereof in advance of such legislation coming before the Senate; and
>
> That the committee have power to send for persons, papers and records, to examine witnesses and to print such papers and evidence from day to day as may be ordered by the committee.

The Hon. the Speaker: Is leave granted?

Hon. Senators: Agreed.

FOREIGN AFFAIRS

RECOGNITION OF BALTIC STATES—QUESTION

Senator Thompson: Honourable senators, in view of the presence in the Senate gallery of the Honorary Consuls of Estonia, Latvia and Lithuania, I should like to ask the Leader of the Government what the Canadian government's continued position is with respect to the recognition of those occupied nations.

Senator Perrault: Honourable senators, I want to say in the strongest possible terms that the Canadian government never recognizes, *de jure*, the incorporation of those states into the U.S.S.R.

AGRICULTURE

FARM CREDIT BILL—QUESTION

Senator Argue: Honourable senators, I should like to ask the Leader of the Government a question in connection with the announcement by the Honourable Mr. MacEachen in the other place on January 26 that among the bills to be introduced before Easter would be an amendment to the Farm Credit Act, which would provide moneys for the Farm Credit Corporation to carry on. The honourable leader will know that at least rumour had it that certain amendments would be included in that bill; namely, increasing the maximum eligible age to somewhat beyond 35 years and making it possible for a loan larger than the maximum loan to be made on a single unit of farm operations, where a father and son or father-mother, daughter-son, et cetera, are farming as a family.

Is this legislation still to be introduced? If so, when might we expect it?

Senator Perrault: Honourable senators, I am not in a position to indicate at this time the status of that particular proposed piece of legislation. However, I will make an inquiry as soon as possible.

INCOME TAX CONVENTIONS BILL

SECOND READING

The Senate resumed from Thursday, February 23, the debate on the motion of Senator Lang for second reading of Bill S-9, to implement an agreement between Canada and Malaysia and conventions between Canada and Spain, Canada and Liberia, Canada and Austria and Canada and Italy for the avoidance of double taxation with respect to income tax.

Hon. Allister Grosart: Honourable senators, I regret to say that the sponsor of this bill, Senator Lang, is not able to be with us tonight, but I must certainly compliment him on his learned and instructive introduction of it. In his speech Senator Lang referred to some questions that I asked him two years ago when he introduced a similar bill, and said he hoped I would not ask him the same questions tonight. I am afraid I will ask one or two of the same questions because, unfortunately, it is not unusual here for important questions to be asked and the answers to be a long time in coming. In addition, I shall be asking a few new questions which I am sure Senator Lang, in due course, will answer in his usual competent way.

The purpose of this bill is to implement an international agreement, and a number of international conventions, for the avoidance of double taxation between Canada and Malaysia, Spain, Liberia, Austria and Italy; to implement a long series of

agreements which have been carried out between Canada and these other countries ever since the end of the Second World War, and particularly since the inception a few years ago of that bill which we sometimes refer to as the Tax Reform Act. At the present time, it would appear that if this bill is passed something like 20 of these agreements will be implemented, leaving perhaps another 20 countries around the world with which negotiations are being carried on, and with which we can expect in due course to have similar agreements.

● (2020)

The agreements are basically similar to the agreements and conventions which have been before us on previous occasions, but there are some differences and changes that will interest honourable senators.

I asked some questions of the Leader of the Government regarding these agreements and conventions. He has not yet replied, but I may refer to them as I go along. My basic questions were: What are the countries with which we have double taxation avoidance agreements? What are the countries with which we do not have such agreements, but perhaps should have? This, of course, raises the question of an obvious inequality, if not discrimination, between Canadian citizens and others, particularly those who may be investing abroad in countries with which we do not have double taxation avoidance agreements. I have never been able to obtain a full answer to the question regarding the status of citizens who have investments abroad or, conversely, citizens of other countries with which there is no agreement for the avoidance of double taxation.

The first question that occurs to me and which, no doubt, Senator Lang will answer in due course is why the Malaysian agreement is defined as an agreement, and the other agreements are defined as conventions. I am sure honourable senators are aware that in international law there is always a question of nomenclature in respect of treaties, conventions, agreements, and so on. I would be interested to know why the Department of External Affairs has decided, apparently, to use a different term for the Malaysian agreement, which is not fundamentally different from the conventions with Spain, Liberia, Austria and Italy. It may indicate a different relationship, although I have not been able to discover what the difference might be from either a reading of the bill or the explanation given by Senator Lang.

This bill raises some other interesting questions in my mind, and perhaps I should quickly describe its structure. It is a bill to implement these agreements or conventions, the reason being that under our system, the Westminster system, any international agreement, treaty, or convention does not automatically become the law of the land and cannot in itself be pleaded in court. That is a fundamental difference between our constitutional usage in that respect and Washington's, where an international treaty automatically becomes the law of the land and can be pleaded in court. Our system is to have these agreements made, and then for the government to introduce legislation such as we have here to implement them.

[Senator Grosart.]

The bills are practically identical and are very short. The schedules attached thereto—which are the agreements, or conventions, themselves—are very long and involved. Furthermore, they are generally similar, but are, in one important aspect, different.

The bill we are now considering has the usual short title in the first clause. Subclause 2(1) states that the agreement and the schedule thereto are declared to have the force of law in Canada. This is the part concerning the Canada-Malaysia agreement. Then there is a second subclause to clause 2, which perhaps I should read.

> In the event of any inconsistency between the provisions of this Part, or the Agreement, and the provisions of any other law, the provisions of this Part and the Agreement prevail to the extent of the inconsistency.

I have been concerned previously with the phrase "any other law", and I would hope that either from Senator Lang or, perhaps, in committee, we will have a clear assertion that "any other law" here does not refer to provincial laws, where there may be a conflict. I say this because it is sometimes said that Canada, in terms of international legal definition, is not a fully sovereign nation since we cannot enter into a treaty as a sovereign nation with another sovereign nation without making the reservation that no provision of such a treaty which involves an area of exclusively provincial jurisdiction does not affect that jurisdiction. I am not sure of the intent of this phrase, but I hope we will have clarification in due course.

As regards the third subclause of clause 2, I merely draw it to the attention of honourable senators because it is an excellent provision. It reads:

> The Minister of National Revenue may make such regulations as are necessary for the purpose of carrying out the Agreement or for giving effect to any of the provisions thereof.

I have said on other occasions that I hoped that whenever special discretionary powers, such as these, are given to a minister, particularly in regard to regulations, the Senate would insist that there always be included the phrase "as are necessary", which, of course, brings any action by the minister with respect to the regulations within the purview of the courts. This would not be the case if we had the phrase "in the opinion of the minister," which was formerly used. This is the kind of phrase I would hope we would insist on whenever such discretionary powers are given to ministers. This language runs not only through the enabling part of the bill before us, but is carried into some of the treaty provisions themselves. I call them treaties because that is, in effect, what they are.

In connection with that matter of provincial jurisdiction, I would draw attention to clause 7, which appears on page 19 of the bill as it is before us, and elsewhere, to the effect that when the payer of royalties, which come under the provisions of this bill, is a contracting state—that is, either of the sovereign states—or a political subdivision thereof, the act applies.

I have some concern as to whether a royalty payment, or a tax payment, under provincial legislation can be covered as

this bill attempts to cover it, in view of the effect of the exclusive legislative power of the provincial legislatures in tax areas as well as in other areas.

• (2030)

I am going to suggest to Senator Lang and to the Leader of the Government that this bill go to a committee. At other times we have had a discussion about which committee such bills should go to. This one obviously deals with taxes, but it also deals with international agreements, treaties or conventions. The suggestion has been made that it should be referred to the Standing Senate Committee on Foreign Affairs, because under our rules the first group of subjects that should go to that committee comprises the kind of thing dealt with in this bill, namely, a treaty on an international agreement. It has also been suggested that because of the long-term expertise of the Standing Senate Committee on Banking, Trade and Commerce in this field, the bill should go to that committee. I leave that to the decision of the Leader of the Government and, perhaps, the sponsor of the bill. However, it is my opinion that this bill should go to a committee for a very thorough information-type examination, because it deals with a great many matters with which not too many Canadians are familiar in this whole area of taxes paid reciprocally by citizens of the contracting parties, withholding royalties, and so on.

The bill deals with gains from the alienation of immovable and movable property, independent personal services, dependent personal services, fees of directors, and artistes and athletes. The word used throughout is "artistes", even in the English version. I do not know whether there is any distinction between "artistes" and "artists", but there it is.

It deals also, of course, with pensions and annuities, which are becoming of increasing interest to many Canadians who for various reasons, spend part of their retirement abroad. It deals with people in the government service, with students, and with estates or trusts. I think it would be useful to have an explanation of the differences in the treatment of these various types of Canadians in respect of the avoidance of double taxation.

A commendable aspect of the bill is that it provides perhaps necessarily for the situation where between the passage of an implementing bill such as this and the next possible time it could come before Parliament changes might be agreed on between the contracting parties to the agreement or convention. The bill provides that in that event, any such change agreed to by the contracting parties, the two nations, may be given, in effect, legislative validity in Canada by order in council. On the surface that might seem quite alarming, because it includes revoking the whole agreement. The phrase is, "alter, revoke, replace or add to the Agreement," which would seem to indicate that here the government is being given, in effect, the power to repeal an act of Parliament by revoking the agreement to which it refers.

However, there is a saving clause, clause 17, which I commend to honourable senators. This is the famous, but not often used, negative clause, and I hope that in committee we will have a full explanation of the way this would operate.

There is in the provisions one apparent anomaly, but this negative clause says, in effect, that the order in council must be tabled in Parliament—that is, in both houses—within 15 days. If no action is taken by either house—that is, action taken by one house and confirmed by the other—the order in council stands. That action must be taken by 50 members in the Commons, or by 20 members in the Senate, within 20 days. Then there are provisions for what happens if one house goes ahead and the other house does not. Generally, if 20 senators, for instance, raise the question and the Senate votes to revoke, or not to approve, an order in council, that decision would go forward to the House of Commons in the usual manner and the House of Commons would be in a position to either accept or reject it. However, a rather interesting provision in this formula is that if that does not happen in either house, the order stands. So it is a question of concurring, or not concurring.

The reason I raise this, and the reason I believe we would have some discussion of it in committee, is that I know there are many honourable senators who feel this is the type of device that should be used much more often in our legislation. It is fairly simple, but it would get us away from many of the problems that arise, particularly in connection with regulations and orders in council. In fact, I would almost go so far as to suggest that every regulation and every order in council be tabled in Parliament and subject to negative resolution. It would merely mean that on the Table would be placed every regulation, and every order in council, and it would then be up to the required 20 senators or 50 members of the House of Commons to raise the issue.

We all know that we have a joint committee dealing with regulations and statutory instruments, and they complain continually that they never know what orders in council, in particular, are being made. It is a real problem, and it seems to me that we should discuss this in committee with the officials to see if they will not agree that this particular device, if I can call it that, or this format, should be used more often.

One major difference between the various agreements is that there is a special provision with respect to the matter of pensions being received by citizens of Canada or Italy. Senator Lang's explanation was this:

> There is one unusual aspect to this bill, however, in respect of the convention with Italy. I am sure it will be of great interest to Italo-Canadians to note that incorporated in this convention is an exemption of pensions up to $10,000 a year paid from either Canada to Italy or, reciprocally, from Italy to Canada. I am glad to see this provision incorporated, because one of the great sources of strength and character in the City of Toronto is our vital Italo-Canadian population.

I will not suggest what Senator Lang was looking forward to when he made that comment; it is fairly obvious. He continued:

> Regretfully, I rather assume from this exemption that many of these people, when they retire, return to sunny

Italy rather than face the ferocious climate of our Canadian winter. This was recently a matter of current interest in the press, and it is now incorporated in the convention and will become law if and when Parliament passes this bill.

● (2040)

Far be it from me to criticize or even question any such generous concern for any citizen of Canada. But the question has arisen in my mind as to why this provision is not extended to all citizens in Canada or in other countries with which we have double taxation avoidance agreements or conventions. I just wonder why this general provision has been extended only to Italo-Canadian citizens when they retire.

I simply put that on the record. No doubt Senator Lang will give us an explanation of it later, because in his explanation of the bill on second reading he did not indicate why this was incorporated only in this one convention and not in the other conventions and agreement which are before us, and why it is not in all such agreements. One wonders why this provision was not incorporated in the United States agreement, particularly when one considers there is a sunny United States as well as a sunny Italy, and the fact that many Canadian pensioners go there at certain times. I am sure it would be interesting to know why this provision is here. It may well be it is the intention to extend it, but I do not know.

Honourable senators, I hope this bill will be referred to committee because there are matters in respect of which I am quite sure you and I would like more information.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Langlois moved that the bill be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to.

NATIONAL UNITY

MAGAZINE ARTICLE—DEBATE CONTINUED

On the Order:

Resuming the debate on the inquiry of the Honourable Senator Forsey calling the attention of the Senate to a most mischievous article by June Callwood in the January number of *L'actualité*—(Honourable Senator Langlois).

Senator Langlois: Honourable senators, I yield to Senator Hicks.

Hon. Henry D. Hicks: Honourable senators, I wish to speak briefly on this inquiry. First of all, I should like to say that I agree with the points made earlier by Senator Forsey. I do not intend to repeat them or paraphrase what Senator Forsey said, but merely underline the points which he made.

[Senator Grosart.]

I wish to make two other observations which Senator Forsey did not make. I take second place to no one in upholding the rights of persons to speak and write articles expressing the most divergent views from my own and, indeed, to be highly critical even of our country, provided they stay within the limits of the laws of the land, and particularly the laws relating to sedition, to which Senator Forsey referred in his remarks on February 9.

However, this lady is an employee of the Canadian Broadcasting Corporation. I think that the Canadian Broadcasting Corporation, which is an agency supported to the extent of many hundreds of millions of dollars per year by the Government of Canada, ought to be expected to employ persons who adopt attitudes which conduce towards the integrity and unity of Canada rather than towards its disruption and its breaking into several parts.

I realize that June Callwood did not make these remarks on television, but wrote them in a magazine article published in the province of Quebec. Nevertheless, I took the trouble to watch some of her programs. I regret to say that her attitude seems to be generally negative and destructive of the unity and integrity of Canada, not to mention the absurd ignorance which she expressed concerning our Constitution, concerning the state of human rights and some other aspects of the laws in Canada to which Senator Forsey made reference on February 9.

If she spoke as an employee of, or on behalf of, an independent or private television company, I would say that she had every right to make these remarks, provided they stayed within the laws of the land. However, I think that Parliament ought to exercise a stricter control over the CBC. I think we have a right to insist that the CBC be an agent of Canada, not a part of Canada, not a fractured or disrupted Canada, but the whole of Canada. I suspect that the lady referred to in this inquiry does not share those views.

The second point I wish to make is that I was disappointed to discover that in January of this year the committee which makes recommendations for membership in the Order of Canada recommended the nomination of this person as a member of the Order of Canada.

There are at least five companions and officers of the Order of Canada in this house, honourable senators, and I think we are all sensible of the great honour conferred upon us when we were inducted into the Order. I, myself, am impressed with the motto of the Order, which is: *Desiderantes meliorem patriam.* It is taken from the 11th chapter of Hebrews, 16th verse, and translates into English as, "They desire a better country." Into French it translates as, "Nous aspirons à une patrie meilleure."

There is no doubt that the country referred to is Canada. Again, it is all of Canada, not a part of Canada, not two Canadas or a particular section of Canadian society. The members of the Order are challenged to desire a better country, and that country is Canada.

I conclude by saying that if June Callwood is a person of principle, I should think that she has no alternative but to decline installation into the Order, which would normally occur in April of this year.

On motion of Senator Langlois, debate adjourned.

● (2050)

SPORTS

REPORT OF COMMITTEE ON INTERNATIONAL HOCKEY—DEBATE ADJOURNED

Hon. Sidney L. Buckwold rose pursuant to notice of earlier this day:

> That he will call the attention of the Senate to the Report of the Committee on International Hockey to the Minister of State, Fitness and Amateur Sport.

He said: Honourable senators, I appreciate the waiving of the rules in order that I might speak to this report this evening. The report was tabled in the House of Commons on Thursday last, and it was tabled in the Senate earlier this evening, copies having been forwarded to all honourable senators.

When I asked for leave to call the attention of the Senate to this report, one of the great stickhandlers in this house, a great hockey player in his days, Senator Goldenberg, said in a quiet voice that he would have much preferred to have heard from the very charming, lovely and capable minister herself. I am sure that all of you would have agreed with him on that. I am sorry to have to disappoint Senator Goldenberg, but the minister's stand-in, who is not exactly the world's greatest representative of fitness and amateur sport, is going to have to carry the puck.

Honourable senators, the Committee on International Hockey was formed by the Honourable Iona Campagnolo, Minister of State for Fitness and Amateur Sport, last July. It came about as a result of a stormy performance by Team Canada at the World Hockey Championships in Vienna last year. As honourable members will recall, although the Canadian team played sound hockey at times, it did not fare well in the tournament and its truculent style of play and its behaviour off the ice created a furor in Canada and across the hockey world. Some incidents arising from the team's conduct were an embarrassment to the people of Canada.

The criticism, coupled with the presence in Vienna of the minister, led to the decision to form this parliamentary committee to look into Canada's participation in international hockey. The minister instructed us to report back to her on the options which would be open to the Canadian government and to the hockey community generally to improve our performance in international hockey. The committee then had the responsibility to outline these options and to indicate ways and means of influencing the structure of the national team so that future national teams could consistently reflect that which is best in our nation.

That was the mandate given to our non-partisan parliamentary committee, which originally consisted of myself as chairman, and Armand Caouette, Roch La Salle, Stuart Leggatt and Gus MacFarlane of the House of Commons. Dr. Bruce Halliday and Dr. Victor Railton were added to the committee later because of the inability of some of the original members to attend some of the meetings. Our advisor was Derek Holmes, the Executive Director of Hockey Canada.

Senator Grosart: There were no other senators on the committee?

Senator Buckwold: No, there were not.

Senator Asselin: Were you chosen by the minister?

Senator Buckwold: I was appointed by the minister, yes. Why I was chosen, other than the fact that, like Senator Goldenberg, I am qualified as a very skilled professional, I am not sure. I might say, I have had a significant interest in hockey over the years, and I also had the privilege of touring Europe with a hockey team some years ago—not, I hasten to add, as a player, but as the mayor of my community. It was my responsibility to give the after-game speeches.

Senator Asselin: You are a good skater.

Senator Buckwold: On thin ice. The committee heard from both groups and individuals. As a matter of fact, over 100 groups and individuals were interviewed, many of whom presented briefs. There was a great deal of correspondence. In addition, an interesting questionnaire was sent out by certain members of the House of Commons to their constituents. The members were chosen so as to achieve a representative group across the country. To give you an indication of the wide interest in this subject, the response to that questionnaire was well over 15 per cent, which for a mail-out is considered well above average.

Honourable senators might be interested in some of the questions and the responses. I do not intend to comment on them. The first question was:

> In your opinion should Canada participate in international hockey?

The response to that was 93 per cent in favour.

The second question:

> If you agree that we should participate, which is more important to you?

And the choices were to win or to compete.

Senator Steuart: To win.

Senator Buckwold: We have Senator Steuart representing the large group of citizens who wish to win at any price, to bring back the medal. That is the way some Canadians think.

I was personally pleasantly surprised that only 3 per cent of those who responded shared Senator Steuart's view. By far the greater number, 65 per cent, said that our major objective should be to compete—and certainly to win, but not to win at any price.

The third question:

> In your opinion does Team Canada represent you as a Canadian when it competes?

In response to that, 83 per cent said yes. The next question:

In your opinion should Canada select players for Team Canada when needed?

And 40 per cent replied "yes" to that. Or:

Develop an ongoing national team?

And 53 per cent opted for the latter. The results were very close. The idea of developing an ongoing national team may sound appealing, but from a practical point of view, given the salaries now being paid to players in the National Hockey League and the World Hockey Association, it is unrealistic.

The fifth question:

In your opinion which of the following are the most serious problems for Canada in international hockey: team selection, team preparation, team conduct, rules and officiating, tournament dates?

Interestingly enough, 28 per cent picked team selection, 24 per cent picked team preparation, 24 per cent picked team conduct, 13 per cent picked rules and officiating, and 11 per cent picked tournament dates.

The sixth question:

In your opinion are Canadian hockey players suited for international hockey in skills, attitude, conditioning?

In skills, 88 per cent replied in the affirmative; in attitude, only 45 per cent replied in the affirmative; and in conditioning, 43 per cent replied in the affirmative.

Senator Grosart: Too high.

Senator Buckwold: I think that is a very important statistic.

Senator Everett: Could you give the figures for skills again?

Senator Buckwold: In terms of skills, 88 per cent said yes; 6 per cent said no; and 6 per cent had no answer.

These are revealing statistics insofar as the opinions of Canadians generally.

The last question is an interesting one:

In your opinion should the Federal Government become more involved with Team Canada?

Sixty-four per cent said yes; 32 per cent said no, and 4 per cent did not reply.

● (2100)

Honourable senators, I think there is significant support for a mandate to be given to the federal government to be more involved in international hockey.

The committee, as I say, conducted hearings, heard groups and presentations, literally thousands of pages of briefs, and our report is relatively short—just a handful of pages—which I think you will find interesting reading. I do not want to go into the details of the report but I should like to deal with some of the over-view.

Canada has a difficult role in international hockey. Our best hockey players, as all of us are aware, are in the National Hockey League and the World Hockey Association. In those leagues, only six teams represent Canadian cities; the rest are American franchises. This puts a very touchy complexion on the whole problem of our participation in international hockey, because although almost all the players are Canadian, the team owners are American and the teams are located in American cities. I suppose it could be said that American owners are not that much interested in how Canada as a nation does in international hockey.

The professional leagues, of course, have a very important influence on our attitude to hockey in so far as the development of our young players is concerned. In my opinion, and in the opinion of our committee, the professional leagues are certainly skilful in their approach to the game; their players are topnotch and really are the best we have. In addition, the professional leagues are spectator oriented. It is important that they play a style of hockey that will fill the rinks and produce revenue, and the result is that sometimes the action on the ice is something that we would not be particularly proud to see our young hockey players emulate. But that is what happens. The heroes of our young, aspiring hockey players are the stars of the professional hockey leagues, and they adapt to the style of play they see on television. This also has influenced the style of game that has been developed in Canada.

As you know, the National Hockey League and the World Hockey Association playoffs take place at the same time that the International Ice Hockey Federation holds its annual hockey championships, generally in April. As a result we have not been able to form the best team we can to play against the best teams from other countries, but I think we have done as well as possible under the circumstances.

Honourable senators, a milestone in international hockey was reached in the Fall of 1976 with the staging of the first Canada Cup. It was a great series. Hockey nations such as Sweden, Finland, Czechoslovakia, Russia, and the United States were invited to send teams to Canada to play in a tournament in September. This was at a time when our professional players were available, although perhaps not in the best of condition. But the Canada Cup saw our best go against the world's best, and it is planned to hold this event again in 1980.

The first Canada Cup tournament was organized basically by Alan Eagleson, and while our report says little about Mr. Eagleson I think it is important to draw the attention of the Senate and of Canadians generally to the role that he has played in bringing back Canada into the international hockey scene. There has been a good deal of criticism of Mr. Eagleson, some of it justified, perhaps, on the grounds of conflict of interest. We listened to Mr. Eagleson and received his brief in which he told us he is the lawyer for more than 150 professional hockey players in North America, and the executive director of the National Hockey League Players' Association. However, he went on to say:

Now that I have advised you of the many conflicts I have, let me assure you that I have one desire above all and that is to establish as often as possible that Canada has hockey players second to none.

If you look at the record, keeping in mind this possible concern, and perhaps justifiable criticism, you will realize that that man has really put Canada back into the international

hockey scene. I doubt if anybody else could have done it. I might say that in 1976 the Canada Cup generated a profit of over $3 million, of which $1.5 million went to the professional players' pension fund and the other $1.5 million was turned over for hockey development of our young players through the Canadian Amateur Hockey Association. I do not think that Mr. Eagleson receives enough credit on that side for what has happened as a result of his leadership in the international hockey field.

Again I am not here to act as a one-man band for Alan Eagleson, but I think it is fair to say that he has made an unselfish contribution to the development of international hockey.

As we looked at the international hockey scene it soon became apparent to the committee that international hockey was really just the tip of the iceberg, that it was really just a reflection of what has occurred in the domestic hockey scene. It was almost impossible for us to differentiate between international hockey, on the one hand, and domestic hockey—the hockey that is played in Canada—on the other hand. When I say hockey that is played in Canada, I am referring basically to the amateur hockey, to the minor league hockey, to the junior league hockey, to the development process that we have in hockey and our report moves into this field, I think, fairly extensively.

I think it is fair to say that we came to the conclusion that we are not keeping up with the skills that have been developed in recent years by some of our European competitors, that there be increased stress on techniques and skills, and that we need improved coaching to make better utilization of the excellent research which has been done by Canadian universities. All kinds of research have been done in a variety of physical education facilities, and most of the material is just lying on the shelf and not being utilized. We go on teaching our young people to play hockey the same way we did 25, 30 or 40 years ago when, in fact, there are improvements that have been developed by some of our European friends.

● (2110)

I think that Canada still has the greatest hockey players in the world, and I am sure the members of our committee do. On the other hand, we have to accept the fact—and this many Canadians find difficult—that other nations also have good hockey players who are able to perform, and that there will be times when Canada will not be the champions. We have to accept that. We can take some credit for the fact that basically the game has come from us, and that the world has adopted and adapted it. We have been able to give to the spectator a wonderful form of entertainment, as well as a great exercise to young people in those countries that play hockey.

One of the major concerns of the committee over and above the question of improving our techniques, and taking advantage of our skills and our research, was the question of education. This could be the subject of a major address in itself, but there is no doubt in my mind, or in the minds of the members of the committee, that our major junior hockey leagues are not contributing in the way they should to the development of the full person. They concentrate on hockey skills to such a degree that in many cases they have made it difficult for the young people who play with them to obtain an education.

Some of the major junior hockey leagues are almost mini-pro leagues. The Western Major Junior Hockey League has teams that go from Flin Flon, Manitoba, down into the state of Washington. It also has a team in Billings, Montana. Some of these teams have schedules of 100 games, and they travel thousands of miles. It is almost impossible for these players to continue their education.

The sad thing is that, lured by the magic of $90,000-plus—the average salary in the National Hockey League—hundreds if not thousands of young people are sacrificing themselves to this whole junior hockey system in the hope of winning that prize at the end of the rainbow, which is there only for the chosen few—the very best. There are relatively few players drafted to play for the top professional teams. The rest make a significant sacrifice, many of them finding themselves with little education and, by the time they get out of junior hockey, no place to go. They become unhappy and disgruntled citizens.

The committee took a serious view of this problem and felt that it is important that there be an alternative for young Canadian hockey players—an alternative that would give them the chance to play hockey, develop their skills and also get an education at some post-secondary educational institution. Many of our bright young hockey players are going to American universities on hockey scholarships. We were told that there are about 1,000 Canadians playing hockey in a variety of American universities. The evidence we received was that, generally, the universities did not sacrifice their academic standards for these players on hockey scholarships. In other words, they demanded the same entrance requirements from the students on hockey scholarships as from any other students. The bad name that has been given to athletic scholarships in some American universities over the past years is really disappearing, and now high standards are set, and well they should be.

The committee recommended to the government that encouragement be given through Hockey Canada for a series of scholarships to post-secondary education institutions, either universities or trade schools, but these should not detract from the academic requirements of those institutions. As I have said, these youngsters are going to American universities and, in many cases, they eventually become American citizens. Interestingly enough, last year about one-third of the National Hockey League draft came through the American college system. Of that number, about 90 per cent were Canadians.

More and more, the National Hockey League and the World Hockey Association are looking to college-educated hockey players. This is the system that is followed in other major sports in the United States. There is no such thing there as a junior draft or midget draft for football or basketball. There are agreements there among all professional teams that until a player has had at least three years of college he is not signed up or drafted for those particular sports, and the result

is that you have well-educated players. It is our hope that the same thing will happen in Canada. I hasten to add that our players are bright, they are intelligent and they are able, but because of the system many of them are not able to carry on with their education in the way that we would like.

I am not sure of the accuracy of this, but it was reported to us by one of the witnesses that a few years ago only three or four of the players on the Calgary Centennials junior team had better than a grade nine education. I would say that is a sad commentary on the whole hockey system.

The committee is really quite concerned about junior hockey. We are concerned about minor hockey and how it is developing. We are concerned about the role that parents play, and I could make a complete speech on some of the briefs that were presented to us on that side of the question. Apparently some parents of kids seven and eight years old really goad the children into playing violent hockey. Again, that is not the kind of performance we like to see in Canada, nor is it the kind of development we want for our young hockey players.

Honourable senators, I could go on to discuss in detail a wide variety of recommendations which I know you are able to read for yourselves. The committee has recommended that the Government of Canada instigate an in-depth study—which the committee was not able to do—into the whole question of junior hockey. The minister has accepted that, and she is now discussing it with provincial ministers, because the educational aspect does involve the provinces, of course. We have suggested that there be an attempt to encourage intercollegiate hockey on a much wider scale than at present, because we feel it is important that hockey become a school sport. Some of us would even like to see hockey back in the high schools—but that, of course, is a different subject.

● (2120)

We have suggested it would be advisable to have a permanent coach and manager for Team Canada, so that we could learn from our experience and not have to "invent the wheel" every time we entered a team. Much more care should be taken in the choice of players, and judgments should be made as to how they react under pressure, and the kind of attitudes they have. This is a very difficult subject. We have indicated that better use should be made of psychologists and sports experts from the universities in an attempt to develop the kind of team that will represent us with honour.

Honourable senators, I have tried to give an overview of some of the things that we learned. I can say that there is tremendous interest in this country in hockey. The committee, in its meetings across the country, was impressed with how seriously Canadians regard hockey. Hockey is really a part of the Canadian culture, and it is important that the Government of Canada, through the minister responsible for fitness and amateur sport, recognizes this fact and assists wherever possible to improve our performance.

In conclusion, I believe, as a result of the committee's work, the actions of the minister, the reactions of the press in a wide variety of ways, and the concern of the players themselves, that we can look forward to a much improved performance when the teams meet again in the world championships in Prague this April. I am not suggesting that we are going to win, but I have the feeling that those magnificent players who wear the name "Canada" on their sweaters will conduct themselves in such a way as to reflect pride on all Canadians.

Perhaps I should add that those players are not highly paid for playing in international tournaments. What is not generally known is that the average salary paid for 17 games in the Vienna tournament was less than $2,000. It worked out to a little less than $120 per game, which I think all will agree is much less than the players earn when playing in their regular leagues. So the players themselves made a significant sacrifice.

I have been pleased to discuss the report. I hope that all honourable senators will enjoy reading it, and that it will have some impact on the future role of Canadians in international hockey.

Senator Langlois: Honourable senators, may I pose a few questions to Senator Buckwold? I am not seeking answers tonight, but perhaps he can provide the information later.

My first question concerns the evidence obtained in connection with that most regrettable and distasteful performance in Vienna last year. I would like to know if the committee obtained evidence from the participants. By "participants" I mean the Canadian referees, coaches and players. Secondly, I would like to know whether that evidence is available in printed form; and, thirdly, whether similar evidence was obtained with respect to other hockey competitions in which Canadians participated.

Senator Buckwold: In reply to the honourable senator, several players who represented Canada at last year's international ice hockey championships in Vienna were interviewed by the committee. The adviser to the committee was Mr. Derek Holmes, who was the general manager of Team Canada. So we were able to obtain a good idea of what went on, and the kind of frustrations and pressures faced by the players.

I regret to say that there is no printed evidence, but the briefs which, as I indicated, represent literally thousands of pages, are available and can be obtained at any time. We obtained very little evidence respecting previous tournaments, other than casual references to the Canadian experience.

Senator Connolly (Ottawa West): I shall detain honourable senators for only one moment. Again there is no one in the Press Gallery this evening to hear Senator Buckwold's most interesting speech. I should like to suggest that we undertake to send a copy of the honourable senator's speech, together with a copy of the report, to the sports editors of most of the papers across the country—those in our own cities, for example. That would be a useful service to perform. I am sure they would be interested in the information.

We are grateful to Senator Buckwold, not only for working so hard in the hot weather to produce a report in the cold weather about hockey, but also for doing something for the Senate. That is something which we should all recognize.

Hon. Senators: Hear, hear.

Senator Perrault: Before I move the adjournment of the Senate, I am sure I reflect the views of all honourable senators when I say that we are proud and pleased with the excellent report prepared under the chairmanship of Senator Buckwold. It has received praise from coast to coast, and reflects great credit not only on the committee and its chairman but also on the Senate, which was the subject of some discussion in events over recent days. We can point once again with a great deal of pride to this report of a committee chaired by one of our members.

On motion of Senator Asselin, debate adjourned.

LEGAL AND CONSTITUTIONAL AFFAIRS

POSTPONEMENT OF COMMITTEE MEETING

Senator Langlois: Honourable senators, before the adjournment is moved, I should like to remind you that the meeting of the Standing Senate Committee on Legal and Constitutional Affairs, scheduled for tomorrow after the Senate rises, for the purpose of considering Bill S-7, has been postponed until next Wednesday, March 8, 1978.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, March 1, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

SPECIAL JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the names of Mrs. Holt and Mr. Hnatyshyn had been substituted for those of Messrs. Pinard and Balfour on the list of members appointed to serve on the Standing Joint Committee on Regulations and other Statutory Instruments.

[*Translation*]

NATIONAL CAPITAL REGION

FIRST REPORT OF SPECIAL JOINT COMMITTEE PRESENTED

Senator Marchand, Joint Chairman of the Special Joint Committee of the Senate and the House of Commons on the National Capital Region, presented the following report:

[*English*]

Tuesday, February 28, 1978

The Special Joint Committee of the Senate and of the House of Commons on the National Capital Region has the honour to present its first report as follows:

On Wednesday, December 14, 1977, your committee was constituted to consider and report upon matters bearing upon the development of the National Capital Region, including the programs and operations of the National Capital Commission, and submit a final report within 90 days of December 13, 1977.

Your committee is of the opinion that it will be unable to complete its inquiry within the time prescribed by its order of reference. Your committee recommends therefore that the date of submission of its report be extended.

Your committee also recommends that members of the Special Joint Committee of the Senate and of the House of Commons on the National Capital Region be granted leave to travel outside Canada; namely, to Washington, D.C., U.S.A., for the purpose of pursuing the consideration of its order of reference, and that the necessary staff accompany the members on the inquiry.

Respectfully submitted,
Jean Marchand,
Joint Chairman.

[*Translation*]

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Marchand moved that the report be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

[*English*]

TRANSPORT AND COMMUNICATIONS

ATTENDANCE OF MINISTER OF FISHERIES AND THE ENVIRONMENT AT COMMITTEE MEETING—QUESTION

Senator Flynn: Honourable senators, I have a question for the Chairman of the Standing Senate Committee on Transport and Communications. I note that this committee is to meet tomorrow and that the witness will be Mr. Jack Hall, Acting Director, Small Craft Harbours Branch, Department of Fisheries and the Environment. In view of the fact that during the debate on second reading of the bill in question we on this side, at least, wanted to hear the Minister of Fisheries and the Environment, and representatives of the Treasury Board, I would like to know from the chairman, first, if it was his idea to have this Mr. Hall appear before the committee; secondly, whether eventually we shall have the opportunity to hear the minister and representatives of the Treasury Board.

Senator Smith (Colchester): Honourable senators, this meeting was called on my instructions. I had understood that the minister might not be able to be with us tomorrow, but I am now advised that he will be present. With reference to the Treasury Board, more than one senator has mentioned to me today the desirability of having a witness from the board, and I have therefore instructed the clerk of the committee to make whatever arrangements he can to have such a witness attend tomorrow. I am not in a position yet to say that that will be possible, but certainly, with the consent of the committee, it will be possible on a subsequent date.

● (1410)

NORTHERN GAS PIPELINE

MOTION TO APPOINT SPECIAL COMMITTEE—DEBATE ADJOURNED

Senator Langlois moved, pursuant to notice of Tuesday, February 28, 1978:

That a special committee of the Senate be appointed to consider legislation concerning a northern gas pipeline or the subject matter thereof in advance of such legislation coming before the Senate; and

That the committee have power to send for persons, papers and records, to examine witnesses and to print such papers and evidence from day to day as may be ordered by the committee.

Senator Flynn: Explain.

Senator Langlois: As all honourable senators know, the Northern Pipeline bill is now at the committee stage in the other place. Since it is a very important proposal, which is of interest to all of Canada, it is felt that a committee of this house should give consideration to the subject matter of the bill as soon as possible.

The pipeline is a project which must be carried out with all expediency, in view of its importance to the economy of this country, and I am sure that a special committee of this Senate, which would be formed if this motion were passed, would set itself to the task of giving every consideration to the project itself and to any other matter relating thereto.

[*Translation*]

Senator Flynn: Honourable senators, I recognize the urgency of this legislation. It is twofold: First because the project itself must start as soon as possible, and second, if we are to have an election campaign, it is necessary that this legislation be adopted for the government, the party in power, to refer to it during that campaign and benefit from it as much as it possibly can. I am aware of that and I do not object. But the point in Senator Langlois' proposal which worries me is the fact that its purpose is to appoint a special committee, when we already have under our rules the necessary committee which is responsible for looking into this kind of legislation. If honourable senators will kindly refer to rule 67(1)(*i*)(iv) of the *Rules of the Senate,* which sets out the responsibilities of the Senate Committee on Transport and Communications, they will realize that matters relating to

pipelines, transmission lines and energy transmission

are almost automatically referred to that committee. Why, then, a special committee? We already have a committee. If it were unduly busy, I could agree to the appointment of a special committee. But such is not the case. I do not understand why the Deputy Leader of the Government insists on setting up this special committee. Why not make use of the committees we have already—unless we want to imitate what was done in the House of Commons? However, I am not pleased at all with this idea.

Therefore, I do not see why the acting leader could not withdraw his proposal and move instead a motion calling for the referral of the legislation to the committee properly appointed under the *Rule of the Senate.*

[*English*]

Senator Perrault: Honourable senators, it had been anticipated that observations of that nature would be raised, and quite understandably so. However, in the matter of the northern gas pipeline there is so clearly a possible committee involvement that goes beyond the terms of reference of any one standing committee that it is felt, just as all parties agreed in the other place, that a special committee should be created in this chamber equivalent to the special committee in the other place to consider this extremely important matter.

Honourable senators, allow me to point out why this bill could be referred to a number of our standing committees. While the Standing Senate Committee on Transport and Communications appears to be an obvious choice, the Standing Senate Committee on Foreign Affairs has a responsibility to examine matters relating to treaties and international agreements. The natural gas pipeline agreement is one of the most important international accords into which Canada has entered for some considerable period of years. Indeed, it is one of the most important international agreements since Confederation. That committee has under its terms of reference external trade, foreign aid, and territorial and offshore matters. The Transport and Communications Committee very clearly has an involvement. On page 18 of *Rules of the Senate* we see where transport and communications by land, air, water, and space are matters which may be referred to that committee, as are radio, television, common carriers, pipelines, transmission lines, and so on. The Standing Committee on Legal and Constitutional Affairs could be clearly involved. We see in their terms of reference federal-provincial relations, administration of justice, law reform and all matters related thereto. The Standing Committee on Health, Welfare and Science could be involved because of the effect of the northern pipeline, for example, on the rights of indigenous peoples, Canada's aboriginal citizens.

Senator Flynn: Come on, be serious!

Senator Perrault: Very clearly the members of the Standing Committee on Health, Welfare and Science have a responsibility with respect to proposed legislation as it affects the well-being of humans. We have the Standing Committee on Banking, Trade and Commerce with its concern for natural resources and mines. Clearly, a special committee of the Senate should be appointed to consider this important measure.

● (1420)

Senator Everett: Will the honourable leader mention the National Finance Committee? We hate to be left out.

Senator Perrault: Honourable senators, I commend the honourable Chairman of the National Finance Committee for making a valid point. Last, but not least, the National Finance Committee could conceivably have a direct interest in the matter involved in the natural gas pipeline agreement.

The proposal is to bring into being a special committee because of the extreme importance of this measure. Perhaps the committee could be made up in part of some members of the standing committees who are in a position to contribute their understanding and special expertise. I think it is impor-

tant that the Senate acquit itself in its usual responsible manner.

Senator Grosart: I am surprised the Leader of the Government did not mention some of the other committees.

Senator Flynn: Internal Economy, for instance.

Senator Grosart: The Agriculture Committee will be involved, and no doubt the Restaurant of Parliament Committee will be involved.

Senator Argue: The Rules Committee.

Senator Grosart: I suggest that the rationale given by the Leader of the Government in response to the intervention by the Leader of the Opposition is too specious, if I may use that word, to be parliamentary.

Obviously, under our rules, the subject matter of any bill that comes before the Senate can be found to come within some of the competences of other committees. A prime example is Bill S-9 with which we dealt yesterday, and which concerns international treaties, agreements and conventions. The very first requirement for bills that, on motion, shall be referred to the Foreign Affairs Committee is that they be bills dealing with treaties, agreements and conventions. It was agreed that Bill S-9 be referred to the Standing Senate Committee on Banking, Trade and Commerce because of the competence which that committee has shown over the years.

This decision was made by the Leader of the Government, I presume, and I have no objection to it whatsoever. But to say, because the contents of any bill presented to the Senate may involve some of the competence of other committees, that it should therefore go to a special committee would mean there would hardly ever be a bill that would not go to a special committee.

Surely the purpose of a special committee is to deal with a specific reference in principle. The last occasion this occurred was, of course, when the Special Committee on Science Policy was appointed. At that time there was no committee in the Senate which had the competence, under the rules, to deal with a matter of science policy. We now have the Health, Welfare and Science Committee which probably has the competence, but it did not at that time.

So one wonders why the decision to copy the House of Commons has been made. Our committee structure is entirely different from theirs. There is a committee to which this matter can be referred. According to our rules, as the Leader of the Opposition stated, all matters relating to pipelines shall, on motion, be referred to that committee. What is most interesting to me is that when the Leader of the Government read that rule he omitted the word "pipelines."

Senator Perrault: That is not so.

Senator Grosart: It may have been by accident. If my memory is incorrect—and *Hansard* will indicate this—I apologize, but my recollection is that in reading—

Senator Perrault: I read it.

[Senator Perrault.]

Senator Grosart: We will see. I merely point out, as an indication of the speciousness of the suggestion that has been made, that in reading subparagraph (iv) of rule 67(1) (*i*) he read it in these words:

> —transmission lines and energy transmission—

But it actually reads:

> (iv) pipelines, transmission lines and energy transmission—

It may have been a slip of the tongue.

Senator Perrault: Honourable senators, there was no slip of the tongue. My recollection is that I did read the word "pipelines"; if I am incorrect and my memory fails me, then I ask that the word "pipelines" be placed in there.

Senator Forsey: You said "pipelines."

Senator Grosart: I am merely saying that that is my memory. I may be wrong. I am not concerned about that. I am getting old. I may be a little deafer than I think I am.

Senator Perrault: You are too lively yet.

Senator Grosart: My observation, within the limitations of my hearing and my memory, was that the Leader of the Government, in reading that subparagraph, did not read the word "pipelines." I could be wrong, quite wrong. Our friends in *Hansard*, who are very accurate with these things. will indicate whether I am right or wrong in that.

However, I am unable to agree with the suggestion by the Leader of the Government that *Hansard* should be changed at this stage. We will see, and I can assure the Leader of the Government that if the *Hansard* report proves me wrong, I will make a full apology to him tomorrow for having made that statement.

To get to the principle of this thing, we have a highly competent committee which could consider this matter. I do not like to suggest that the reason for this motion may be that it happens to be the only committee of the Senate which, by tradition, does not have a chairman who is a member of the party in office—

Senator Bourget: That is not fair. We like our chairman and we all support him.

Senator Asselin: Touché; touché.

Senator Bourget: Touché, yes, because we are right. We like our chairman, and that has been proven.

I apologize to my honourable friend for having interrupted him.

Senator Grosart: That is quite all right. I merely said, "I do not like to suggest . . ." those were my words.

Senator Bourget: Well, we have all been in politics long enough to understand what was meant.

Senator Flynn: We have indeed.

Senator Bourget: Ask the chairman. He will tell you.

Senator Grosart: My statement was that I do not like to suggest that this has anything to do with the decision—and I

repeat that statement. I do not like to suggest that that may have something to do with the decision of the government not to send this matter to that committee which, under our rules, is the committee responsible for dealing with matters that affect pipelines. I say I don't want to suggest that—

Senator Bourget: We heard that.

Senator Grosart: If that suggestion is not proper—and it is not one I want to put before the Senate—then it would seem to me to make sense for the Leader of the Government to explain to us why this matter is not being referred to that committee.

Here we have a rule—and we try to abide by our rules—under which, on motion, any matter on any bill—in this case, a contemplated bill—that deals with pipelines should be referred to that committee. I think the Senate is entitled to an explanation as to why a decision has been made not to follow our rules, and not to move a motion under this particular rule that this matter be referred to that committee. That is the point I raise.

● (1430)

Again, I do not want to suggest that the reason had anything to do with the chairman of that committee who, as has been said, is one who has the confidence of all honourable senators. But I think we are entitled to an explanation as to why a decision has been made not to refer this matter to the committee which, under our rules, is the committee to which it should be sent.

Senator Perrault: Honourable senators, let me state at the outset in the most unequivocal way that all senators have an immense amount of confidence in the Chairman of the Standing Senate Committee on Transport and Communications.

Hon. Senators: Hear, hear.

Senator Perrault: Both in his term of service here and in his previous career, he has served with great distinction. I want to say as well that we have a group of other distinguished chairmen who serve on committees of the Senate—the Chairman of the Foreign Affairs Committee, the Chairman of the National Finance Committee, the Chairman of the Health, Welfare and Science Committee, the Chairman of the Agriculture Committee, and all other chairmen who are competent in their own way.

Senator Flynn: What do you mean by "in their own way"?

Senator Perrault: Competent in their areas of interest and expertise.

Honourable senators, I can think of no better committee to study this extremely important measure before Canadians than a committee made up in part of people like the distinguished Chairman of the Transport and Communications Committee, the Chairman of the Foreign Affairs Committee, perhaps the Chairman of the Health, Welfare and Science Committee, and the chairmen and members of various committees who can bring their abilities and their expertise to a special committee, just as has been done in the other place. I am sure that the interest of all senators in the natural gas pipeline—a concern that exists regardless of party affiliation—transcends any kind of political consideration.

Senator Flynn: That is so obvious.

Senator Perrault: I think it is very important, for example, that the distinguished senator from the Yukon Territory be a member of such a special committee, and there are other honourable senators with a special interest in the pipeline issue because their provinces are going to be directly affected by the proposed measure. Some possess special knowledge and yet they are not members of the Transport and Communications Committee or the Foreign Affairs Committee.

Senator Asselin: Just change the members on the committee.

Senator Perrault: And it is important that their interests be respected, and that they be given an opportunity to contribute and to serve and to vote on such a special committee. This is part of the government's thinking.

Senator Flynn: Would the leader yield at this time and tell me whom he has in mind as members from his side, and whom he has in mind as chairman of the committee? What he has said may be an explanation, but I suggest that he would have more room for appointing all those he considers knowledgeable on the subject given a committee of 20 members than he would given a special committee of only 12.

Senator Perrault: The honourable senator is aware, of course, that the members are designated by the selection committee, and in due course we would know the name of the chairman who would be selected from among the members of the special committee.

Senator Flynn: Have you nobody in mind?

Senator Perrault: I have the names of a number of outstanding senators in mind, all of whom would serve with distinction. But, of course, that is a choice that will be made by members of the committee.

Senator Flynn: Whom have you particularly in mind? Do you have Senator Denis in mind?

Senator Langlois: Honourable senators—

The Hon. the Speaker: Honourable senators, I must remind the Senate that if Honourable Senator Langlois speaks now, his speech will have the effect of closing the debate.

Senator Flynn: Then we will adjourn the debate.

[*Translation*]

Senator Asselin: Honourable senators, what I find odd in the suggestion of the government leader and his deputy is that they say that this is what the House of Commons did and we should proceed exactly in the same way because the House of Commons agreed to set up a special committee to consider the subject matter of this legislation. That may be another reason for the other place wanting to abolish the Senate. That is because we never keep our distance with respect to the other place. Once again, we have an opportunity to say: "We are not going to do like the other place, like the House of Commons."

We have our own rules and rule 67(1)(*i*) says that this kind of bill can be referred to the Senate Committee on Transport and Communications whose terms of reference provide for the consideration of such a bill.

The government leader says that things were done differently in the other place. All parties agreed to it. The fact that they all agreed in the other place does not mean that we have to follow blindly their procedure, their decisions. Our procedures are set out in our rules. The rule previously referred to by the Leader of the Opposition and his deputy, rule 67, sets out the terms of reference of the Senate Committee on Transport and Communications regarding bills of this nature. You can say all you want, that this is not a reflection on the ability of the chairman of the Senate Committee on Transport and Communications. As the Leader of the Government suggested, he is an excellent committee chairman. That is all very nice. When he brings an important matter before the committee some of the members can occasionally be changed so that the Senate Committee on Transport and Communications will be made up of senators who are more familiar with the problem, whether they come from the province of Alberta, British Columbia, or elsewhere where that work will be done because, obviously, it is in the interest of their own province—

Senator Côté: U.S. senators.

Senator Asselin:—that the pipeline is built. I say this is only a matter of introducing a motion to change certain members of the committee for other senators who are more knowledgeable about the problem and give them an opportunity to consider objectively the subject matter of this legislation before it is decided upon. We could follow the rules of the Senate and refer the inquiry to the Senate Committee on Transport and Communications even if the chairman sits on this side of the house. I take the word of the Leader of the Government who said that he is a talented and excellent chairman. So I think the committee is in good hands. Let us simply change the committee members and appoint people who are more knowledgeable about such problems than those who are actually there and we could then choose from 30 members instead of the 12 that would be assigned to the special committee you want to create. This way, I think we will stop copying the other place while respecting the rules of the Senate. I strongly advise the government leader to make this decision.

Senator Langlois: Honourable senators, I must say I had no intention at this stage to close the debate on the motion. Let me first comment briefly on the remarks of my friend, Senator Asselin.

At the beginning of his remarks, he seemed to suggest that because the Senate follows a procedure of the House of Commons, it is slowly moving towards its own abolition.

● (1440)

[*English*]

Senator Grosart: If the honourable senator will excuse me for interrupting—

Senator Langlois: Yes.

[Senator Asselin.]

Senator Grosart: On a point of order, is he merely answering questions?

Senator Langlois: Yes. I am not closing the debate, if that is what you mean.

Senator Perrault: He is just answering questions. He has the right to do that.

Senator Grosart: Surely, it is for Her Honour the Speaker to decide whether the honourable senator is closing the debate. The translation, at least, of his opening remarks was to the effect that he would be making some comments. I suggest to him that if he is specifically answering questions directed to him, he is in order; but if he intends to comment on the whole question that has arisen, then, in effect, he would be closing the debate.

Senator Langlois: I am answering the questions that have been put generally both to myself and to the Leader of the Government.

Senator Flynn: In that case, I may speak later myself.

Senator Langlois: I have no objection at all to that.

[*Translation*]

Senator Langlois: As I have just said, Senator Asselin seems to suggest that by doing what has been done in the House of Commons, if only procedurally, we are going towards abolition of this assembly.

I do not believe that the honourable senator could prove convincingly what he seems to have said. However, I would like to draw his attention to the rules of our assembly, since he seems to have suggested, like Senator Grosart, that the fact of doing this, of not referring this study to the Senate Committee on Transport and Communications, contravenes rules 67(1)(*i*) of our rules.

This rule certainly does not give any instruction as to the composition of our committees. This rule gives the Senate the power to refer any legislation to any one of its committees. For instance, paragraph (*i*) of rule 67(1) of our rules includes the words "on motion", which allow for various motions, such as a motion to refer one of the subjects mentioned to another Senate committee.

[*English*]

Senator Grosart: Honourable senators, on a point of order, I think it is clear, if the translation I am hearing is correct, that the honourable senator is making comments on comments. He referred to one comment I made, which was not a question. I am suggesting that it is quite improper to make at this time the kind of speech that would be made in closing the debate. If the honourable senator wishes to say, "I was asked these specific questions," and then replies to them, I would say he would be quite in order.

I am not really being critical in this, but I believe it is important that any comment from Senator Langlois should come after a full discussion, which may follow the adjournment of the debate today. I know he is concerned about the rules, and I am merely suggesting that this may be the

position. He may be confusing his right to answer questions with his right to comment on the course of the debate when he is closing the debate.

Senator Langlois: Honourable senators, I am surprised at the attitude of my honourable friend, Senator Grosart. We are dealing with an urgent matter. It was considered urgent not only in this house but also in the other place—so much so that the formation of a special committee was agreed to in the other place without debate or discussion.

Senator Flynn: Do you want to close the debate or not?

Senator Langlois: I am not closing the debate.

Senator Flynn: When you say it is urgent, what do you mean? Are you insisting on closing the debate? What is so urgent about your reply? You can reply when the debate is over.

Senator Langlois: We want to have the motion passed as soon as possible.

Senator Flynn: But you are not helping matters.

Senator Langlois: Do you think you would be helping in adjourning the debate?

Senator Flynn: I will certainly do so if you keep that up.

Senator Buckwold: Honourable senators, I have some comments to make from the back benches.

Senator Flynn: I am quite sure the honourable senator will be very objective.

Senator Buckwold: I shall be objective to the extent that I am trying to find some consistency in the attitude taken by the opposition, as expressed by the Leader and the Deputy Leader of the Opposition. Just a few weeks ago this chamber appointed a special committee to deal with the question of aging and retirement. Let us look at the Health, Welfare and Science Committee—

Senator Grosart: Honourable senators, on a point of order, surely the situation is that the Deputy Leader of the Government—

Senator Buckwold: Madam Speaker, I believe I have the floor.

Senator Grosart: I am rising on a point of order. Perhaps the honourable senator is not aware of our rules. I should remind him that any senator who rises on a point of order has the floor.

Senator Argue: Provided he has a point of order.

Senator Grosart: The point of order, which I was starting to explain, is that the Deputy Leader of the Government was, presumably, answering questions. He had not finished answering those questions, and he had not yielded the floor to Senator Buckwold. My understanding is that Senator Buckwold rose to comment on the motion before the house, which at some point he is perfectly entitled to do. I am merely suggesting that it is not in order for him to do so when Senator Langlois has the floor, which I believe he has.

Senator Buckwold: Honourable senators, certainly it would be presumptuous of me to rise when the deputy leader has the floor. I would be relegated even further on the back benches. I am participating in the debate.

All I am saying is that there are many precedents for the appointment by this chamber of special committees on subjects of national and vital interest which could rightly have been referred to a standing committee. We did it in this house just a few weeks ago in connection with the Special Senate Committee on Retirement Age Policies.

Senator Flynn: We did it for Senator Croll. But Senator Croll is always a special case.

Senator Buckwold: Honourable senators, it is rather funny that the moment we find the soft underbelly of the gentlemen opposite, they immediately rise as if they have been pinpricked.

Senator Flynn: Not really. I just couldn't miss the opportunity I was offered.

Senator Buckwold: I wish to draw the attention of the Senate, despite the eloquence of the gentlemen across the way, to the fact that there are many precedents in this chamber for appointing special committees on matters of national interest, which supersede what are perhaps the more narrow confines of a standing committee. We have done that on many occasions. That really is the answer to the points raised by the opposition.

Senator Grosart: May I ask the honourable senator a question? Would he cite an instance of where a bill has been referred to a special committee? I emphasize "a bill" because that is what we are dealing with, or the subject matter of a bill.

Senator Buckwold: Again the answer is obvious. It is not the bill that is being referred; it is the subject matter that is being referred.

Senator Grosart: Can the honourable senator cite an example of where the subject matter of a bill has been so referred?

Senator Flynn: What is the difference?

Senator Buckwold: That is up to you to determine. The fact is that the subject matter has been referred.

Senator Flynn: If you can't explain the difference, you should not make a point of underlining it.

On motion of Senator Macdonald, debate adjourned.

BUSINESS OF THE SENATE

NOTICE OF COMMITTEE MEETINGS

Senator Langlois: Honourable senators, before the motion to adjourn is moved, I should like to remind you that when the Senate rises the Standing Senate Committee on National Finance will meet in room 263-S to consider its report on the Accommodation Program of the Department of Public Works, and the Standing Senate Committee on Agriculture will meet in room 356-S in connection with its inquiry into the desirability of long-term stabilization in the Canadian beef industry.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, March 2, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

BANK ACT
QUEBEC SAVINGS BANKS ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-16, to amend the Bank Act and the Quebec Savings Banks Act.

Bill read first time.

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

Senator Perrault moved that the bill be placed on the Orders of the Day for second reading on Tuesday next.

Motion agreed to.

COMPENSATION FOR FORMER PRISONERS OF WAR ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-27, to amend the Compensation for Former Prisoners of War Act.

Bill read first time.

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

Senator Perrault moved that the bill be placed on the Orders of the Day for second reading on Tuesday next.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. Abex Industries Ltd. and its hourly paid Supervision and Clerical Group, dated February 27, 1978.

2. Bell Canada and the Communications Sales Employees, dated February 23, 1978.

3. Pullman Trailmobile Canada Limited and the employees represented by the Miscellaneous Workers, Wholesale and Retail Drivers and Helpers Local 351, dated February 23, 1978.

Supplementary Estimates (B) for the fiscal year ending March 31, 1978.

Revised Report of the National Museums of Canada, including accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 22 of the National Museums Act, Chapter N-12, R.S.C., 1970.

INCOME TAX CONVENTIONS BILL

REPORT OF COMMITTEE

Senator Hayden, Chairman of the Standing Senate Committee on Banking, Trade and Commerce, reported that the committee had considered Bill S-9, to implement an agreement between Canada and Malaysia and conventions between Canada and Spain, Canada and Liberia, Canada and Austria and Canada and Italy for the avoidance of double taxation with respect to income tax, and had directed that the bill be reported without amendment.

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

Senator Langlois moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

THE ESTIMATES

SUPPLEMENTARY ESTIMATES (B) REFERRED TO NATIONAL FINANCE COMMITTEE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on National Finance be authorized to examine and report upon the expenditures set out in the supplementary estimates (B) laid before Parliament for the fiscal year ending the 31st March, 1978.

Motion agreed to.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when

the Senate adjourns today it do stand adjourned until Tuesday, March 7, 1978, at 8 o'clock in the evening.

Honourable senators, before the question is put, I should like to give you a brief resumé of what we can expect in the Senate and its committees next week.

Next Tuesday we shall continue with the items now on the order paper and proceed with second reading of the two bills that have come before us today from the other place, namely, Bill C-16, to amend the Bank Act and the Quebec Savings Banks Act, and Bill C-27, to amend the Compensation for Former Prisoners of War Act.

The meetings of committees scheduled for Tuesday are as follows: The Standing Joint Committee on Regulations and other Statutory Instruments will meet at 9.30 a.m. to consider the Green Paper on Public Access to Government Documents; the Standing Senate Committee on Agriculture will meet at 2.00 p.m. to consider long-term stabilization of the Canadian beef industry; the Standing Senate Committee on Health, Welfare and Science Subcommittee on Childhood Experiences as Causes of Criminal Behaviour will meet at 4.00 p.m.

On Wednesday, the Banking Trade and Commerce Committee will meet at 9.30 a.m. to consider the subject matter of Bill C-13, to amend the Combines Investigation Act. The Legal and Constitutional Affairs Committee will meet when the Senate rises to hear witnesses on Bill S-7, to provide an exception from the public general law relating to marriage in the case of Lucien Roch Joseph Morin and Marie Rose Hélene Morin.

On Thursday, the Banking, Trade and Commerce Committee will meet at its usual time, 9.30 a.m., to consider Bill S-3, respecting Canadian non-profit corporations. The Transport and Communications Committee will also meet at 9.30 a.m. to consider Bill C-2, respecting fishing and recreational harbours. The Standing Joint Committee on Regulations and other Statutory Instruments is scheduled to meet at 11.00 a.m.

Motion agreed to.

THE ECONOMY

DECISION TO BORROW ABROAD TO SUPPORT CANADIAN DOLLAR—QUESTION ANSWERED

Senator Perrault: Honourable senators, on February 22 a question was asked by Senator Grosart with respect to a decision by the Government of Canada, as announced in the other place by the Minister of Finance, to borrow money abroad to support the Canadian dollar. I have just received a communiqué from the office of the Minister of Finance, which reads as follows:

> The decision to borrow abroad was made by the Minister of Finance on behalf of the Government, on Tuesday, February 21, 1978. It was announced via a press release issued by the Department of Finance on Tuesday evening.
>
> Prior to making this decision, the minister, of course, had the benefit of advice from officials of his Department and the Bank of Canada.

• (1410)

Senator Flynn: Did the minister consult Senator Argue on whether an 85-cent dollar would be better for grain growers?

Senator Argue: We like it the way it is.

Senator Langlois: That is your answer.

THE SENATE

NEWSPAPER REPORT OF MINISTER'S PURPORTED SUGGESTION FOR ABOLITION—QUESTION

Senator Yuzyk: Honourable senators, may I ask a question of the Leader of the Government in the Senate? I have before me a copy of a news item from the *Star-Phoenix* of Monday, February 27, 1978, with the heading, "Lang says Canadian Senate should be abolished."

Senator Flynn: Who is Lang?

Senator Yuzyk: Minister of Transport Otto Lang. I have to make that clear. I should like to ask the government leader if he could give us any idea whether Mr. Lang has support in the cabinet, and what his reactions are to such a statement.

Senator Flynn: That is a difficult question.

Senator Perrault: Honourable senators, I can report that I had a conversation with the Honourable the Minister of Transport yesterday in which he discussed with me a news report that is purported to have appeared in one of the western newspapers. Mr. Lang suggested in this conversation that his remarks had really been taken out of context, and that he did not wish to convey the opinion that he does not possess the highest respect for the members of this chamber.

Senator Flynn: For the members only?

Senator Perrault. And for the institution.

OFFICIAL RECORD

QUESTION OF PRIVILEGE

Senator Grosart: Honourable senators, I rise on a question of privilege arising out of our proceedings last night and the report of those proceedings in the *Debates of the Senate* dated Wednesday, March 1, 1978.

My purpose in rising is to retract a statement I made on that occasion, not once but three times, to the effect that the Leader of the Government, in discussing the allocation of subjects to the Standing Senate Committee on Transport and Communications, had omitted to use or read the word "pipelines." I said that the record of our proceedings would show whether I was right or wrong, and they show that I was wrong.

The proceedings make it quite clear that in spite of my remarks that he had not used that word, he did do so, as reported on page 387, when he said:

> On page 18 of *Rules of the Senate* we see where transport and communications by land, air, water, and space are matters which may be referred to that committee, as are

radio, television, common carriers, pipelines, transmission lines, and so on.

I therefore ask permission to retract the statements I made, and to make my apology to the Leader of the Government.

Hon. Senators: Hear, hear.

Senator Langlois: You won't be prosecuted.

Senator Perrault: I certainly appreciate the extreme parliamentary courtesy extended on this occasion by the Deputy Leader of the Opposition.

NORTHERN GAS PIPELINE

APPOINTMENT OF SPECIAL COMMITTEE

The Senate resumed from yesterday the debate on the motion of Senator Langlois:

> That a special committee of the Senate be appointed to consider legislation concerning a northern gas pipeline or the subject matter thereof in advance of such legislation coming before the Senate; and
>
> That the committee have power to send for persons, papers and records, to examine witnesses and to print such papers and evidence from day to day as may be ordered by the committee.

Hon. John M. Macdonald: Honourable senators, my purpose in adjourning the debate last evening was to keep the discussion open in the event that others on this side wished to participate. Since there do not seem to be any others, I shall say a few words before the matter comes to a vote.

I think it is acknowledged that it comes down to the question of whether this subject matter should be referred to a special committee or to one of our standing committees. If it were to be referred to one of our standing committees, there is no doubt, given that pipelines come under the jurisdiction of the Transport and Communications Committee, that that is the committee to which it would be referred. There can be no doubt that the main thrust or purpose of the proposed bill is to enable the construction of a pipeline and other matters incidental thereto.

I think it is unfortunate that the reasons were not given for referring this matter to a special committee when the motion was first put forth. Certain reasons have since been given, most of which, to my mind, are not very convincing. In fact, the only one to which there seemed to be any substance was that the establishment of a special committee would allow the appointment of those senators who have special knowledge or expertise on the subject of pipelines.

The reference to the fact that other committees might also have an interest in the subject is, to my mind, of little importance; indeed, one will find an overlapping in the terms of reference of our various committees.

With respect to the suggestion of the Leader of the Government that the membership of a special committtee could be made up of those members of our standing committees who are in a position to contribute their understanding and special expertise to the subject of pipelines, this can be achieved with or without those persons being members of the committee. Any senator has the right to attend committee meetings and participate in every way in the activities of any of our committees, the only restriction being that only members of the committee can vote.

The Leader of the Government mentioned that he anticipated that these objections would be raised. That being so, I am wondering why an explanation was not given as to the reason for the motion in the first instance.

Given the manner in which the whole matter has been handled, I could well understand if the members of the Transport and Communications Committee felt that they had been passed over when an important piece of legislation is to be considered. They might well feel—and I hope they do not—that the government has a general lack of confidence in their knowledge and ability to examine a measure such as this. I would hope that when consideration is given to the composition of this special committee, assuming that the motion is passed, the members of the Transport and Communications Committee will be given the first opportunity to become members of that special committee. Personally, I would urge the government, even at this late date, to withdraw this motion and to substitute therefor a motion to the effect that the subject matter of this bill be referred to the Standing Senate Committee on Transport and Communications.

● (1420)

Senator Forsey: Honourable senators, before the deputy leader answers, I wonder if he could give us some reply to the suggestion made yesterday by Senator Asselin, if my memory serves, or some explanation as to why it was the government did not feel it appropriate to proceed in that way. As I understood the Honourable Senator Asselin, he suggested that the existing members of the Standing Senate Committee on Transport and Communications could be replaced in whatever instances were necessary by people with special knowledge or capacity in this field.

I wonder if the honourable the deputy leader would address himself to that point among others.

Senator Langlois: Honourable senators—

The Hon. the Speaker: Honourable senators, I must inform the Senate that if the Honourable Senator Langlois speaks now his speech will have the effect of closing the debate on this substantive motion.

Senator Langlois: Honourable senators, I should commence my remarks by answering the question just put to me by Senator Forsey. Indeed, I intended in the course of my remarks this afternoon to cover the very point that he has raised, and which was raised yesterday by Senator Asselin.

[*Translation*]

Honourable senators, yesterday the Honourable Senator Flynn referred to the urgency of getting the pipeline legislation through, but what he apparently meant was to emphasize the urgency for the government to get the project going for electoral purposes, given the likelihood of forthcoming general

elections. In my opinion, the prospect of the impending elections seems to bring back to the honourable senator's mind the nightmares and disappointments his party experienced in the past, to such an extent that he seems no longer aware of the considerable damage which could result from delaying the construction of the pipeline project for several months. The work may not even be started until as late as the fall of 1978 or even the spring of 1979 unless the Canadian Parliament manages to get this legislation through before dissolution, which is expected to take place within a few months.

The honourable senator is certainly aware that in the other place all political parties except one, to which he does not belong anyway, have refused to delay referring this bill to an ad hoc committee because of the impact this project will have on the Canadian economy and the general benefits which will result for the whole of Canada without any concern for their own interests as a political party. With this in mind, after reading over the official report of the House of Commons debates, a little too rapidly, I admit, yesterday evening, I picked up a few comments on this bill, particularly from the Conservative member for the Yukon, Mr. Nielsen, who referred to this bill as a "bill national in scope" and added it was a project "so essential to Canadian interest—"

Senator Asselin: On a point of order. I am under the impression that the honourable senator who now has the floor is completely beside the point. I raise a point of order to the effect that the official opposition never stated that it wanted to delay the passage of the bill. In his remarks yesterday, the Leader of the Opposition did not say so. All the Leader of the Opposition said yesterday in his remarks was to the effect that he was begging the Leader of the Government and his deputy leader to refer this bill to the Senate Committee on Transport and Communications. There has never been any question about it, and that is why I think that by making the kind of remarks he is presently doing, Senator Langlois is actually indulging in politicking. That I cannot accept.

Senator Flynn never said that he wanted to delay the passing of that bill. He never said that this is what the official opposition wanted. During the debate, his position was simply to ask the Leader of the Government to refer this bill to the appropriate committee, namely, the Senate committee on Transport and Communications. And when the deputy leader tells us that we are trying to delay the passage of the bill, I think he is completely misrepresenting the facts and the actual debates which took place in the house yesterday.

Senator Langlois: Honourable senators, I submit that this is not a point of order; this is a little politically oriented speech which once again is quite irrelevant. Yesterday, as I said before, if the honourable senator had listened to me and if he had listened to his leader yesterday, he would have realized that Senator Flynn had said that the project was urgent for one reason only, namely, that the government wanted this project to be underway before the elections to gain political advantage during the electoral compaign. I challenge my honourable friend to prove to me that his colleague the Leader of the Opposition did not say that. It is to that remark only that I am responding now.

Let me continue. Senator Flynn is certainly aware, as I suggested earlier, that the other place did not criticize at all the urgency to pass this bill and get on with that construction. This project was even called very important and of national dimension. I will continue by saying that if I was surprised by the attitude of Senator Flynn I was even more surprised by that of my friend Senator Grosart who, I think, seemed to agree with the motion last Tuesday, February 21, when I gave notice of the motion now before the house, as he also did in a telephone conversation he had that very evening with my leader. I was not witness to that conversation but I am relying on the information I received from my leader in that respect. However, I was particularly amazed by the attitude of our colleague when he implied that this bill was being referred to a special committee simply because the chairman of the Senate Committee on Transport and Communications was his colleague Senator Smith (Colchester).

Honourable senators, I was one of those who suggested the election of Senator Smith as chairman of that committee. I even believe I was the first one to do so. I recall talking about it first to the Leader of the Opposition, Senator Flynn, because Senator Smith was absent then. I also recall and I believe, unless I am mistaken, that I was the first to tell Senator Smith he had been elected chairman of that committee when we met by chance on the same plane going from Montreal to Quebec City.

● (1430)

I have much respect for Senator Smith, as do all my colleagues in this committee, so I have been very upset to hear such an allusion in this house even if it was formulated in thinly veiled terms. Never have I had any reason to doubt not only the competence but the impartiality of Senator Smith. And if such had been the case, I would have had the courage to tell him instead of making public allusions in this house or outside. So I give my full support to the appreciation expressed yesterday in this house by our deputy chairman of the Senate Committee on Transport and Communications, Senator Bourget, as concerns our dedicated committee chairman. I would like to assure him of the complete confidence and respect of every member of the committee.

Now, as concerns Senator Asselin—I regret that he has left his seat—I do not think he has impressed many of our colleagues in this house by saying that the mere fact that the Senate is adopting a similar procedure to that followed in the other place concerning the bill under study justifies the representations of those asking for the abolition of this house. In fact, it is not the first time that the Senate has referred a substantive motion to a special committee even though, according to our rules we might prefer another committee. I have studied precedents and have found several cases where this house referred public bills to committees other than those to which they would have been referred had we followed the rules. I could give you several examples and the first one that comes to my mind was in 1928. It was a bill entitled "An Act

to amend the Dominion Forest Reserves and Parks Act" that was referred to a special committee of the Senate even though at that time this house had a Standing Committee on Agriculture and Forestry. There was also another bill from the House of Commons, Bill 290, also in 1928, entitled "An Act to amend the Returned Soldiers' Insurance Act" that was referred to a special committee of this house. And again in 1928, another bill of the House of Commons, Bill 289, "An Act to amend the Pension Act" was referred to another committee of this house although there was a Standing Committee on Public Welfare to which it could have been sent.

And in 1930, Bill 265, "An Act to amend the Pension Act" was referred to another committee although there was a Senate Standing Committee on Public Welfare to which it could have been sent.

Still in 1930, another bill, Bill 19, "An Act respecting War Veterans' Allowances", was referred to a special committee. It was another bill coming from the House of Commons.

In 1931, Bill 113, "An Act to amend the Criminal Code", was also referred to a special committee of this house. In 1936, Bill E2, a Senate bill entitled "An Act to enable the establishment, operation and maintenance of free foreign trade zones by provinces and municipalities or by public agencies of either thereof". This was another bill sent to a special committee of the Senate. And there were many more.

In 1931, Bill A-1, "An Act to provide for Alien Identification Cards", was referred to a special committee of this house, although there was a Standing Committee on Immigration. Also in 1931, Bill (G), "An Act to amend the Criminal Code as regards the use of force to prevent escapes by flight", was referred to a Senate special committee.

Here is a typical example that certainly will impress honourable senators. It was Bill (B), "An Act respecting Divorce and Matrimonial Causes". The bill was referred to a House committee, although we had at that time a Standing Committee on Divorce that was fully operative, and indeed at the height of its glory.

Finally, in 1940, Bill 99 "An Act respecting debts due to the Crown.", was referred to a special committee of this house, although we had a Standing Committee on National Finance, et cetera, until 1958.

I believe I have given enough references. I have no wish to further impose on honourable senators with other cases. This should convince honourable senators, not only that we did not blindly imitate the House of Commons but that we have followed a long standing practice of this house when we referred a bill to a special committee, although there were provisions in our rules for the establishment of a standing committee which could have examined this legislation.

Going further on yesterday's statement by Senator Asselin, I would like to add that I am not in agreement with his apparent interpretation of rule 67, that the Senate did not have the option of referring to another of its committees, let alone a special committee, any of the matters listed therein as being the responsibility of a particular standing committee.

[Senator Langlois.]

First I would like to point out to honourable senators that under rule 67, two committees only can scrutinize on their own initiative certain particular matters. Those are the Committee on Internal Economy, Budgets and Administration and the Committee on Standing Rules and Orders.

As regards other standing committees, under rule 67 they must first obtain a referral under a Senate motion before they may look into matters of their stated responsibilities. Nothing in that rule can make me doubt or even suspect that the Senate might not refer certain matters to a committee other than the one to which it is allocated under rule 67. I would also refer honourable senators to rule 2, which provides:

> Except so far as is expressly provided, these rules shall in no way restrict the mode in which the Senate may exercise and uphold its powers, privileges and immunities.

I think that this rule lends us full support and gives us all the latitude required to depart from or even violate, if you will, any other rule, unless the rules contain a clear indication to the contrary.

Now, I will get back to the specific purpose of setting up a special committee to study the pipeline legislation. Besides, this purpose was described yesterday by my leader, and I say this particularly to Senator Macdonald, namely, that the purpose consists in having this legislation studied by senators from localities closer to the project who would therefore be more directly involved. To my mind, this project concerns primarily the regions of western Canada that are more likely than any other region in Canada to be affected at the ecological, economic and sociological levels and even from the standpoint of their natural resources. As far as I am concerned, it would be unthinkable not to seek in these regions all the expertise we need about the needs, the conditions and the regional interests of that part of Canada. Some senators representing the western part of the country in this chamber have that expertise. Furthermore, to that end, I would like to remind honourable senators that a brief look at the Senate Committee on Transport and Communications as it stands now shows that of the 22 members of the committee, 18 come from eastern Canada whereas only four come from western Canada. I take the far western frontier of Ontario as the division line between east and west. In this regard, I feel the committee representation is altogether unbalanced.

● (1440)

While supporting the point of view expressed by his leader, Senator Asselin gave an excellent reason for not entrusting this task to our Standing Committee on Transport and Communications as now constituted. In fact, Senator Asselin, while suggesting that this legislation be sent to our Standing Committee on Transport and Communications, insisted that its composition be changed to introduce into its ranks the expertise required to do a good job of studying the proposed legislation. I have just given you the membership of our committee. I believe I have thereby proved that it does not represent equitably the western regions of our country.

Instead of reorganizing the committee as it now stands, the motion before the Senate suggests, and rightly so to my mind, that we form a special committee on which members of the Senate could sit who represent the areas of the country most concerned in the project. That proposal would avoid changing the present constitution of a committee which, I believe, works quite well and which in the past gave proof that it has expertise in the general field of transport and communications, and would enable us to avail ourselves of its services for the important tasks it has performed until now. Besides, it is now studying Bill C-2, an act respecting the administration and development of certain fishing and recreational harbours in Canada. Judging from the debate in this place the other day, and the first sitting of the committee this morning, I think the committee will be kept busy by this bill for weeks to come. In addition, that is not the only bill that may be sent to the committee during this session, for many others could be sent to it, of which among others, the bill that kept it busy for several weeks last summer when the committee studied the bill on the Canadian Maritime Code, on which it did a lot of work and which it sent back, with about 80 proposed amendments, to the House of Comons. That bill, honourable senators, according to my information, is just about ready to come back to us. It is therefore important not to jeopardize, in advance, the work that remains to be done by that important committee of the Senate, when that bill comes before us again.

Honourable senators, I conclude my remarks by commending to your support, with all the persuasion at my command, the motion now before us.

[*English*]

Senator Phillips: I should like to direct a question to the Honourable Senator Langlois. Will he please tell us how many members the special committee will have and, in view of the fact that he spoke of the geographical distribution of the membership of the Transport and Communications Committee, could he give us some indication of how this membership will be divided among the geographical areas?

Senator Langlois: At this stage of the session, and having regard to the work which is presently before our committees, I believe we will have to limit this committee to something in the order of 14 or 15 members. It is our intention to see that the western part of the country is well represented on this committee because, as I have just said in French, there are aspects of this legislation which will be of interest to that part of Canada. It is a project which might cause some difficulties in regard to the ecology of the region, and create social problems for the Indian population in the territory inhabited by them. There is also the fact that this is a natural resource which so far belongs to the west. We have yet to find oil or gas in commercial quantities in eastern Canada.

I do not believe senators from eastern Canada would like to see such an immense project built in eastern Canada without adequate representation of that part of the country on the committee that considers the legislation. I would not like to be a member of a committee that will take a decision of this type when my part of the country is not concerned in it, for then I would be speaking on behalf of someone else. Although this committee must be limited to 15 members, we have to bear in mind that does not prevent other senators from eastern Canada attending the meetings and taking part in the discussion. Of course, they will have no vote, but they will be able to voice their points of view, which is an important matter.

I hope I have answered the question. I have given the composition of the Transport and Communications Committee as it stands at present, which is 4 westerners against 18 easterners. I do not think this is a fair balance in a committee to which legislation affecting western Canada would be referred.

Senator Phillips: Honourable senators, I was of the opinion that the pipeline is a matter of national concern, and not solely a concern to those in western Canada, as Senator Langlois states.

Senator Langlois: I understand that, and that is why I said that there is nothing to prevent other members of this house from attending the meetings. Of course, it is a project of national stature, but it will particularly affect the regions of western Canada, and not so much those of eastern Canada. There is the ecology, as I mentioned, and there are social problems created by the fact that this project will cross the Yukon Territory and part of the Northwest Territories, and will affect the population there. Who are the best spokesmen for this population, other than Senator Lucier and other senators from western Canada? I know nothing about the Yukon and the Northwest Territories, and I would be a poor spokesman to represent the population of those regions.

Senator Grosart: Honourable senators, reference was made by the deputy leader to a private conversation, and, as I understood him, I thought he said that he was surprised that I had opposed the motion after that private conversation. If that is a correct interpretation of what was said, I will not comment on the appropriateness of bringing such conversations before the Senate. However, I would like to ask the Leader of the Government if he will agree that the substance of that private conversation was to ask me, in the absence of Senator Flynn, the Leader of the Opposition, if we on this side would agree to give leave to give notice. I would ask him if that was the total substance of our conversation.

● (1450)

Senator Perrault: Honourable senators, I do not think much can be achieved by discussing a private conversation with respect to the business of the Senate, and it would not be my intention to suggest that the official opposition has anything but an absolute right to adopt whatever stance or position they may choose with respect to this special committee, and even to alter their views with respect to that special committee.

As the result of a conversation with the Deputy Leader of the Opposition, I was under the impression that the opposition at one point generally accepted the idea of a special committee to study the subject of the northern natural gas pipeline. Perhaps at that time there may not have been a full opportunity for opposition members to discuss the matter. Perhaps I

misunderstood. In any case, I feel no sense of chagrin or grievance about any events or changes in policy which may have taken place after this conversation.

I do want to point out, however, that the matter of a special committee should be an all-party exercise and concern. I think it is very important that all Canadian regions be officially represented on that committee. It is national work.

Senator Grosart: That was not my question.

Senator Perrault: Among other things, we most certainly discussed the idea of notice of motion and obtaining leave. There is no question about it.

Senator Grosart: That is all I need.

Senator Perrault: I do not believe the honourable senator or I need engage in any recrimination about the point. Of course, government and opposition discuss matters of this type on a continuing basis.

Senator Grosart: There is perhaps a danger of my being misunderstood. The reason I rose was that I understood the deputy leader to say that he was surprised that I had opposed the motion after undertaking, as far as this group is concerned, that we would not oppose notice of a motion.

Agreement to the principle of leave for notice of motion, when we do not even know what it is, is in no way binding to any undertaking prior to the debate taking place. That is the only point I want to make.

Motion agreed to.

[*Translation*]

NATIONAL CAPITAL REGION

FIRST REPORT OF SPECIAL JOINT COMMITTEE ADOPTED

The Senate proceeded to consideration of the first report of the Special Joint Committee of the Senate and the House of Commons on the National Capital Region, which was presented yesterday.

Senator Marchand moved that the report be adopted.

He said: Honourable senators, I believe this is a simple report which includes two points. I think it is not necessary to indicate why the report of the committee has been delayed. That is the first point. We simply need another delay to complete the report.

In addition, the committee asks that it be authorized, of course, to travel, to go particularly perhaps to Washington to find out how the national district works in Washington.

So this is, I think, a very simple resolution, and I humbly submit to my colleagues that it should be accepted now.

Senator Lafond: Honourable senators, would Senator Marchand allow me to ask him the following question: how many working meetings has that committee held since its re-establishment on December 13? Furthermore, is the extension being requested for a definite or indefinite period?

Senator Marchand: Offhand, honourable senators, I believe that four or five meetings have been held since December 10 because there was the Christmas and New Year's recess.

As to the second question, we are asking for an extension to about May 1, honourable senators, to produce the report.

Senator Lafond: Honourable senators, I was a member of that committee. I am under the impression that in the present climate, basically a pre-election climate, that committee could be in danger of becoming an arena for partisan politics and municipal politics. So I have doubts as to its capacity, its ability to produce a valid report for the nation as a whole on what is much more important from a national point of view than a local point of view, the National Capital of Canada, in a pre-election period.

Personally, I would not be very sorry if the committee were to close shop before the dissolution of Parliament, if that were to happen soon. I cannot go beyond that. I do not know any more than anyone else whether that will happen soon or not. In any case, I do not object to this report being tabled, as was done in the other place. However, if it should be asked that this report be agreed to, to that I will object.

[*English*]

Motion agreed to and report adopted.

The Senate adjourned until Tuesday, March 7, 1978, at 8 p.m.

THE SENATE

Tuesday, March 7, 1978

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

Prayers.

PRIVATE BILLS

MARRIAGE LAW EXEMPTION (JAMES RICHARD BORDEN AND JUDY ANN BORDEN)—MESSAGE FROM COMMONS

The Hon. the Speaker: Honourable senators, a message has been received from the House of Commons with Bill S-5, to provide an exception from the public general law relating to marriage in the case of James Richard Borden and Judy Ann Borden, and to acquaint the Senate that they have passed this bill without amendment.

MARRIAGE LAW EXEMPTION (EUGÈNE WADDELL AND MARGUERITE BENOIT)—MESSAGE FROM COMMONS

The Hon. the Speaker: Honourable senators, a message has been received from the House of Commons with Bill S-6, to provide an exception from the public general law relating to marriage in the case of Eugène Waddell and Marguerite Benoit, and to acquaint the Senate that they have passed this bill without amendment.

DOCUMENTS TABLED

Senator Langlois tabled:

Copies of the Northeastern Quebec Agreement, dated January 31, 1978, together with copies of Order in Council P.C. 1978-502, dated February 23, 1978, approving same, pursuant to section 5(1) of the James Bay and Northern Quebec Native Claims Settlement Act, Chapter 32, Statutes of Canada, 1976-77.

Copies of Complementary Agreements No. 1, 2 and 3, dated January 31, 1978, to the James Bay and Northern Quebec Agreement, together with copies of Orders in Council P.C. 1978-503, 1978-504 and 1978-505, dated February 23, 1978, approving same, pursuant to section 5(1) of the James Bay and Northern Quebec Native Claims Settlement Act, Chapter 32, Statutes of Canada, 1976-77.

Copies of Notes between the U.S.S.R. and Canada regarding the search and recovery of component parts of the Soviet Cosmos 954 satellite.

Revised Capital Budget of the Atlantic Pilotage Authority for the fiscal year ended March 31, 1977, pursuant to subsection 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-454, dated February 16, 1978, approving same.

Copies of Report of the Law Reform Commission of Canada entitled "Criminal Procedures: Part I—Miscellaneous Amendments", pursuant to section 18 of the Law Reform Commission Act, Chapter 23 (1st Supplement), R.S.C., 1970.

Report of the Department of Regional Economic Expansion for the fiscal year ended March 31, 1977, pursuant to section 22 of the Department of Regional Economic Expansion Act, Chapter R-4, R.S.C., 1970.

DISTINGUISHED VISITORS IN GALLERY

The Hon. the Speaker: Honourable senators, it gives me great pleasure to welcome the Parliamentary Interns from British Columbia.

BANKING, TRADE AND COMMERCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

> That the Standing Senate Committee on Banking, Trade and Commerce have power to sit while the Senate is sitting tomorrow, Wednesday, 8th March, 1978, and that rule 76(4) be suspended in relation thereto.

The Hon. the Speaker: Is leave granted?

Hon. Senators: Agreed.

Senator Grosart: May I, as a matter of course, ask the reason for this motion, because on this side, owing to our own problems, we feel that if a committee requests permission to sit when the Senate is sitting there should be particular reason for it.

Senator Hayden: Honourable senators, we have been spending some time considering Bill S-2, which includes a substantial number of amendments to the Canada Business Corporations Act. We have reached the stage at which there are still some amendments to be disposed of at the earliest possible date, owing to their importance, which importance will be stated in the committee tomorrow. I do not feel I should make that statement at this time, because I am not officially aware of that matter yet, although I am, unofficially.

Senator Grosart: I take it that the honourable senator is saying it is a matter of urgency.

Senator Hayden: Yes.

Motion agreed to.

AGRICULTURE

STRIKE OF BEEF PRODUCERS IN SASKATCHEWAN AND MANITOBA—MOTION TO ADJOURN UNDER RULE 46(g) TO CONSIDER MATTER OF URGENT PUBLIC IMPORTANCE

Senator Molgat: Honourable senators, before the Orders of the Day are called, pursuant to rule 46(g), I move, seconded by the Honourable Senator Steuart:

> That the Senate do now adjourn for the purpose of considering a matter of urgent public importance; namely, the strike of beef producers in Saskatchewan and Manitoba, the subsequent drastic reduction in cattle marketings, the laying-off of employees at the auction markets and in the packing houses and the need for action to establish confidence among beef producers.

Senator Flynn: Oh, oh.

The Hon. the Speaker: Is it agreed, honourable senators?

Some Hon. Senators: Agreed.

Some Hon. Senators: No.

Senator Flynn: On a point of order, I should like to know what rule of the Senate this motion is moved under.

Senator Molgat: Rule 46(g).

Senator Flynn: Rule 46(g)? Why would the mover not use the proper method of asking leave to proceed with an inquiry on this matter later this evening? I do not see the point in this. There are many matters of urgency, but whether the urgency is of such a nature that a debate in the Senate is immediately required is something else. I can't see what he would settle by debating this matter before any other that is before us tonight. And I really don't see anything in the rules that would allow us to do that.

● (2010)

Senator Langlois: Yes, rule 46(g), page 12.

Senator Flynn: I suggest it would have been better to have asked for leave to proceed by means of a notice of inquiry, placed properly at the end of the order paper for tonight, rather than by means of this device, which is, I submit, simply a matter of propaganda.

Senator Langlois: The Leader of the Opposition—

Senator Flynn: I am sorry if I have said anything that Senator Langlois doesn't like. Every time I say something that Senator Langlois doesn't agree with he gets carried away, as he did last Thursday.

Senator Langlois: You should have been here last Thursday.

Senator Flynn: Yes, I should have been here and I wasn't. But I will be here tomorrow, and I hope that Senator Langlois will be too. The honourable senator should not become annoyed every time we on this side of the house criticize him.

[Senator Grosart.]

Because if we can't criticize him then we might just as well not be here.

An Hon. Senator: We need you.

Senator Flynn: The honourable senator says "We need you," but Senator Langlois, I'm sure, doesn't agree. Whenever we criticize the government—

Senator Langlois: I haven't said a word tonight.

Senator Flynn: You didn't say a word, but you grumbled, as you usually do.

Senator Langlois: I didn't say a thing.

Senator Flynn: I have no objection to the motion. If Senator Molgat wants the motion placed on the order paper for tonight in its proper place, I have no objection at all. That is the only point I want to make. I have no objection to dealing with this matter tonight; but he could have said "With leave, I would like this to be put on the order paper tonight." The device Senator Molgat has had recourse to is one that is never used in this house. And in this case it was unwarranted. I do not think the subject matter really deserves to take precedence over the other matters we have before us.

Senator Denis: You have just said it.

Senator Flynn: How nice of you to notice.

Senator Denis: Well, you should sit down now.

Senator Flynn: I suggest that the honourable senator could address similar comments to Senator Langlois when he is repetitious.

Senator Bonnell: Honourable senators, is a motion for adjournment debatable?

Senator Molgat: Yes.

Senator Bonnell: I thought that a motion for adjournment was not debatable.

Senator Flynn: This is. Our rule is not the same rule as in the other place where there has to be unanimous consent.

Senator Molgat: Honourable senators, if I have agreement, I am prepared to make my case. Certainly the subject matter is debatable and I understand that debate will be allowed.

The Hon. the Speaker: Is it agreed, honourable senators?

Some Hon. Senators: Agreed.

Senator Molgat: Honourable senators, I regret that my honourable friend, the Leader of the Opposition, seems to think that my motion is a frivolous one.

Senator Flynn: I didn't say that. Don't imitate your deputy leader, for God's sake.

Senator Langlois: You are a bad enough example yourself.

Senator Molgat: I do not want to put words in my honourable friend's mouth, but he did use the words "propaganda" and "device".

Senator Langlois: Yes, he did.

Senator Flynn: I did say "device." But I also suggested to the honourable senator what I think would have been the better way to proceed tonight. I am prepared to give leave to have the motion put in its proper place on the order paper tonight.

Senator Molgat: Honourable senators, I repeat that I regret that my honourable friend does not seem to understand the importance of the motion.

Senator Flynn: You are misinterpreting what I said.

Senator Molgat: I can only assume that that is what the leader means if he says it is propaganda and a device. I submit, honourable senators, that it is not. The issue that I raise is, in fact, an important issue and it is urgent, because the matter is directly before us at this time.

Senator Flynn: And if we discuss it at 9.15 p.m. instead of a quarter to nine, what difference will that make? I said we would give leave to discuss this matter if you put it on the order paper in its proper place.

Senator Molgat: I can only conclude that the Leader of the Opposition does not read newspapers, that he does not know and does not understand what is going on in the agricultural community, because this subject is an urgent one.

Senator Flynn: You're not only deaf; you're dumb.

Senator Molgat: The motion I am placing before the Senate is perfectly in order. It is within the rules. This is a perfectly proper procedure, and it is one that I submit might be used more frequently in this chamber.

Be that as it may, the situation that exists at the moment, only in Manitoba and Saskatchewan—and if it were not only in those two provinces it might well be regarded as a serious national problem—is a symptom of a serious difficulty that exists in the whole of the agricultural community in this country, and that is why it is of urgent importance now.

This is what has been going on. Very recently a group of farmers in western Canada, who are not associated with any political party or with any existing group or association of farmers, who are simply farmers acting on their own, have established an association, and within a very short time have started a strike of farmers. In the provinces of Manitoba and Saskatchewan at the moment cattle marketings have almost completely ceased. There are almost no cattle coming to market. You can check this with the livestock yards in Winnipeg or Prince Albert or any other market in Manitoba or Saskatchewan. There is very little moving in. The reduction has been something in the order of 75 per cent. In other words, only 25 per cent of the normal number of cattle is coming on to the market.

Senator Riley: I wonder if the honourable senator would permit a question? Is he referring to 75 per cent of the beef that is slaughtered in Canada, or 75 per cent of the beef that is slaughtered in those two provinces?

Senator Molgat: No, it is 75 per cent of the normal marketings in those two provinces, through those channels.

The farmers' strike, with picketers at the various yards, has simply decreased the number of cattle moving in. In addition to this, many other farmers are voluntarily not shipping, because they are sympathetic to the strike.

The serious issue is: Why is this happening? Why is it that a group of farmers is taking this action? That is the fundamental, deep issue before us. These farmers are reacting to an extremely serious economic situation in their particular industry. They are finding—and I will admit that this is not the first time that this has been debated in this chamber—that they simply cannot continue to produce at present prices. They are finding that their incomes are going down rather than up, and that their debts are increasing steadily. To give you an example, I will quote from the Regina *Leader-Post*, as follows:

> The debt position of Canadian farmers increased to $9.5 billion from $6.9 billion in two years, and many producers are having to take out new loans to pay outstanding loans.

The farmers simply cannot continue. Hence they are having this strike.

I shall discuss briefly the other effects of the strike. Obviously, if it continues it will mean a very serious problem insofar as food supplies in those two provinces. I think, in a very reasonable and realistic manner, the farmers who have organized this strike have agreed that they will not continue it on an extended basis, but will do so for a period of two weeks. The reason they are acting in what I consider to be a very reasonable and responsible manner is that they want to impress on the Canadian people the position in which they find themselves. The fact is that they simply cannot continue, and they must bring their difficulty to the attention of the overall Canadian community. This is why this house must pay serious attention to the problem that this exemplifies. I repeat, I think that the farmers have acted in a reasonable, responsible manner, but their problem cannot be allowed to continue in this way.

• (2020)

What are we to do? What do we in our responsible position in government do about this? The Standing Senate Committee on Agriculture, chaired by Senator Argue with senators from both sides of this chamber as members, has been studying for a little over a year the problems of the beef industry in Canada. I give credit to Senator Argue for having launched this inquiry some 18 months ago.

An Hon. Senator: Hear, hear.

Senator Molgat: It was evident then that there was a problem and that action should be taken. An interim report has been submitted by that committee and adopted by this chamber, but I regret to say that no action has been taken on the recommendations in that report. I think it is urgent that action be taken. The reason why the debate should be allowed now is that this house—

Senator Flynn: But the debate is in progress—at least, I hope it is. Are you debating the urgency of the matter, or debating the debate itself?

Senator Molgat: I am absolutely within the rules. My honourable friend does not like the rules.

Senator Flynn: I like the rules more than you do.

Senator Molgat: Until they are changed, these are the rules of this house, and I submit they are sound rules because they permit an opportunity to discuss urgent matters when they need to be discussed.

Recommendations have been made, but I regret to say no action has been taken on those recommendations. The Minister of Agriculture has stated on a number of occasions that he supports the idea of a long-term beef import policy for Canada, and that is precisely the first recommendation made by the Standing Senate Committee on Agriculture. I quote directly from the report:

> The committee recommends that Canada adopt a long-term beef import policy and that Parliament enact legislation to regulate the importation of beef, veal and live slaughter cattle.

That is Recommendation 1. Recommendation 2 follows along the same lines with further details as to how it would be imposed and how the quotas would be established.

I submit it is urgent that the Canadian government proceed with this move and that the statements made by the Minister of Agriculture some months ago indicating that he supported the idea of a long-term policy be now enacted into legislation. The strike that is presently going on in Manitoba and Saskatchewan by farmers is, I think, just a beginning unless action is taken by the government.

Honourable senators, I feel it is important at this stage, because of the urgent situation created in two provinces, that this house declare itself once again very clearly as to the course of action that ought to be taken by the Canadian government.

Senator Lang: Am I correct in assuming that the honourable senator is urging upon this chamber that it is now urgent that the government start on a long-term policy? Is not that somewhat self-contradictory?

Senator Molgat: I do not believe so, because the important thing is for the cattle producers to know that there is a policy in place. Farmers know very well that they do not make a profit every year. They are accustomed to the ups and downs, and the problems of weather and price. Unless there is a long-term policy in place, the people who are presently in the industry will lose faith, and the difficulty is that those directly affected in those two provinces now under strike are mainly the young farmers. They are people who have recently gone into the cattle business, sometimes at the urging of the government, and sometimes at the urging of bankers. There was the possibility of easy credit, and the idea that there was going to be a world shortage of beef. That has not turned out to be the case. Unless we can provide them with some assurance of continuity of a long-term policy, these unfortunate people will find themselves forced into bankruptcy and getting out of the industry altogether, and the losers in this will be the overall Canadian consumers and the Canadian economy.

I think we are faced directly here with an industry that could very well find itself replaced—replaced by imports from New Zealand and Australia, for example, which can normally produce, because of their weather conditions, at lower prices than we can, and we may simply find that this industry will disappear in Canada. Hence the importance of having a long-term policy in place, so that these people in the industry can make their plans, can stay in the industry and can look forward to a furture. These people are not looking for a guaranteed future, because they are not asking for any kind of income guarantee, government subsidy or anything of the sort. They are prepared to take their chances provided there is a policy on imports of beef into Canada from other nations.

So, honourable senators, I submit that the subject is urgent, that it is crucial not simply to the beef producers but to the whole Canadian economy and to the Canadian consumers, that this debate now should be heard by those in a position to make decisions, and that a policy should be established very soon. I am afraid that if that is not done we may well face further problems in the agricultural industry.

Senator Flynn: Right on.

Senator Riley: I should like to put a couple of questions to Senator Molgat. A while ago I asked him a question and he said that 75 per cent of the beef producers in Saskatchewan and Manitoba were on strike. I now ask him: What percentage of Canadian beef is slaughtered in Manitoba and Saskatchewan? I appreciate the honourable senator's concern when he says that 75 per cent of the beef producers in Saskatchewan and Manitoba are on strike, but the beef producers in Canada are concentrated mainly in Alberta and Ontario, and I should like to know how the figures for Manitoba and Saskatchewan relate to those for Alberta and Ontario. Are they on strike in Alberta and Ontario?

Senator Molgat: I have some figures province by province. I have certain figures respecting the total cattle population. Let me make it clear that I did not say 75 per cent of the producers are on strike. I said the cattle marketings at the livestock yards are down, on the average, by 75 per cent; it may vary from one yard to the other. There are other ways of marketing. There could be direct sales, so this changes the whole picture. However, the yards themselves are down to that extent. The bulk of beef cattle in this country is produced in the province of Alberta.

Senator Riley: And Ontario.

Senator Molgat: And Ontario. The province of Alberta, though, is the biggest if we are talking in terms of supplying other parts of the country. The province of Alberta supplies, particularly, the province of Quebec markets. The province of Ontario depends largely on its own marketings. Some comes in from other provinces, but to a large extent it is from within Ontario. The provinces of Saskatchewan and Manitoba are also substantial shippers to other parts.

● (2030)

Senator Riley: My second question, if you will permit it, Senator Molgat, is: By how much per pound, or per hundred-

weight, is the federal government subsidizing beef cattle in Saskatchewan and Manitoba?

Senator Molgat: Honourable senators, I would have to obtain some specific figures in order to answer that question in the detail that I would like. There is basically, as I recall it, no subsidy insofar as normal cattle production is concerned. There is a program for cow-calf producers, some at the provincial level and some at the federal level. There is also a program of slaughter assistance but, by and large, the industry is really not a subsidized industry, but part of a free market.

Senator Riley: I am not very conversant with this. I am only an eater of beef produced in the west, as is my family, so what I cannot understand is why in Manitoba and Saskatchewan they are on strike, and in Alberta and Ontario they are not, but are taking their chances.

An Hon. Senator: They are all farmers.

Senator Riley: They are tough guys, and again I come back to this question of subsidy and of how much per hundredweight those producers receive. I know they are in trouble; our producers in the east are in trouble and farmers all over the bloody country are in trouble. Our potato farmers do not go on strike in the east, yet we are consumers of your beef from Manitoba and Saskatchewan. Now, why would they go on strike when the Alberta beef producers say they are not going on strike?

Senator Molgat: I am sorry, Senator Riley; I cannot reply as to exactly why farmers in other provinces are not taking the same action. However, I expect that unless something is done this present strike will extend to other provinces. That is the really serious problem before us, because the problem does not involve only those two provinces. The facts are that cattle producers have been unable to earn sufficient to even cover their costs, let alone make any profit. So I believe it will extend to other areas.

I might point out that this has been a very rapid development. This whole idea of the strike has developed since the beginning of this year. On the American side, a number of producers there picketed the entry ports from Manitoba and Saskatchewan into the United States, and completely prevented the movement of cattle for a period of some two or three weeks after the Christmas season. This may have spurred farmers in those two provinces to take action on their own. I presume that they have seen the successful American action, and decided that they could well do the same. However, the problem is not peculiar to those two provinces. The problem concerning the cattle industry is throughout our whole country.

Senator Riley: Is it not true, Senator Molgat, that the beef producers in Manitoba and Saskatchewan are not involved in producing only beef, but also dairy products? And is it not true that the people involved in the production of dairy products are making a profit?

Senator Molgat: No. In these two provinces, by and large, people are either in the beef industry producing beef for table consumption, or in the dairy industry. There is not much straddling of the two.

Senator Steuart: Honourable senators, like Senator Riley, I may be more familiar with the bull than the cow.

I do think this debate is urgent and timely. It is timely because the federal cabinet is travelling to Regina at the end of this week. I think the Senate should do everything in its power to impress upon them the urgency of this matter, and also impress upon them the fact that they have at hand a solution that will satisfy this group and, in fact, satisfy the 60 or 70 per cent of the people involved in the cattle industry in this nation.

The cattlemen of Alberta and Ontario could join the cattlemen of Saskatchewan and Manitoba in this strike. This occurred in the United States, and, as a matter of fact, it spread to Canada.

The Canadian agricultural movement is a recent phenomenon. It cuts across political lines. Most of those involved in this strike and movement are involved in other agricultural organizations, but they joined together in this strike out of a sense of urgency. It is urgent and it could spread. It may not appear to be a national crisis at this time, but if one looks at the facts one will find that a great many people in the cattle industry—and this is not just in Manitoba and Saskatchewan—are selling off some of their basic herds.

If Canada has to depend upon foreign producers for its beef supply, it will be a sad day, particularly for the consumers of this nation.

Yesterday I met with some of the strikers in Regina. Most of them are small producers—cow-calf operators. Most of the large ranchers are not supporting them at this time. Insofar as Saskatchewan and Manitoba are concerned, and to a lesser degree, Alberta, the strikers are, in a great many cases, the backbone of the cattle industry. And they are in trouble.

The Standing Senate Committee on Agriculture has a solution to this problem. In fact, I talked to the strikers about this solution and they are interested in it. If the Government of Canada were prepared to follow the recommendations in the first report brought down by the Standing Senate Committee on Agriculture, this strike would be over and it would not spread. A sensible solution to the major problems facing the cattle industry in Canada would be to establish an automatic quota, especially on offshore beef that is brought into this country.

These people are reasonable. They are in trouble, and they need help. I think it is a timely motion.

● (2040)

If the Senate can get behind the recommendations of the Agriculture Committee and impress on the cabinet that this indeed is a solution, it would accomplish two things. It would indicate clearly the value of the great work done by the Agriculture Committee and, at the same time, it would provide the cabinet with a ready-made solution that would be acceptable to the producers. I have it from the people engaged in this movement that it would be acceptable to them. A recent study

conducted by the Wheat Pool, which is a very powerful farm organization, recommends much the same thing.

This is a motion that deserves the support of all senators. By throwing our weight behind what has already been proposed by the Agriculture Committee we will satisfy these particular cattle producers. If this recommendation is followed by the government, the cattle industry in Canada will be much more viable and will be on much safer ground than it is today.

Senator Côté: I wonder if I might put a question to the honourable senator. The word "strike" has been used a great many times during the course of the debate so far. As I understand it, a strike results from an inability on the part of an employer and his employees to reach agreement. In this particular case, who is the employer and who are the employees?

Senator Steuart: In response to that question, a strike, in another sense, is a withholding of services by employees. In this case, the cattlemen are withholding their product, and they choose to cali it a strike. You may call it something else. What is happening is that a great many of the cattlemen in Saskatchewan and Manitoba are withholding their product from the market. They choose to call it a strike. Relating it to an industrial strike between employer and employees, it may not fit that exact category or definition, but certainly they call it a strike. If you want to call it something else, that's fine. They are withholding their product from the market. This, they feel, is a last resort, and constitutes the only weapon they have right now to bring their cause forcibly to the attention of the people of Canada and the Government of Canada.

An Hon. Senator: A good explanation.

Senator Riley: I wonder if I might ask Senator Steuart a question. Are they withholding their product or are they withholding food?

Senator Steuart: They are withholding their product. Since the end use of that product is food, I suppose one could say they are withholding food.

Senator Riley: They are withholding food from the rest of Canada. Is that not true?

Senator Steuart: Yes, until the rest of Canada is prepared to pay them a living wage for what they work for and what they produce.

Senator Riley: Is that what they say in Alberta and Ontario?

Senator Steuart: A great many of them will say it. If an answer is not given to the cattlemen in Saskatchewan and Manitoba, this thing could very well spread, because the problems facing these cattlemen are also facing the cattlemen in Alberta and Ontario. If it spreads, we could find ourselves in a much more serious situation a few months down the road. We have an excellent opportunity to stop this thing now. We have an excellent solution in the recommendation of the Agriculture Committee. We have an excellent opportunity to nip this thing in the bud before it becomes too serious.

An Hon. Senator: In the meantime, no one is starving.

[Senator Steuart.]

Senator Riley: What if we in the Maritimes and Quebec withheld our blueberries, our fish and our potatoes from the consumers in the west?

Senator Steuart: You would probably get a better price and they would all live happily ever after.

Senator Riley: We are not starving.

Senator Olson: Honourable senators, from the explanations that have been given by Senator Molgat and Senator Steuart, the mover and seconder of this motion respectively, it is clear that this act on the part of the producers is an act of desperation.

The question was raised as to whether or not this is a strike in the usual meaning of that word. A strike, in the usual sense of the word, results in the failure of a union or organization to negotiate an agreement. This particular action is not being promoted or administered by any organization that was in place a month ago. It is not the Farmers' Union or the Stockgrowers' Associaton particularly. A group of beef producers in Saskatchewan and Manitoba, as a last resort, in an act of desperation, have come together in an attempt to draw public attention to the problems which have been confronting beef producers over the last three or four years.

This is a spontaneous movement or group that has sprung up only in the last three or four weeks. It was preceded by a similar situation in the United States some five or six weeks ago. There was an inability in the United States to get enough producers together, or one of the existing organizations, to actually take steps to correct the situation. The fact is that the American producers made their feelings known at the Canadian border. They know that Canada is not the major source of beef going into the United States market. It amounts to something less than 2 per cent, even at the best of times. But it was the most visible place to make their grievance known. Since that time, the price of beef in the United States has improved rather substantially.

As a matter of fact, one could argue today that the timing of this particular strike, or this withholding of supplies, may be wrong, because since the withholding of the supplies of beef started some two weeks ago, beef prices have increased rather dramatically. Indeed, there has not been a period in the last four years when beef prices have gone up so fast. Beef prices have improved dramatically in the last week particularly, but there was improvement even the week before the withholding of the product was initiated.

There are probably some people in the beef industry who will say this increase was going to come anyway. Some will say that because of the slaughter and sell-off of brood cows and replacement heifers, the total capability to produce beef in Canada is down to the point where we are heading into a deficit position, or even a greater deficit position than we have been experiencing; but they will never be able to persuade the producers who are involved in this particular strike that their action did not have something to do with bringing about increased prices when, in fact, the prices came up far more

rapidly when they were on strike than previously. Exactly the same thing has happened in the United States.

I think we should look a little deeper at this cause and effect aspect of the matter. It is a sad commentary on our beef marketing system that the only time a beef producer can get a reasonable return is when there is a shortage position. The marketing structure and those people who defend it cannot tell us why we have to put up with prices to producers that are so low day after day, month after month—and, in fact, year after year—that they cannot meet their cost of production when, in fact, all that meat goes through the system and on to the consumer.

The executive vice-president of Steinberg's Limited appeared before the Agriculture Committee earlier today, and it was his view that it was wrong that the producers, over a long period of time, should go on getting deeper and deeper into debt as a result of the marketing system being unable to respond to their cost needs. Mr. Levine said very plainly that there is a place for a floor price related to the cost of production and, in his opinion, all that is necessary to achieve that is a change of attitude. Then, of course, one gets into what he meant by a change of attitude. It gets a little more difficult. But he is not happy to be part of the beef distribution system when he knows that week after week the return to the producer is below his cost of production.

● (2050)

It is a fact too, honourable senators, that the producers at the present time simply have no means of influencing the price that their product is sold for at two or three levels—not even at the level at which they sell it to the packer in the first instance. They do not have any means of influencing the price—except one, and that is that if they are not satisfied with the price they can withhold their product. That is one method that they have, and that is the method that they are using now. But the fact also is that that is not orderly marketing. It is also a fact that when beef is ready to sell there are only a few days during which it is in prime condition. After that it becomes too fat, and the cost of keeping it in prime condition is excessive.

Surely, honourable senators, we can find a better way than the system that is in place now so that we do not have these acts of desperation such as are now taking place in Saskatchewan and Manitoba.

A question was raised as to why Alberta and Ontario were not also involved in this. They will be before long, unless the price rises enough so that there is a chance for their producers to recover their costs—and that, by the way, is happening. I do not believe it is going to be many more days, judging by the way the price is escalating now, before they get it up to a reasonable level.

But you have to go back again and look at these people in Canada—Saskatchewan and Manitoba—as well as people in North Dakota and Montana and a couple of other states in the union who did, in fact, have a public manifestation of their grievances, and it seems to be producing results. I hope that we can find some better means than having this kind of confrontation with the public of getting any kind of justice out of the marketplace. You know, that can become a habit. The only way we can get any response to our financial requirements is to have this adversary system working in the marketplace. You have to use desperate measures to get any reasonable justice.

I certainly agree with Senator Steuart and others that there were some recommendations made to the government that would have helped the situation somewhat, and I think the fact that this has happened also puts a greater onus on the Standing Senate Committee on Agriculture to find some further modifications within the beef marketing industry in Canada so that it is not only in periods of desperate shortage that a farmer can get a reasonable price for his beef.

Senator Grosart: Honourable senators, I wonder if I could ask the honourable senator who raised this question if it is his intention to move a motion that the Senate might debate, because the motion that he put was that the Senate adjourn. I do not know whether we are adjourned or not, or whether we are still debating the motion to adjourn. If we are not debating the motion and if we are adjourned, then surely we cannot continue the debate without an appropriate motion. I am not concerned too much about the procedural point, but what are we going to accomplish by just carrying on the discussion?

I would ask him a second question—and this refers to my question about the possibility, or the procedural correctness, of having a motion before us. Is the major cause of what was just called "a desperate situation," and the situation calling for "desperate measures," the failure of the federal government to act in a preventative way before this happened? Is this the purpose of raising the question?

Senator Molgat: Honourable senators, I presume I am replying on the point of order, because I do not think I can reply otherwise, not having been the immediately preceding speaker.

Senator Grosart: I did not raise a point of order. I asked the honourable senator two questions.

Senator Molgat: I don't think I can reply unless the Senate so agrees. Normally, I think, it is the last speaker who has the right to reply. However, I am prepared to do so if honourable senators agree. My understanding is—

An Hon. Senator: With leave!

Senator Grosart: I am now completely confused. The honourable senator has been answering questions asked here most of the evening. I have simply asked two more. What does he need leave for?

Senator Molgat: Honourable senators, I may not know the rules of this chamber, but in the chamber in which I had been accustomed to speak the rule was very clear—questions were allowed to the last speaker, but if there were intervening speakers, then you could not go back to a previous speaker to ask a question. That is my understanding of the rule.

Senator McIlraith: That is a correct understanding.

Senator Molgat: Thank you. That is certainly the rule as I know it.

Now, honourable senators, coming to the present rule and the motion before us, it is my understanding that a motion of this sort can be discussed as a matter of urgent public importance. This permits a discussion of the subject. It is a debatable motion; a debate can be held, and at the end of the debate the mover of the motion can ask for leave to withdraw the motion having accomplished the debate which was the purpose of the motion in the first place. That is my understanding of the rule, and it is certainly the one under which I have always operated in the Manitoba Legislature where I sat for a number of years.

Senator Grosart: Honourable senators, may I ask the honourable senator if he will answer the second question? I would point out to him that it has always been the custom, for as long as I have been here, for questions to be asked, within the rules, of the mover of a motion. I do not suppose a day goes by when the mover of a motion is not asked some question here, regardless of who has spoken in the intervening period.

Senator Molgat: Perhaps we should clear this matter up at some other time. I have no objection to answering, but, I repeat, it is my understanding that you may ask a question of somebody who is speaking, if he gives leave, or somebody who has just finished speaking, but if there are intervening speakers, then you cannot go back. However, I have no objections.

Senator Grosart: There is not a word to that effect in the rules.

Senator Molgat: Then possibly we should ask for a clarification on the subject. My honourable friend has been here longer than I have, but I submit that he is wrong in his interpretation of the rules. However, I leave that for another discussion.

In reply to a specific question as to whether the government has failed to act and whether the situation is caused by the failure of the government to act, yes, in my opinion, the government should have acted in establishing a long-term beef import policy. The Minister of Agriculture indicated some months ago that this would be done. I do not know why it has not proceeded further. I think it is urgent that such a measure be placed on the statute books to ensure stability within the industry. I know it is not going to answer all the questions or solve all the problems, but it would in that area at least ensure stability.

Senator Argue: Honourable senators, I think it is most appropriate for senators—in this instance, senators from Saskatchewan and Manitoba—to raise this as a question of urgent public importance. The rules of the Senate are excellent in that they provide this particular avenue for bringing a debate forward if, in fact, the Senate so agrees, and if it is a question of urgent public importance. The other place has a similar rule in Standing Order 43. They try it every day, but it requires unanimous consent, so really they are going through a kind of superfluous exercise—and they know it. It is a phoney type of motion, because one person—and it takes no more than one—can stop that debate.

[Senator McIlraith.]

This is a debate to discuss a question of urgent public importance and the motion is that the Senate adjourn for the purpose of discussing this question. It is a debatable motion. At the end of the debate, if the mover wishes to withdraw it, and the Senate wishes him to withdraw it, that concludes the debate. If the motion is put and carried, I take it that we would adjourn. If it is defeated, we are back to our regular business.

● (2100)

This is a vehicle, a method of bring forth a question of urgent public importance for debate. I think it is an excellent rule. Although it has not been used often in the Senate, it is something that should be used more often. How often are we criticized for failing to speak out for our regions or our provinces? We have the rule, we have the vehicle. If we can convince our colleagues that the question we raise is of urgent public importance, then in fact in this chamber we can engage in a debate.

Senator Riley was asking about the importance of the position of Manitoba and Saskatchewan in the beef business. We are not as important as Alberta, but we are major factors in the beef industry in this country.

Senator Riley: So is Ontario.

Senator Argue: Yes, Ontario is also a major factor. Now, obviously you cannot have beef cattle unless you have beef cows—unless, of course, you bring the cattle in from some other country. In Canada, Alberta has 36.9 per cent of beef cows; Saskatchewan has 28.3 per cent; Manitoba has 11.4 per cent; and Ontario has 11.5 per cent. Ontario is way down in numbers of beef cows, but beef can be and is produced as a by-product of the dairy industry. There is, therefore, a major source of beef from the dairy industry in Ontario and, of course, Ontario buys feeder calves from western Canada and puts gains on them, and thus by that avenue also produces beef.

Senator Riley: There is also processed beef.

Senator Argue: One of the major indications of the importance of these two provinces in this business is what has happened since the virtual shutdown of those two markets—the price across the country has been rising.

This is not a strike in the normal sense of the word, of course. It is a protest. Farmers go to an auction market or to a packing company, and they set up so-called picket lines. There is no force. There is no evidence of force, and no intention of force. They simply say to their fellow farmers who are bringing in loads of cattle, "Don't you think you should take them home instead of selling them today? In that way you can join in the protest." Most of the farmers and producers have been supporting the strike by staying home and keeping their cattle at home. That is why it has been effective.

On Tuesday of last week, it was 75 per cent effective, and has become more and more effective ever since. Instead of seeing the thing dying down within the two-week period, the producers have been receiving more and more support.

Obviously, the producers are not trying to starve the country of beef. It would be silly to think that by shutting down beef processing in Saskatchewan and Manitoba, that by shutting down that food supply for two weeks, all of a sudden there would be no beef in the stores across the country and people would be without that food. It is simply a method—it is a legitimate method, a valuable method, but it is not necessarily the best one—it is a valuable and legitimate method of bringing grievances to the attention of the people of this country.

It has been said here tonight, and it is 100 per cent true, that the people who are suffering the most are the young producers. This is not a movement of the old leaders, of the old farm movements. This is something that has just sprung up. There are no leaders. At least, we do not know the names of the leaders. But they have had a tremendous amount of publicity and they do have a tremendous amount of support, because the producers have been suffering. They are not just suffering this year. They have been suffering for years.

The Canadian Cattlemen's Association, which is not at all happy with this kind of protest, has said that the beef producers have lost $400 million in the last number of years. It is a combination of many circumstances, but they have really been losing money.

Senator Riley asks what subsidies or what federal money those beef producers in Saskatchewan and Manitoba get.

Senator Riley: And what provincial moneys?

Senator Argue: I do not have the provincial figures. For example, a cow-calf producer, who will tell you that he is losing $100 per calf or more, will receive a subsidy this year from the federal government. I congratulate the Minister of Agriculture who has put this program on the statute books. The amount is not as much as we would like, but it is something. Those producers will receive approximately $10.57 per cow. It is a kind of complicated formula, but it works out that a farmer with 100 cows will receive about $600 or $700. He will tell you he is losing thousands of dollars, but he is grateful for the $600 or $700.

With respect to support on slaughter cattle, last year it was paid on a quarterly basis. The prices paid to support slaughter cattle were different in the different quarters, but it worked out to about 2 cents a pound. That worked out to about $20 a head, in quick, rough figures, with a ceiling on the number on which it could be paid. Twenty dollars a head is not enough to rescue the beef producers of this country.

As has been said tonight, this agricultural movement really sprang up in the United States a couple of months ago. It was unstructured. It was not the old organizations. It just sprang up. The producers were after parity prices on all of their products—not concentrating on beef but on a broad range of products.

I have had the opportunity, and others have had the opportunity, in the last few days, to discuss with our agricultural representatives in our embassy in Washington what is happening down there. They say that never in their memory can they recall a time when so many agricultural bills were introduced in the Senate and the House of Representatives of the United States. Their Senate agriculture committee has been meeting in the last few days on these very questions, and we are trying in our own way in the Senate here and in our committee to bring to the attention of the public these most important grievances of our producers.

One can take the attitude that the way to handle the beef business is to just leave it alone. Some people say that. They say, "Let us not have any barriers between us and the United States." But that does not mean, if we take that attitude, that that, in fact, is what happens. There are controls between Canada and the United States. There is tremendous pressure from beef producers in the United States to have controls on the importation of Canadian beef into the United States.

It is my contention that, instead of taking the attitude that we would just like to have free trade, as some would say is theoretically the best method, our strongest position is for the Government of Canada and the Government of the United States, for the beef producers in Canada and the beef producers in the United States, to talk about their trade problems and work out, on a fixed basis, on a known basis, the limits of trade in beef that can flow from Canada into the United States, and from the United States into Canada. Only if we have some kind of orderly understanding of our trade in beef is there any hope of having reasonable prices for the beef producers in Canada.

The American beef producers have a lot of support. The Secretary of Agriculture in the United States announced just a few days ago that from now on the beef used in the school lunch program in the United States must be American beef. As a matter of fact, they do not know yet how they will distinguish between their beef and imported beef. It may mean that only those packing companies that handle American beef exclusively will be able to provide that beef. Or perhaps they will have to go into the packing houses and differentiate there between the American beef and the imported beef.

My point is that the move is on in the United States to control the marketing of Canadian beef in the United States, and it is of urgent necessity that our government undertake immediately trade talks with the United States. It is suggested in our beef report that we should formalize the trade in beef between our two nations so as to assure Canadian producers a reasonable market.

• (2110)

What is the urgency of this question? The government should act. One of the reasons why we have this demonstration today is because there is a feeling among beef producers that Ottawa does not care or does not care enough. I know that the government in Ottawa does care. I know that the Minister of Agriculture cares, and I know that the Minister of Industry, Trade and Commerce cares.

Senator Bourget: And he is going out west.

Senator Argue: And he is going out west. We are bringing forward this debate to suggest that when he goes out west, he should go with a program and should not simply say, "We are

going to listen to them," because producers there have been making representations for a long time and are looking for action.

There have been controls established under the Export and Import Permits Act on beef imports into Canada—a total of 140 million pounds last year from all countries. It has continued this year. But the government has said, "We will add 1.5 per cent." Beef producers say, "Oh no, the 140 million pounds is bad enough. Why add any per cent to that?" They say, "Tell us what you are going to do in advance." The program for 1978 was not announced until we were into 1978. Producers want control over imports, they want a reasonable import, they want it based on historic figures. They consider that 140 million pounds is much too high and feel there should not be any increase in that amount which the government brought forward as a program.

The Minister of Agriculture is very strong on marketing boards. He says to beef producers, "Well, until you get a marketing board, you will have all kinds of problems; unless you have a marketing board, you can blame yourselves." I do not believe the answer is that simple or that easy. What the government should be saying to producers is, "You want a reasonable import policy, and we agree to that. You want some reasonable stabilization programs announced in advance, on a known basis—not a price that varies 90 per cent for the last five years and 95 per cent at some other time." Producers say, "If we are going to have a stabilization program, we want it known in advance."

Although it is not really clear, I believe the producers also would like to see in Ottawa, in government circles, a body of agricultural experts to whom they could come, to whom they could look for leadership, who would help solve some of their problems. We have had an ongoing development with regard to a grains policy in Canada. We have had a grains group which represented the different departments, and was established to develop a grains policy. I have been critical of the Minister of Transport who handles the grain policy, and I shall continue to be critical whenever I feel that criticism is necessary.

I say sincerely that with regard to the grain business in this country there is some momentum in developing agricultural policies. The department is on the move. Farmers can now see some action. Rail lines are being improved. There are hopper cars, and there is talk of new facilities for handling grain on the west coast. Those things are developing. Producers of beef want to be assured that their interests are being considered, that there is a developing policy, that the policy is not standing still. If they receive that kind of assurance, then I believe that the demonstrations will cease and that beef producers will feel grateful and much more secure.

Senator Riley said, "Well, it is confined to Saskatchewan and Manitoba, and they are not supporting it in Ontario." That is true. They have not supported it, but the Ontario Federation of Agriculture supported the same kind of objectives by means of a different method. When the food conference was held in Ottawa a week ago, farmers—1,200 of them—came here to what they called a counterconference, and put forward their ideas for agricultural development.

I will not say which is the better procedure—what the Ontario Federation of Agriculture did in sending 1,200 people to Ottawa to tell the authorities what should be done, or what the producers in Saskatchewan did. The Saskatchewan producers are 1,500 or 2,000 miles away, and they cannot simply drive down to Ottawa after breakfast to talk to the government. They are far away, so they undertook to do what they thought could be done effectively at home.

I am one who believes that we have to talk to the authorities, the powers that be. The cabinet will be in Regina, Alberta and Manitoba this coming weekend. I hope that the people involved will read this debate and will consider the ideas which have been put forward by those who have taken part in this debate. It is constructive to bring forward, in advance of that conference, in advance of the cabinet meeting, those things which we think should be done. I bring forward these suggestions, believing that I represent in the Senate the region from which I come—and that is my job.

Hon. Senators: Hear, hear.

Senator Argue: The Standing Senate Committee on Agriculture had a difficult row to hoe. One of the reasons why farmers are not supporting this in every province is that it is difficult to get farmers to agree unanimously on something. Therefore, it has been difficult for our Senate committee to bring forward the kind of report that would receive general support.

I suggest that the policies which we have brought forward with regard to imports have received general approval. As a demonstration of the kind of general approval received, I can say that invitations have come from the Canadian Cattlemen's Association, the Purebred Breeds Association, the Government of Ontario through officials of its Department of Agriculture, the Western Cow-Calf Association, and the National Farmers' Union, for members of the Agriculture Committee to appear before their conventions and meetings to discuss the committee's proposition.

It is my sincere belief that the Senate, in conducting this type of debate, can play a useful role in the development of agricultural policies that will make it possible for Canadian beef producers to have what they call parity, and which they define as having the same kind of income as those in other occupations in this country.

Senator Austin: For the sake of information, could the honourable senator give us some background on the levels of consumption of beef in Canada. Have they seen a declining per capita, or are they beginning to grow?

Senator Argue: I do not have the figures in my head, but I know that they have been growing very substantially over the past 10 years or more, from 70 pounds per capita up to 100 pounds. Perhaps Senator Olson has the figures in his mind. They have increased to 110 pounds per capita, from the point of view of consumption level. So consumption has been growing.

Senator Austin: Does the honourable senator recall whether there is a price and supply elasticity with respect to that growth?

Senator Argue: I have no doubt there is. I think the cheaper the beef, the greater the consumption. There are probably other developments which tend to provide an increase in the consumption of beef—namely, the hamburger eat-out places, and so on, where one can buy cheap fast service foods. The consumption of hamburger has been growing very rapidly, as has the consumption of beef. I have no doubt that there is elasticity.

Senator Austin: Before Senator Riley gets to his feet, may I pursue briefly with the honourable senator the question of the addition to the cost to consumers in British Columbia of a level of return to your producers that would ensure a healthy industry in Saskatchewan and Manitoba.

Senator Argue: How much more it would cost consumers in British Columbia?

Senator Austin: Yes.

Senator Argue: One has to speculate, and when I have speculated in the past it has always been dangerous. I imagine that if our producers could receive another 10 cents per pound—they may not be getting 45 cents—I am sure they would find it more reasonable. On live animals, with the dressing out, I suppose it would add 20 to 25 cents per pound to the price of beef across the board to consumers. Everything else has been going up. Costs go up all the time. When the farmer gets exactly the same price for wheat, or less, the price of bread still goes up. That, however, might be a reasonable answer to your question.

● (2120)

Senator Austin: But is it clear that it is a permanent state of affairs that American producers and other foreign producers can lay beef into Canada at a constantly competitive price vis-à-vis the Canadian producer?

Senator Argue: If Senator Hays were here he would say that in relation to the States we cannot compete. We have higher costs, and our climate is a very important factor. Certainly I do not think we can compete in any real sense with beef being produced in Australia and New Zealand. But Canadians generally have said we should have a beef industry, we should have an agricultural industry, and that while it might look economically sound for us to have all our beef produced in Australia and New Zealand, this is not the way to go. A few years ago, Canada was a net exporter of beef. Today we are a net importer of beef. We produce about 90 per cent of our own consumption, and our producers are disturbed that they are losing the Canadian market, that prices are low, and that if something is not done they will be out of business permanently.

Senator Austin: Then our best argument for the beef industry is that we require our own security of supply of food, even if it is at a somewhat higher price, and that is what I should tell consumers in British Columbia, I presume.

Senator Argue: I think that is right. Then you come to the producers and you ask them, as good Canadians, to pay perhaps a little more for textiles, and a little more for automobiles, and so on. It is a question of working out a balance. The beef producers feel that they need a somewhat higher price; they need protection from imports of beef from very low cost countries; and they feel that if they are given these kinds of breaks they can keep on using the tens of millions of acres of land in Canada that are really only suitable for the production of beef.

Senator Buckwold: Honourable senators, I should like to add a word or two to what I consider to be a very worthwhile debate. I should like to express my appreciation to Senator Molgat for drawing this matter to the attention of this chamber.

What we are seeing is a manifestation of the unrest that has resulted from the dissatisfaction on the part of farmers across the entire nation, not just in Manitoba and Saskatchewan, and not just in the cattle industry, because of the very low prices they have received for their products. It is sometimes difficult to convince Canadian consumers that the best bargain they get today is the food that is produced by our farmers. I am sorry that I do not have with me all the relevant statistics, since I was not prepared for this particular debate; but I am sure that all of you know that the percentage of our income that is spent on feeding ourselves has been steadily decreasing, in line with increased earnings of Canadians. The man who is paying the price for this is the farmer, or the fruit producer in British Columbia, or the fish producer in the maritimes. This is the malaise that is affecting the whole agricultural and fishing industries.

What we have seen in this strike, which is a relatively small one, although in our part of the world a very, very important development, is an indication of what could happen in the months ahead as this discontent spreads across the country. The group sponsoring this strike is a very unusual organization. As has been indicated, it is crossing all kinds of organizational and party lines. They call themselves the Canadian Agricultural Movement. I draw your attention to the name, because it is not just an association of cattlemen. It is the Canadian Agricultural Movement, and in our part of the world their activity has been intense. Already there have been some serious injuries on the picket lines. One man is still lying unconscious as a result of a clash between workers at one of the livestock yards, and the farmers are picketing all the yards so that the cattle cannot be delivered.

I wish at this time not only to emphasize the importance of this debate but to indicate that it is essential to let the Government of Canada, the decision makers, and particularly the cabinet—who will be meeting in Regina and discussing this issue with the people concerned—know that it is of concern to us, that we feel some action should be taken and that the matter should not be allowed to drift.

Perhaps the Canadian Agricultural Movement are asking for too much at the moment. They are suggesting they should get $100 for every cow that is marketed, and, in addition, a 15

per cent cut in the importation of cattle. That is what they say they need in order to be in at least a break-even position, and to get some return on their investment.

Senator Argue has indicated that the present subsidy is about $10 per head. The sum of $100 may be too much; but it is my hope that the cabinet members, when they go to meet with these leaders, will put something on the table that will show that they intend to review the situation, not just the importation of cattle—which is very important, and which is a subject that is discussed in this excellent Senate report—but also the question of a cash subsidy as cattle come to market. I think this is essential if these people are to avoid going bankrupt.

There is one warning that I want to issue to the Minister of Agriculture. I have an excerpt here from a Canadian Press dispatch in which it is indicated that the federal Minister of Agriculture, although he is very sympathetic to the plight of the prairie cattlemen, will soon be giving them a gentle reminder to mend their marketing ways. The dispatch goes on to say that that gentle reminder will tell them that other producer groups in supply programs are making money by the utilization of marketing boards.

This is Mr. Whelan's major push. Marketing boards, for him, are the answer. Well, I have to say that in the opinion of many of us they are not the answer, and the producers of cattle are not looking for that solution. The Saskatchewan Stock Growers' Association, which have about 6,000 members, have said that they want as little government interference as possible. They want government help, and government action, but they do not want the government telling them how to run every detail of their business, and they are strongly opposed to marketing boards. If Mr. Whelan reads this particular debate, and if it has any influence on him, I hope he will keep in mind that there are other solutions to this problem than the imposition of more bureaucracy and government intervention through marketing boards. I think it is important that he be made aware of this opposition by the cattlemen of the west, and in particular by the Saskatchewan Stock Growers' Association.

Honourable senators, I hope that you have appreciated the importance of this debate, not just because of Manitoba and Saskatchewan, and because of those of us who are involved directly, but because what is happening there will move in a direction which will become increasingly evident as militant agriculturalists, farmers and fishermen decide that they have to get a suitable return on their investment or at least meet their costs. For that reason, this is a matter of real interest to this Senate as well as to the regions involved.

● (2130)

Senator Forsey: Honourable senators, if a mere easterner may venture to have a small part in this debate, I should like to mention one thing which, as far as I can recall—I was obliged to leave the chamber for a few moments—has not been mentioned in the course of the debate, and that is the side effects of this farm strike upon the workers in packing-house plants. I do not think any honourable senator referred to that.

[Senator Buckwold.]

It is, in a sense, a minor feature, but it is not one without importance, and if this movement spreads, it could be a matter of very considerable importance.

The other thing that I should like to say is that I think we had tonight a remarkable demonstration of the fact that party lines do not govern the debates of the Senate because, to the best of my recollection, every member who has spoken in support of this motion has been a Liberal. I do not think there has been a single intervention on the part of the opposition, apart from the original intervention by Senator Flynn more or less on procedural points. I gather my honourable friend, Senator Phillips, is about to let fly on the subject. I should be delighted to listen to him as always, but so far we have had a remarkable demonstration of the defiance of party lines by eminent members of the Liberal Party. In fact, at some moments I almost felt I was listening to a debate on a motion of censure of the present government, moved and supported by Liberal senators in the Senate.

I merely want to emphasize that because so often we are told that the Liberal members of this Senate are merely a collection of trained seals or tame sheep or "yes men" or nodders, and I think we have had a demonstration tonight that that is clearly not so.

Those are the only two points I wanted to make. I think we have listened to a most interesting and informative debate and one that I hope will produce some effect in the proper quarters.

Hon. Senators: Hear, hear.

Senator Riley: Honourable senators, first of all I should like to congratulate Senator Molgat for bringing this subject up.

Senator Flynn: He certainly deserves congratulations.

Senator Riley: I also wish to congratulate Senator Argue for the wonderful work he has done on the Standing Senate Committee on Agriculture, and on the report that was made by that committee.

I understand the problems, at least I think I do, but I do not understand all the problems of the west because I have not spent much time out there.

One of the things that impressed me tonight was Senator Olson's remarks about the public manifestation of the grievances of the farmers. Call it a public manifestation of a grievance if you like, but to me it is a strike. As an easterner, I think that if the westerners in Manitoba and Saskatchewan are, as Senator Forsey says, putting people out of work in the packing houses and on the farms, then it is a strike, and it is not a legitimate strike. When Senator Argue was laughing—

Senator Argue: On a question of privilege, I was not laughing.

Senator Riley: You were smirking.

Senator Argue: No, I was not.

Senator Flynn: He never laughs, he is always too serious.

Senator Riley: When you laugh, it is hard to find your laugh behind your beard, but when your beard moves we know you are at least smirking.

An Hon. Senator: He would make a good Santa Claus.

Senator Riley: We don't know if Santa Claus sleeps with his beard inside or outside the comforter, and we don't know where Senator Argue's beard is when he sleeps. In any event, Senator Argue was one of the loudest screamers when the Americans came up to the border and tried to stop the flow of Canadian beef, livestock, into the United States. Now he is condoning the strike of the Manitobans and Saskatchewans in keeping the beef away from, as far as I am concerned, eastern Canada. You might laugh at that. You might say that is a perfectly legitimate "beef," but I repeat, I admire Senator Molgat for bringing this up because I appreciate the plight of the beef producers in Manitoba and Saskatchewan. Can the problem be solved by screaming against the Minister of Agriculture and the marketing boards? I have always said that the best way to solve a problem was to negotiate it. We found that out in the other place recently—you do not jeopardize the security of the country just to get publicity, and publicity does not end these problems, and it does not solve them. You solve these problems by putting both your hands on top of the table and negotiating.

Senator Asselin: There is nothing against that.

Senator Riley: It is the answer, is it not? This can be done with the beef industry in Canada. It has to be done with our agricultural and resource industries in eastern Canada. I think that all of us down there believe in that method. We do not go shouting and screaming. We used to do that right after we got sucked into Confederation. We used to say, "Look what we have got now."

Senator Steuart: Do you want out?

Senator Riley: No, not a bit. Right now we have the attitude in eastern Canada that you put your hands on the table and negotiate. You do not negotiate by screaming in a public forum like this, by trying to get publicity and by trying to throw shafts into the minister. He may be right about marketing, I don't know, because marketing has worked out in some areas of resources. I sometimes pray that he is right. I don't know anything about beef raising, and as far as grain is concerned Senator Argue knows that the only thing I ever learned about grain in the House of Commons was from John Sinnott. Do you remember him, Senator Argue?

Senator Argue: Yes, I remember John Sinnott.

Senator Riley: I didn't learn very much, did I? In any event, we have brought this to the attention of the government through Senator Molgat's motion, so let's not get all worked up over it but let's see what can be done by negotiation, even possibly through the use of marketing boards.

If more money is needed to help the beef producers, well and good, but they should not shout against the government. Here you have a classic example tonight. The opposition, if there is an opposition in the Senate, and I do not believe there should be—

Senator Flynn: You agree with Senator Langlois that there should never be?

Senator Riley: I say that we should all act as individuals, and there has been proof of that tonight because I am talking against fellow Liberals in the Senate. Some of them, I know, are a little conservative.

Senator Flynn: Thank God.

Senator Riley: This has been a good debate, and it is a great way to bring something to the attention of the government. As the Conservatives say, let them fight among themselves, none of us will say a word.

Senator Phillips: Honourable senators, Senator Forsey was somewhat disturbed that members of the oposition had not participated in the debate.

Senator Forsey: No, not at all.

Senator Phillips: I should like to point out to him that we in the Conservative Party are quite accustomed to waiting for a motion to be placed before we speak on a subject, and, as Senator Grosart stated, it is not too certain that a motion has been put.

Senator Forsey: Oh, yes.

• (2140)

Senator Phillips: Honourable senators, as a representative of the Atlantic provinces I can heartily support the idea of the government paying more attention to beef producers. Our basic producers, in the potato industry, are in a very much worse situation. This time last year potato farmers were receiving five cents a pound. This year they are receiving one and a half cents per pound, less than the cost of production.

I very much appreciate the excellent work the Standing Senate Committee on Agriculture has done for the beef producers, but where have you mentioned agriculture in the Maritimes? The deputy chairman of that committee represents a potato producing area, but we have not heard one single word about this aspect of agriculture.

Senator Argue: We have made several reports.

Senator Flynn: Not on potatoes.

Senator Phillips: Not on potatoes.

Senator Molgat stated that he did not think the Leader of the Opposition read the newspapers. I don't know whether he has time to waste reading every news report, but I should like to advise Senator Molgat that we on this side read the House of Commons *Hansard*, and I wish he did. I would point out to him that on Monday of this week the honourable member for Yorkton-Melville asked a question on the basis of the spread in beef prices and the boycott, and the answer of the Minister of Consumer and Corporate Affairs is very interesting:

> —we are concerned about the situation of the beef boycott in western Canada and are watching it carefully.

There are a number of things in that statement that are intriguing. First of all there is the use of the word "we." I know the minister has a very regal opinion of himself, but I do not think he was using the royal "we." We can safely assume that he was referring to the Minister of Agriculture and the

Minister of Industry, Trade and Commerce, and, of course, himself as the Minister of Consumer and Corporate Affairs. Who knows, honourable senators, perhaps he was even including the Right Honourable the Prime Minister as being interested in the boycott.

The use of rule 46(g) to bring this matter to the attention of both the Senate and the government is a very novel idea, but I think we should be careful about how we use this rule, because if someone were to move the adjournment under rule 46(g) to discuss every single, solitary failure of this government we would not get to the Orders of the Day for another two years.

Senator Molgat said he was concerned about the huge amount of money beef producers had to borrow. I, too, can share that concern. The potato producers in the Atlantic provinces have the same problem. Certainly, the milk producers in the province of Quebec faced that problem when the federal government urged them to borrow every cent they could to increase their production in one year, and then the next year established a quota. At least the beef producers in western Canada have not so far met the problem of quotas.

Senator Steuart seemed to think there was a certain amount of urgency about this debate and about advising the government of the situation before they go to Regina. I cannot recall exactly when Senator Steuart joined us in this chamber, but I would presume he has been here long enough to advise the government about this situation before, and I have a high enough regard for the honourable senator to feel that he did advise them, but that he was ignored, as were the members of the Standing Senate Committee on Agriculture. I do not know why it is so important to advise the government tonight before they leave for Regina. One would assume that the Liberal caucus made some representation on not only beef producers but on what Senator Buckwold described as the malaise of the agricultural situation. Have they listened to the Liberal caucus? No, because we still have that malaise.

About ten days ago, in Ottawa, there was a great convention with extensive TV coverage. I wonder if any honourable senator can tell me how many resolutions were introduced and debated at that convention?

Senator Steuart: There were 821.

Senator Flynn: Concerning beef?

Senator Phillips: How many of the 821 dealt with the problem of the beef producers? Surely out of the 821, if you were really interested, one resolution would have dealt with the subject of beef producers.

Senator Steuart also suggested that we should be discussing the problem of quotas of offshore beef. Not too long ago I had the pleasure of listening to the Minister of Industry, Trade and Commerce give a news conference in Calgary. The minister, in that very modest way that he has assumed since he joined the cabinet, was reminding the people of Canada that he had negotiated new reduced quotas with Australia and New Zealand, and thereby had corrected the situation with regard to the importation of offshore beef. There is also an increased tariff on beef being imported into this country. Obviously the Minister of Industry, Trade and Commerce did not have his facts right, because tonight we heard an entirely different story. I suggest to Senator Steuart that he take on the task of belling the cat and advise the Minister of Industry, Trade and Commerce that he has been entirely wrong up to this date.

I suggest, honourable senators, that the Senate should be unanimous in this regard. Instead of limiting the recommendation to the cabinet, why not go one step further and make a recommendation to the public? That recommendation should be one to change the government, have a new agricultural policy and correct the malaise that exists in the country.

Senator Flynn: Do you think they would go for it?

Senator Yuzyk: Honourable senators, since I hail from Saskatchewan and represent Manitoba, I think I should participate, at least briefly, in this debate.

I am a member of the Standing Senate Committee on Agriculture, and I have participated throughout its inquiry into the beef industry whenever I could, although there were times when I could not be present.

Senator Flynn: Tonight it is "beefing."

• (2150)

Senator Yuzyk: Well, this is a kind of beef night; this is a real beef night. My contribution to the debate will be this, that as we listened to the various presentations during the committee hearings—we had presentations from all sectors of the beef industry—we soon became sensitive to the fact that beef producers are not getting a fair and square deal which, of course, is generally known to Canadians. However, what is more important is that we sensed that the beef producers are not going to take this situation lying down too long, that they are going to take some kind of action in the near future. I was quite aware of that, and I was hoping that when the report of the Standing Senate Committee on Agriculture was presented to this house it would be taken seriously, because we took into account the views and the opinions of the beef producers. We realized that the situation was extremely serious, and to make the beef industry viable it was necessary to have some type of stabilization. The committee brought in some good recommendations, which I regret have not been acted upon by the government.

I believe this is the serious matter that should be brought up today, because the action that the farmers are taking now, this protest, this boycott action, can spread to something even more serious. I was brought up among farmers and I know that they are non-violent. However, if they are exploited too long they can turn radical, and we have had only some incidents in the past during our history. I believe that this matter is being brought to the attention of the Senate at the right time to prevent this type of boycott from developing into a wider and even violent type of strike. This could happen; I am sensing that this could happen if more action is not taken.

I believe that the recommendations that have been presented in the report of the Standing Senate Committee on Agriculture are reasonable, and will help meet the needs of the farmers. I do not intend to go into all the aspects of it. The

report has received general approval and I think it is time that the Minister of Agriculture and the government took action. Therefore, I support this motion tonight.

Senator McElman: Honourable senators, when Senator Forsey commented that none of the Conservatives had participated in the debate, I suggested to my honourable friend, the Leader of the Opposition, by means of a note, that they knew when they had a good thing going, and they did not need to intervene.

Senator Flynn: What could I add?

Senator McElman: After listening to Senator Phillips, I still hold that view. I found it rather a paradox that Senator Buckwold in his remarks spoke very feelingly against any government intervention, yet this is what we have been talking about the whole of this evening—a request for government intervention.

Senator Buckwold: On a point of order. I did not actually say there should be no government intervention. I said that government action was required, but not in the direction of a marketing board.

Senator McElman: As I recall the remarks with respect to a marketing board, it was that the farmers apparently admire very greatly the free market system and they do not want intervention by government; they do not want things imposed on them by government. Yet there has been a great deal of discussion of enforcing quotas, of government putting in a floor price, of government subsidies, and that is not the free market system. His reference to supply-management programs, I think, could be misleading on the record. Those are not imposed by government. Supply-management programs, as we know them in Canada, come up from the producers through the provincial governments, and that is the only way they can come up. They cannot be imposed from above by the federal government.

Legislation can be, and is, in effect which provides the machinery for producers to look after their own supply-management. We have currently in Canada two major elements of that program that have come into effect in recent years. We have egg marketing and turkey marketing, and we are now proceeding toward chicken marketing. I believe the Minister of Agriculture has very properly asked the beef producers of Canada, who are principally in the prairie provinces, to look seriously at the matter of supply-management. It is very obvious that when prices go down, there must be over-supply. So there is a great deal of suggestion here tonight that we need long-term policy. Well, that is like short-term pregnancy.

When dealing with such a volatile product, talking in general terms does not help it; there must be something pretty specific. We are a member-nation of the GATT, and I believe the chairman and members of the Agriculture Committee and others who were in attendance on that occasion will remember very clearly some of the excellent advice given to that committee by one of Canada's outstanding public servants of many years standing, Mr. Jake Warren, who is now the general co-ordinator of our participation in the GATT in Geneva. Canada and the United States could make some bilateral agreements, but those have not been achieved.

It has been stated here tonight that there are many bills before the Congress of the United States, in both houses of Congress, with respect to agricultural products. That is very true, but just remember that at Geneva there is a United States representation and a Canadian representation, which can carry on bilateral negotiations on matters that affect only their two countries. However, if other countries are involved, then those deals do not work. The application of quotas or other tariff barriers under the GATT, unless they are by a general agreement rather than carried out in isolation, bring upon the countries that put them into force very heavy penalties unless they can prove dumping. So let us not talk lightly about quotas in this situation.

Senator Phillips, quite properly, raised the point that there are other products in the nation. For example, he spoke of potatoes as being the most important agricultural product in the maritimes. Great efforts are being made currently to have the potato producers of New Brunswick put together a marketing agency. Farmers are a very independent lot. I need not tell that to any westerner. They are just as independent in the maritimes as they are in the prairies. I feel rather strongly that the time has come for the potato producers of our area to get into a supply-management situation, and I hope they do.

● (2200)

The Prince Edward Islanders have moved quite effectively in that direction and are making excellent progress. The efficacy of it can be seen by the fact that they are selling more of their product this year than are the New Brunswickers, and at a much better price at that.

If we are to remain as members of GATT, if we are to be proposing, as we are, a freer trade situation in the world—and the United States is doing the same—then I, for one, am beginning to worry very much about the many indications of the United States becoming an inward-turning protectionist nation. I worry whenever I see those signs developing within Canada. I worry when I look at what has happened to agriculture among the member nations of the European community, where they have absolute chaos and where 40 per cent of government revenue is being applied to subsidizing a controlled agricultural situation. I worry when I see the world developing towards parochial protectionism, and more and more as each month passes. I am not one of those who say, "Open the floodgates; have free trade completely." There have to be protections. Those protections have to be taken intelligently, and not in isolation in a world that should be broadening its horizons rather than closing them in.

I suggest that the beef producers in Canada should examine a little more carefully the propositions which have been put to them for their own salvation. One of those which should be considered carefully, in my view, is that of supply-management development in beef producing in Canada so that we do not have all of these peaks and valleys continuing. There is no long-term government policy of which I am aware that can cover that situation without the producers themselves looking

to the cure, rather than looking to the government to cure the ills that they have today within rather free trade situations under the GATT.

I did not mention the Australian situation in beef production as it affects the North American market. I heard some honourable senators propose that we should cure our problems as a North American proposition, as between Canada and the United States; understandings by negotiations. That is all fine and good, but there are other beef producers in the world, and we cannot isolate ourselves from those either.

I have every sympathy for the beef producers. I know they have problems. I think, perhaps, that the solutions lie, long-term and medium-term, in their own hands more than in the hands of the government.

Senator Smith (Colchester): Honourable senators, my decision to rise was not inspired by Senator McElman. I say that only to make sure that no one thinks I took the bait which he threw out, because he will have noticed, as I am sure other honourable senators did, that I endeavoured to stand at the same time he did. While I succeeded in doing that, I did not succeed in catching the Speaker's attention soon enough. I make no complaint about that, but simply make it clear that I do not rise because I nibbled at the bait Senator McElman threw out. I want to say only a word or two in the debate, then, with your permission, mention the question of rules.

With regard to Senator Forsey's comment that no member of the opposition had intervened up to the time he spoke, I can explain to him very quickly why this member of the opposition did not. It was because I was delighted to see that so many senators had been converted to a recognition of the things that we have been preaching for a very long time. I enjoyed immensely the result of their conversion, and saw no reason to interfere with it at all.

The main reason for my rising, honourable senators, is to mention the question of the rules relating to this particular motion, if you will permit me. Quite properly, Senator Molgat proceeded according to rule 46(g) which states:

> No notice is required of the following motions:
>
> (g) for the adjournment of the Senate for the purposes of raising a matter of urgent public importance (which the mover shall state on rising to speak) before the House proceeds to the orders of the day;

No doubt Senator Molgat did precisely that. However, we seemed to slide into the debate almost instantaneously and without recognition of any formality whatever.

It has been said that after Senator Molgat made the motion a number of senators called out that leave was granted. It must have been apparent that not all honourable senators were of that mind. That, I think, put us in a position where the motion was of very doubtful validity once that situation arose.

I do not object to the debate taking place. It has been a very interesting debate, and one which I have enjoyed, but I do draw attention to how easily we can get into a rather chaotic situation if we do not adopt some sort of formality for this kind of motion. If, indeed, leave is required to make it—

[Senator McElman.]

Senator Grosart: No, no.

Senator Smith (Colchester): Just a moment. Don't start saying no until I have finished. If, indeed, leave is required as seemed to be the thought of some honourable senators at the time, then, of course, there must be no dissenting voice. The definition of "leave of the Senate" is found in rule 5(g) which states:

> "leave of the Senate" means leave granted without a dissenting voice;

If any honourable senator is labouring under the impression that this motion can be proceeded with after it is properly put, simply by the leave of the Senate, then that means unanimous leave. If on the other hand leave is not required, then any honourable senator can put that motion at any time, and nobody can rule him out of order.

• (2210)

Senator McIlraith: I wonder if the honourable senator would permit a question with respect to his last remark.

Senator Smith (Colchester): Surely.

Senator McIlraith: You said that no senator could call him out of order. Could he not be called out of order on the ground that it was not a matter of urgent public importance—"urgent" in that context meaning urgency of debate and, of course, "public importance" being clearly understood?

Senator Smith (Colchester): I am coming to that point. That is one of the formalities that I have in mind that we should observe.

There is nothing in this set of rules whatever about this motion except that which Senator Molgat read and to which I just referred, being rule 46(g), and that does not say how the motion shall get before the house, except that it does not require any notice.

Rule 1 states:

> In all cases not provided for in these rules, the customs, usages, forms and proceedings of either House of the Parliament of Canada shall, so far as practicable, be followed in the Senate or in any committee thereof.

And, of course, if one turns to *Beauchesne*, one can find what the procedure is in the House of Commons, as set out on page 74 of the latest edition, bearing the date 1958. According to *Beauchesne,* after the motion is presented, someone has to decide—in this case, the Speaker—whether it is in order on the ground that it is really of urgent public importance, which is the matter to which Senator McIlraith just drew our attention.

I am not sure whether rule 1 would indicate that "someone" should be the Speaker of the Senate or whether it should be by decision of the Senate by way of a vote. One would think that perhaps the simplest way would be by way of the decision of the Chair.

In the House of Commons it can only be proceeded with after it is ruled in order, and in order to proceed there must be a certain number—I believe it is 20—of members of the house stand in support of the proposition that it be heard.

All I am suggesting is that if we want to avoid the situation where any one senator does not decide every day to get up and move a motion and then go into a speech, or if we want to avoid the situation where one senator can refuse to grant leave and thus prevent a debate, perhaps we should ask the Rules Committee to give its attention to working out some sort of formality which will ensure that the rights of any honourable senator are not trespassed upon, and yet the will of a substantial number of senators be given effect to.

Senator Grosart: Honourable senators, let me say at the outset that I agree entirely with what Senator Smith (Colchester) has said regarding the clarification of the use of rule 46(g). I am not at the moment sure at what stage this debate is. Are we debating the motion to adjourn, or are we debating some other motion?

If we are debating the motion to adjourn, a good deal of our debate has been out of order. As has been pointed out, if there is any debate which can, according to convention, be on such a motion, it is restricted to the urgency of debate, immediate debate, not on the national urgency of the matter.

Senator Smith (Colchester) referred to the possibility of a leave situation. I do not think this occurs at all, because rule 46(g) makes it clear that no notice is required of a motion, and that seems clear as read in the context of the other items, such as for the "adjournment of the Senate when a matter is under discussion," the normal adjournment motion that is made all the time, or the referral of a question to a committee, and so forth. So I would suggest that this is clearly a situation where any senator may rise at any time before the Orders of the Day and move the motion, as Senator Molgat did, "for the adjournment of the Senate for the purpose of raising a matter of urgent public importance which the mover shall state on rising to speak."

This was discussed in the Standing Rules and Orders Committee, and my recollection is that what was said at that time is that this means, according to former practice in the Senate, that the mover of that motion states clearly why he believes that a debate *now*, before the Orders of the Day are called, is urgent, and I think that was the procedure that Senator Molgat was following.

I do not remember the motion being put. Normally, it seems to me that the procedure would have been for Senator Molgat's motion to be put, and the Senate, or the Speaker—because that point is not clarified in our rules so presumably it would be the Senate by consent, by majority vote—would agree to adjourn the Senate. At that point the Senate would be adjourned, and then I suggest the proper procedure would be for Senator Molgat or some other senator to rise and move a motion, because at that point the Senate would be adjourned; there would be no motion before the Senate, except the motion that this matter be debated before we take up the Orders of the Day.

Now, under our rules no senator can speak, except under certain circumstances, the main one being when there is a motion before the chamber. If there is no motion before the chamber, then any debate is out of order, and that is why I rose during the discussion to ask Senator Molgat if he had a motion to put before the chamber. I suggest that such a motion would have been the proper procedure. I am not sure what we have been debating all this length of time. If it was the motion to adjourn it seems clearly opposed to our rules to discuss the whole motion to adjourn for this length of time. I therefore suggest that a motion at this time would be appropriate and that a motion might be put now. For that reason I move that the Senate regrets the failure of the government.

Senator McIlraith: You cannot make a motion at this time.

Senator Grosart: Excuse me, that will be decided. When I have made the motion the decision will be made either by the house or by the Speaker as to whether the motion is in order.

Therefore, I move that the Senate regrets the failure of the government to implement the report of the Standing Senate Committee on Agriculture, and thereby the government has brought about the urgent situation which is before the Senate, pursuant to this motion.

Senator Smith (Queens-Shelburne): You have not given notice of that.

Senator Grosart: It is arising out of the debate, and a motion arising out of a debate does not require notice.

Senator McIlraith: Honourable senators, I should like, if I may, to take a few minutes to deal with the point of order raised by Senator Grosart. It would appear, incidentally, that his motion is out of order, if I may approach it in that way. The matter now before the Senate is a motion for the adjournment of the Senate "for the purpose of raising a matter of urgent public importance which the mover shall state on rising to speak." That matter is before the Senate and has been debated all evening. When it appears that that debate is concluded in substance, the practice, well established in all legislatures so far as I know—I am not certain about the Quebec Legislature—and in the House of Commons, is for the mover to put his motion to adjourn. Occasionally, the motion is carried and the chamber adjourns. That is the way the matter is concluded.

● (2220)

To engraft on to that motion a passage of the motion immediately before the subject matter is debated, I just do not understand. That is not the practice at all. The motion is for the purpose of discussing something so important that it should take precedence over the normal course of business in that day's sitting of the chamber. That is the practice and it is a well used and well-established practice.

I do not understand the mystery about it or the confusion about it. It is a perfectly simple procedure, and a reading of rule 46(g) in all its parts makes quite clear what the procedure is.

In the Senate we do not have clearly defined just who decides whether or not it is matter of urgent public importance; whether that is done by a simple majority vote of the Senate or whether it is a ruling of the Speaker I am not clear

on, because the authority of the Speaker is slightly different from that in the House of Commons and in the legislative chambers. That point I leave open, therefore. It is not germane tonight at this point in any event.

Apart from that one small point, it seems to me that it is quite clear what is before the Senate and that the subject matter; namely, the question of the beef industry, is properly raised under rule 46(g).

Therefore, the motion of the Honourable Senator Grosart ought not to be received, because it is not in order. The procedure now is for the honourable senator, who moved the motion under rule 46(g), to withdraw his motion, if he wishes, or, if he does not wish to do that, to have the motion to adjourn carried and the Senate adjourn.

It can be either way, but the usual and better practice, I think, is to have the motion withdrawn and the debate on the substance considered as having been concluded.

Senator Forsey: May I take a whack at this point of order? Much has been said, but one thing has been left out, except perhaps incidentally in what the Honourable Senator Smith (Colchester) said.

There is very little explicitly in our rules on this subject. There is, however, a great deal in the rules of the House of Commons on the subject, and under our rule 1 it is provided that where there is nothing explicit in the rules of this house, then "the customs, usages, forms and proceedings of either House of the Parliament of Canada shall, so far as practicable, be followed in the Senate or in any committee thereof."

As Senator McIlraith has pointed out, in the House of Commons—and I might give the reference to the rule—under rule 26 there is an elaborate procedure for a motion for the adjournment of the house for the purpose of discussing a specific and important matter requiring urgent consideration. The leave must be asked immediately before the calling of the government orders. And so it goes on.

I agree with Senator Smith (Colchester) that the application of this in this house seems to be somewhat difficult, and probably the matter should be referred to the Rules Committee to draft something which will be in accordance, presumably, with the spirit of the present inadequate rule that it seems to me we have on this, and in accordance with the general procedure which is followed in the other place, which Senator McIlraith has just described and which is a very long-standing procedure. As long as I can remember any proceedings in the House of Commons, and I have watched them in the gallery now for something over half a century, this motion to adjourn in order to discuss immediately a matter of urgent public importance has been part of the procedure of that house. The exact form of the rule has varied from time to time, but its substance, I think, has varied very little. It seems to me that what we need in this house is probably an explicit rule adapting the general procedure of the House of Commons to our own purposes.

[Senator McIlraith.]

• (2230)

It is rather odd that we haven't got in our rules, for example, anything on what motions are debatable. You find that in the rules of the House of Commons in, I think, rule 32. But we haven't got it here. It ought to be specifically stated, I should think.

Some of the confusion that has arisen over this matter might have been dissipated if we had had an explicit rule. I think the only point of substance really that the Deputy Leader of the Opposition has raised is that, in fact—I think he is correct in saying this—the Speaker did not actually put Senator Molgat's motion. I think the order of procedure would have been, when Senator Molgat said he wanted to make this motion, for the Speaker to have said, "It is moved by Senator Molgat, seconded by Senator Steuart . . ." and then Senator Molgat would have begun his speech. But the procedure in this house on this matter has apparently come up so rarely that no one really is very sure exactly what the position is. I venture to hope that some of the observations I have made may help to support the proposal that Senator Smith (Colchester) made for a reference to the Rules Committee.

Senator Olson: Honourable senators, one point of order that was raised by Senator Grosart is the argument that if a motion to adjourn the house is proceeded with under rule 46(g) and during the course of stating the reasons there might then follow a substantive motion—and he has put one—would be allowed without notice.

In my opinion, that would be a rather dangerous precedent to assume, from what is written in the rules at this point. I have no objection to sending the matter to the Rules Committee to provide for that or for some other way of disposing of it.

Honourable senators, I have not been here that long, but I know what happened under standing order 26 in the other place. I also know that they found it necessary to come up with another rule, which they called rule 43. I happened to be a member of the committee which introduced that rule, because there was a need to be more specific in what was required to air a grievance that was urgent at any given time. Of course, everyone's interpretation of what is urgent can be different. Rule 43 as been used in the other place for some time and provides for unanimous consent. If there is one dissenting member in that chamber, the matter cannot be proceeded with. I know there has been discussion recently to the effect that one single member was not sufficient, that there should be at least 10 members, or a larger number, in order that very real grievances can be aired. I take it that rule 46(g) provides an opportunity for a senator to raise, as an adjournment motion, a matter of urgency. I believe that Senator Molgat did that very properly, and in my view every speaker who followed addressed himself to the matter of urgency in debating this matter.

It seems to me that following the conclusion of the debate, the motion will be withdrawn—otherwise we shall have two options: one is to accept the motion, and then we would adjourn before we got to any other business; the other is to

defeat the motion, but only the motion to adjourn. We could then go on to other business.

It seems to me that the proper way to do it is to withdraw the motion after each member has had an opportunity to state his interpretation of the urgency of the problem. I believe it would be wrong indeed to assume, from what is written about rule 46 in general but rule 46(g) in particular, that it gives a member the right to move a substantive motion, following from this debate, without notice.

Senator Grosart: Honourable senators, on a point of order, may I make a further comment in explanation of the position I have taken. First, I will reply to the suggestion made by the previous speaker that we would run into a problem of notice on the second substantive motion. That, of course, would not be so, because once the Senate had agreed, under this motion for the adjournment of the Senate, to the raising of a matter of urgent public importance before the house proceeds to the Orders of the Day, permission would immediately be given once the motion carried.

● (2240)

Senator Hayden: Has it been given?

Senator Grosart: I do not think it has in this case, and that is the second point I am going to raise, but only because it has been suggested that this matter should go to the Rules Committee. I think some observations on that should be on the record.

We have debated the substance of the matter that was to be raised on the adjournment motion. Now I say to honourable senators on the other side, and particularly to the deputy leader who sometimes has problems in this field, that if we were to carry on with the procedure we have followed tonight it would mean that any senator, and possibly a senator on this side, could raise such a question every single day, and a debate would be permitted to go on interminably on such an adjournment motion, because that is all it is. It would, therefore, be possible for any senator or group of senators to keep on talking on such a motion, and prevent us from getting to the Orders of the Day. That is why I agree with Senator Smith (Colchester) that this matter should be clarified.

Senator McIlraith: On a point of clarification, how could that possibly happen when there is a requirement in the rules that the matter raised be of urgent public importance?

Senator Flynn: Who is going to decide?

Senator McIlraith: There has been any number of attempts made to use rule 26 in the other place over the last number of years, and only a very small proportion of them were allowed. The reason for disallowance is that there was no urgency. It is only the urgent ones that go ahead. This cannot happen very often, because there are no matters of urgent public importance within the meaning of that rule coming up that often in the country. There will be two or three perhaps in a short time, and perhaps none in a whole session, so it cannot be a procedure that is used every day.

Senator Grosart: I would suggest to the honourable senator that that is exactly what has happened. There has been no decision up to this point of any kind by the Speaker or by this chamber as to whether this matter is urgent. We have carried on a debate on a motion to adjourn, and I am suggesting that what has happened here tonight can happen at any time.

Senator Bourget: The motion has been accepted.

Senator Grosart: It has not been accepted.

Senator Bourget: I am not too sure about that, but Senator Grosart cannot say that this can happen every day.

Senator Flynn: Certainly.

Senator Bourget: Just a minute, please. If the motion is turned down by a majority of the Senate, we cannot carry on with the motion.

Senator Grosart: May I make it clear again? We have been debating whether it is urgent. Nothing has been turned down. I am saying that exactly what has happened tonight can happen at any time, which is that a motion can be made that the Senate adjourn under rule 46(g), and we can follow the procedure we have followed tonight and debate it for hours, because nobody has made a decision, as far as I know, as to the disposition of the motion.

Senator Bourget: Surely my honourable friend will realize that if the majority of the senators here do not agree to the urgency, they can turn it down.

Senator Flynn: After a debate.

Senator Grosart: After a debate lasting all night.

Senator Flynn: Who is going to decide whether the matter is urgent enough to adjourn, and not proceed with the Orders of the Day?

Senator Bourget: It is up to the senators to decide.

Senator Flynn: It has been mentioned that we could debate for an hour or so whether the matter is urgent or not, and then take a vote on it. If it is urgent, we can then go on with the debate. But this is a stupid procedure, and, as I say, it is an abuse of the rules.

Senator Argue: Personally, I think it is pretty far-fetched to suggest that this kind of procedure should be followed every day.

Senator Flynn: Yes.

Senator Argue: Just let me go on. It would stifle the Senate. I sat in the House of Commons for many years, and Standing Order 26, as Senator Flynn well knows, was for the purpose of moving the adjournment of the house to discuss a question of urgent public importance. I think it is fair to say that there was an effort made by some members of the other house to abuse that rule. But how did the rule, in fact, operate in the other place? A member would stand up and move a certain motion to adjourn the house under Standing Order 26 to discuss a matter of urgent public importance. Then he would state quickly why it was of urgent public importance. The

Speaker would then consider the proposition that the member had made, and say, "I consider this a question of urgency because of the situation in two provinces, and a debate should proceed."

Senator Grosart: Of course; there is no question about that.

Senator Flynn: The Speaker decided that.

Senator Argue: I realize that. I am trying to be helpful. The Speaker, on the other hand, could say that for certain reasons the matter is not urgent, and that it can be debated next week or next month. What happened in the other place, when the Speaker ruled that a particular motion was not urgent, was that the members appealed the Speaker's ruling. It became a habit in the other place of moving your motion, having the Speaker turn it down, and then delaying the proceedings by having a vote on an appeal from the Speaker's ruling. That was a method of getting publicity, and drawing a matter to the attention of the house.

Senator Flynn: Do you want us to do that here?

Senator Argue: No, of course not. After long experience they said you would have to convince the Speaker, and it was not an appealable motion. I suggest that in the other place they are taking that particular rule now to the point of making a farce of it. Every day there are six or eight such motions on television. They know there will not be unanimous consent. In my judgment, they are wasting the country's time.

I do not suppose it is a secret that I discussed the procedure with people around here, as one would expect, and they informed me that it has been seldom used; it is many, many years since it has been used. I suggest that for a senator, knowing the history of the Senate, to suggest that another senator is going to abuse this rule is just nonsense. Should a senator be silly enough to try to do it every day, then I expect the Speaker would make short work of that particular senator and rule him or her out of order.

Senator McElman: Not the Speaker; surely the Senate.

Senator Grosart: You are way out in left field.

Senator Argue: I think that is just a matter of opinion. I think we would be making a mistake if we prevented ourselves from using the kind of rule which allows us to have that kind of debate.

Senator Grosart: No one is suggesting that.

Senator Argue: Personally, I do not think it need go to the Rules Committee. I may be simple-minded, but to me it is quite clear that rule 46(g) spells it out. It comes before the Senate, and we have a debate. You do not deal with that motion and then bring in a substantive motion. We have the debate on the motion to adjourn as we have had today, and I do not think we need get too excited and take ourselves too seriously and think someone is going to undermine the Senate and wreck the whole thing under rule 46(g). I hope I do not have to stay here another 11 years waiting for this rule to be used, but perhaps it could be used from time to time to enable us to carry on a useful debate, such as we have had tonight.

[Senator Argue.]

Senator Flynn: I would suggest, if that is the way Senator Argue reads the rules and he wants something effective, that Senator Molgat should have accepted my suggestion and asked leave to put it on the Orders of the Day. He could have started the debate and we could have continued tomorrow, especially as Senator Buckwold said he had not prepared himself because he did not know about it; he would have been better prepared tomorrow, as would some other honourable senators.

● (2250)

What has been the usefulness of having a debate tonight, under the cloud of whether it was in order or not, and under the obligation to terminate it tonight? If it is urgent you cannot adjourn it until tomorrow, and we would have to spend the whole night here in order to clear the urgency. Again I say it was an abuse of the rule. It was imaginative, but it was not creative.

Senator Austin: Honourable senators, several neat points of order and practice have been raised this evening. Rule 15 says that the Speaker shall decide points of order and explain points of order and practice, and shall state the rule or authority applicable. That is a clear and unambiguous rule. I would suggest that we have given the Speaker adequate guidance up to this time, and that we might adjourn our debate on this point and await the Speaker's review of the points of order that have been under discussion this evening.

Senator Smith (Colchester): I wonder if I might crave your indulgence, honourable senators, to rise again? I think I could argue that it was on a different point of order, but I will not try that.

First, however, I make the comment that it really was not my intention to provoke any lengthy discussion or to cast any aspersions on the motion itself, put forward quite properly, in the first place, by Senator Molgat.

I must agree completely with Senator McIlraith. I was a little hesitant about putting forward the explanation that this is a commonly accepted practice in almost every legislative chamber in this country. I have used it literally scores of times in another chamber in exactly the way the rules prescribe, in exactly the way the House of Commons rules prescribe, under a rule to the same effect in the house in which I used it as our rule 1, which says, in effect, when the rules do not cover a particular situation the usages and practices of the rules of the House of Commons shall be resorted to. I think Senator McIlraith put the situation very clearly, as I think it should be, and very simply.

My point is that he omitted one thing so far as it refers to the rules of this house. There has to be some decision that the matter is one sufficiently urgent to come within the rule, and I was pointing out that, as far as I could tell, our rule book does not provide for that decision to be made or who shall make it. I think it would be helpful if the rules were changed to that extent and in that way.

As to Senator Argue's feeling that there should not be any rule of this kind, because nobody would ever get up and use it unless there was real urgency, I know he made the point in

good faith, but the history of legislatures everywhere, even senates, the House of Lords, and goodness knows what, prove the necessity of having a rule, not because people act in bad faith but because they will have very different views about what is or what is not urgent, and there has to be a mechanism for a decision on it.

I would make another comment. Everyone knows that an ordinary motion to adjourn is not debatable, and that is why there has to be a special provision for allowing debate on a motion to adjourn for the purpose of dealing with an urgent question. If we did not have that special rule, the motion to adjourn could not be debated but would simply be the subject of an immediate vote.

Senator Molgat: Honourable senators—

Senator Flynn: Are you speaking on the point of order?

Senator Molgat: No, I am closing the debate. I believe that the motion was properly put by Madam Speaker. I know there has been considerable discussion on the subject. She certainly did ask if all honourable senators agreed that I should proceed, and there was agreement.

Senator Flynn: There was no agreement on this side.

Senator McElman: It is my understanding that the point of order has not been disposed of, and I should like to speak to it before the debate is closed. Everyone else is offering opinions, so I may as well throw one in too. I believe that Senator Molgat met absolutely the provisions of rule 46(g), which reads:

> No notice is required for the following motions:
>
> (g) for the adjournment of the Senate for the purposes of raising a matter of urgent public importance (which the mover shall state on rising to speak)—

Which he did. He established the urgency.

Senator Flynn: That is what you say.

Senator McElman: Just a moment.

Senator Grosart: The Senate has not yet decided.

Senator McElman: Just a moment. Both of you have had rather a free hand tonight and I have not interrupted you at all.

Senator Grosart: May I ask to what you are speaking?

Senator McElman: I am speaking to the point of order.

Senator Grosart: What point of order?

Senator McElman: The one before the house, that Senator Molgat did not properly—

Senator Grosart: Who raised this point of order? I am not aware of that point of order being before the house.

Senator McElman: I understand that there is a point of order before the house.

Senator Grosart: What is the point of order? I do not know of one.

Senator McElman: If there were not a point of order before the house, how was it that you were on your feet six times? You were just not participating in a debate.

Senator Grosart: Because I moved a motion.

Senator McElman: Oh, did you?

Senator Grosart: Yes, I moved a motion.

Senator McElman: Which time was that when you were on your feet—the fourth, the sixth or the eighth time? I give every opportunity to the honourable gentleman to make his points, spurious or otherwise. With my respect for the Honourable Leader of the Opposition, I interrupt him only with a jocular remark.

Senator Grosart: What is the point of order, because the honourable senator is perfectly entitled to speak?

Senator McElman: I speak to the point of order before the house.

Senator Grosart: What is the point of order? That is what I am trying to find out.

Senator McElman: Well, you have been dragging it around so long it would be hard to tell.

Senator Grosart: That is not an answer; let us decide if there is a point of order before the house.

Senator McElman: What was all the battling about, if there was not a point of order? The point of order, as I understand it, is that Senator Molgat did not have a proper motion to put before the house the way he did.

Senator Flynn: It was a point of debate, not a point of order.

Senator Grosart: There was no point of order.

Senator McElman: Very well, let me in on the debate.

Senator Flynn: You have spoken in the debate; what is the use?

Senator McElman: Just be seated for a moment. I have the floor. Now, if there is no point of order, both of you gentlemen have been given the niceties of the house to speak at least half a dozen times each. Do you deny me comment as you have been allowed to comment?

Senator Grosart: No, I have no such intention. It is a point of information. I will listen to the honourable senator with great interest, but I would like to ask him what he will be talking about. What is the point of order to which he rises to speak? I would like to know what it is before I listen to him.

Senator Phillips: Senator McElman would also like to know.

Senator McElman: The point of order has been raised that under rule 46(g) Senator Molgat did not properly have a matter before the house.

Senator Grosart: No, it is not.

Senator McElman: Oh yes, yes; that has been raised.

Senator Flynn: It was not raised as a point of order. The Speaker has not been asked to rule whether the motion was in

order. Comments were made. The Speaker does not have to make a decision on that point. The only point of order raised was that by Senator McIlraith on the motion moved by Senator Grosart and not on the propriety of the motion moved by Senator Molgat. Comments were made. You had an opportunity to discuss that matter if you wished to.

● (2300)

The Speaker has not been asked to rule whether the motion was properly put. What is the point in trying to have the Speaker make a decision after the debate has been nearly completed? If you wish to have a decision on that, that is your own business, but no one has asked the Speaker for a decision.

Senator Riley: Senator McElman raised the point.

Senator Flynn: I know that, but the point is that he is now saying there was a point of order. There was no point of order. There were comments, and that is different. When the Speaker is not asked to rule, there is no point of order. A point of order has been raised by Senator McIlraith on the motion of Senator Grosart. The point of order is there, and no decision has been made. But whether the motion was properly put by Senator Molgat or not is another question. There were only comments made, and there was no formal objection and no request for the Speaker to rule on whether it was proper or not. If you wish to debate the point, that is up to you. But, of course, it will serve no purpose at all.

Senator McElman: I cannot understand why it is so important to you that I not be allowed to make a short intervention at this point.

Senator Flynn: If you wish to make it, go ahead. It will show how silly it is to proceed this way.

Senator Grosart: Perhaps I can help Senator McElman.

Senator McElman: A point of order was raised by Senator Smith (Colchester). I recall very clearly Senator Smith referring to a point of order.

Let me make one point, if you will, with respect to rule 46(g).

Senator Flynn: Go ahead.

Senator McElman: Senator Molgat met all the requirements of rule 46(g).

Senator Flynn: Very good. Agreed.

Senator McElman: The rules of this body are rather broad, and for a marvellous purpose. This is not supposed to be a combative house, although one might rather question that this evening. But the fact remains that it is not, and the rules are applied in a very different fashion than they are in the other place. That is one of the reasons why we are not bound by the rules of the other house. We have rules and precedents of our own which are to be followed, quite aside from what the rules are in the other house.

I suggest that rather than have a situation where this house could be blocked day after day with long debate—and this has been a long and interesting debate, during which I have enjoyed immensely the participation of others—

Senator Flynn: Speak for yourself.

Senator McElman: In any event, the Senate is always in control of what it will do in such a case.

At any point within seconds after Senator Molgat was on his feet, it was within the competence of any member of the Senate to immediately call for order and say that this was not a matter of public urgency. We could have had a ruling on that. That would have been one way to clear the matter up very quickly, but that was not done. Senator Molgat was permitted to proceed, and that is one of the good features of the looseness of our rules.

The second easy way of bringing it under control is to have "the previous question" put. That is always open for any senator to move, and then a vote of the house is taken. So there is no way this could get out of control unless the Senate itself wanted it to get out of control, and unless the Senate wanted a debate.

Senator Smith (Colchester): I see the danger of the rules being too loose, because I have to reply to Senator McElman's belief that I raised a point of order. I said that it was too late to rise on a point of order but that I did want to make a few comments. All honourable senators will have noted that I waited until I thought the debate arising out of Senator Molgat's motion had been completed and for what he was going to say in closing. Presumably, he will either withdraw the motion or ask that the question be put.

I was not raising a point of order in the sense that I wanted to interfere in the discussion then going on. I merely wanted to draw the attention of the Senate to what I thought might be done to improve the rules to ensure future certainty.

Senator McElman: If I misrepresented what Senator Smith said, I apologize. I would certainly not do so intentionally.

Senator Riley: Honourable senators, this started out as a very good debate. Senator Molgat received the unanimous consent of the house to put his motion, and now it seems he wants to withdraw it. Why should we stay up half the night debating a technicality? Why not let Senator Molgat proceed?

MOTION WITHDRAWN

Senator Molgat: Honourable senators, let me, at the outset, thank all honourable senators for allowing this debate to proceed. I think it has been a useful debate, and I much appreciate the courtesy of the Senate in allowing it to proceed.

I thank all of those who participated in the debate. It seems to me that very often we have set speeches, as opposed to debates. This evening there were no set speeches. Everyone spoke off-the-cuff.

There are a number of matters which I could reply to but, in view of the hour, it is not my intention to do so now. I would refer Senator Austin and Senator McElman to the report of the Agriculture Committee, which will answer some of the

questions regarding consumption of beef and import patterns in Canada, both of which are very important.

There has been a very serious shift in the import situation. In a period of less than 10 years we have moved from being a net exporter of beef to being a net importer.

I now ask leave of the Senate to withdraw, not the subject matter, which I think is important, but the motion to adjourn.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

Motion withdrawn.

INCOME TAX CONVENTIONS BILL

THIRD READING

Senator Langlois moved the third reading of Bill S-9, to implement an agreement between Canada and Malaysia and conventions between Canada and Spain, Canada and Liberia, Canada and Austria and Canada and Italy for the avoidance of double taxation with respect to income tax.

Motion agreed to and bill read third time and passed.

BANK ACT
QUEBEC SAVINGS BANKS ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. Alan A. Macnaughton moved the second reading of Bill C-16, to amend the Bank Act and the Quebec Savings Banks Act.

He said: Honourable senators, at this time of the night it is not my intention to keep you very long. In simple terms, the explanatory note states the purpose of this bill, which is simply to extend the Bank Act and the Quebec Savings Banks Act to April 1, 1979.

The proposed section 6(b) provides:

> (b) if Parliament does not sit on at least twenty days during the month of March, 1979, the bank may carry on the business of banking until the sixtieth sitting day of Parliament next thereafter, and no longer.

• (2310)

That would anticipate, perhaps, an election in 1979. There would remain 60 extra days during which the banks could carry on.

Honourable senators, I have further explanations and if you wish to hear them I am prepared to give them. I am in the hands of the Senate.

Senator Flynn: I move the adjournment of the debate.

On motion of Senator Flynn, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, March 8, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

INTERNATIONAL WOMEN'S DAY

Senator Inman: Honourable senators, I should like to call the attention of the Senate to the fact that this is International Women's Day. I am reminded of the month of November, 1929, when the Privy Council of Great Britain decided that women were persons, and as such were entitled to sit in the Senate of Canada. Then, in the month of February, 1930, the late Honourable Senator Cairine Wilson was appointed to the Senate by the then Prime Minister, Mr. Mackenzie King. There was great rejoicing in all the provinces by all those of us who had worked so hard to accomplish this. Since then we have come a very long way. We have had two women presiding as Speakers of the Senate, with great dignity and distinction to themselves and the Senate.

Hon. Senators: Hear, hear.

Senator Inman: May I say that we look forward to the day when, perhaps, a woman will be the Prime Minister of Canada.

[*Later*]

Senator Quart: Honourable senators, may I congratulate Senator Inman on her remarks regarding International Women's Day. I, too, should like to add a few words.

Throughout Canada, as in many other countries, special events are being held to mark this occasion. A demonstration was held on Parliament Hill a short while ago, and in Montreal and Toronto they are staging marches. So, men, beware!

Basically, it has been the women of the trade and labour unions who have carried on the celebration of International Women's Day for over 60 years, commemorating a violent strike of female textile workers in New York City in 1857. That was long before women's lib became the vogue. Neither can International Women's Year of 1975 claim any credit for today's celebration.

The theme for today's celebration is: "Are Working Women Still Being Exploited?" Well, even the cold-hearted male chauvinists must agree.

The results of a weekend poll found that working men and women do not receive equal treatment. The weekend poll indicated that 62 per cent of females saw women as not being treated equally with regard to wages, and 56 per cent of males agreed with them. Now, ladies, you know that is not bad for the gentlemen. They are improving.

I shall not bore you further by quoting the statistics which resulted from the many questions in the poll which appeared in *Weekend* Magazine on Saturday, March 4, 1978.

I am sure all honourable senators have received a copy of a letter from David MacDonald, Member of Parliament, to the Honourable Marc Lalonde, the minister responsible for the status of women, regarding a concerned group of public servants. I should simply like to read the following paragraphs:

> I am sure you will be interested in the enclosed report which I am releasing this afternoon on behalf of a concerned group of public servants who are seriously disturbed at the increasing signs of discrimination against women workers generally and the very obvious lack of commitment or progress with respect to the equal opportunities for women in the Public Service of Canada.
>
> Since I regard this report very seriously, as I am sure you will, I would look forward to your considered response.

I have not received a copy of any answer to this letter, so I presume it has probably been ignored.

● (1410)

In retrospect, was all of the hoopla and money spent on meetings, conferences, and so forth, for International Women's Year worthwhile? Perhaps in some countries, but certainly not in Canada.

In conclusion, the Indian Act as it exists now is deplorable in that it denies to Indian women their full rights as citizens of Canada. It is contrary to the Universal Declaration of Human Rights, to the United Nations Convention on the Nationality of Married Women, to the United Nations Declaration on Discrimination against Women, and to the spirit of the Citizenship Act of Canada.

The Status of Women Councils across Canada supported a recommendation that the Quebec Status of Women Council send a letter to the Indian Association of Quebec urging that non-status Indian women be appointed to the Indian Association as a means of ensuring consultation between Indian men and women.

Perhaps the Leader of the Government in the Senate, and Senator Williams, will pressure the minister responsible for Indian Affairs, and perhaps the Prime Minister, to act in this matter as quickly as possible.

Some Hon. Senators: Hear, hear.

AGRICULTURE

SASKATCHEWAN AND MANITOBA BEEF PRODUCERS—QUESTION

Senator Phillips: Honourable senators, I should like to direct a question to the Leader of the Government. In view of

the emergency debate in this chamber last evening, and the fact that a cabinet meeting was scheduled for this morning, has the government reached a decision to assist the beef producers in Manitoba and Saskatchewan?

Senator Perrault: The difficulties of the agricultural community in this country and the challenges facing that community are constantly under review by the government, and appropriate measures will be taken when deemed to be necessary.

Senator Grosart: That is what was said before.

Senator Phillips: A supplementary question. Do I take it that the aid does not extend beyond the customary review?

Senator Olson: May I ask a supplementary question? I wonder if the Leader of the Government will draw the debate held here last evening to the attention of the government, particularly so that they could take some action with respect to our recommendations in connection with import quotas, in addition to all the other good and appropriate measures that have been taken to date to help this industry?

Senator Flynn: Is it useful or necessary?

Senator Perrault: Honourable senators, the Honourable the Minister of Agriculture is very much aware of the important debate which occurred last evening in this place.

Senator Flynn: Did he tell you that?

Senator Perrault: I intend to meet with the Minister of Agriculture later this day.

Senator Flynn: Oh, oh.

Senator Perrault: And I intend to provide him with a full transcript of last evening's proceedings.

Senator Argue: Honourable senators, I wonder if at this point I may be allowed to give some information to the Senate? The Standing Senate Committee on Agriculture has called a meeting for 5 o'clock this afternoon in room 356-S to meet with the Minister of Agriculture to discuss the recommendations of the committee with regard to beef import policy and other beef matters, including the current beef strike. I would like, as chairman of the committee, to extend to all senators a special invitation to attend this meeting because of the special debate that took place in the Senate last evening.

Senator Perrault: Honourable senators, I should like to add that the Minister of Agriculture has demonstrated an acute interest in the comments made by various senators last evening, and I hope to see him at approximately 3.30 this afternoon prior to his meeting later with the members of the committee.

Senator Flynn: You are going to brief him.

Senator Grosart: It is opposition day in the Senate.

BANK ACT
QUEBEC SAVINGS BANKS ACT
BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Macnaughton for the second reading of Bill C-16, to amend the Bank Act and the Quebec Savings Banks Act.

[*Translation*]

Hon. Jacques Flynn: Honourable senators, on May 5, 1977, Senator Macnaughton introduced Bill C-39 to amend the Bank Act and the Quebec Savings Banks Act by extending those acts until March 1, 1978. Here we are with another bill to extend those statutes until April 1, 1979, or, if Parliament does not sit on at least 20 days during the month of March 1979, until the 60th sitting day of Parliament next thereafter, and no longer.

The revision of the Bank Act, as honourable senators know, has been a point of concern to us and, of course, the government for quite some time. The Senate Committee on Banking, Trade and Commerce released in August 1976 a report on the white paper dealing with the reform of the banking legislation. Last year, in June, after the passage of the act extending the Bank Act and the Quebec Savings Banks Act until March 31, the same committee released a very detailed, substantial and well prepared report. Indeed, I think, as I recall, that a committee of the House of Commons had also released its comments and recommendations.

So it seems the government during all that time was unable to make up its mind or reach a decision. I understand that the matter is in many respects a complex one. I am sure of it. Furthermore, it is proper to take one's time in reviewing the Bank Act. The problem is certainly more difficult today than it was five years ago, because our society, our economy and our finance system were not changing as rapidly as they have in the last few years. In any case, I do think that we have other things to do than supporting this legislation which will give the government at least one more year to make up its mind. There are chances, if we have a new government at that time, that a decision will be more readily made.

I would like to ask the sponsor of the bill what is meant exactly by clause 6(b) of this bill to amend the Bank Act and the Quebec Savings Bank Act which reads:

> If Parliament does not sit on at least twenty days during the month of March, 1979, the bank may carry on the business of banking until the sixtieth sitting day of Parliament next thereafter—

Sixty days means what? It means 12 weeks. On the one hand, it says: If you sit on 20 days, you have enough. But if you sit on only 19 days, you will have after that 60 additional days of sitting, which is about the equivalent of at least three months. I find that a bit strange, a bit fanciful. If 20 days would be enough in March, I do not see why it should take 60 days in May, June or July. I would like the sponsor to explain to us the subtlety behind this verbosity.

[*English*]

Senator Macnaughton: Honourable senators—

The Hon. the Acting Speaker (Senator Deschatelets): Honourable senators, I must inform the Senate that if the Honourable Senator Macnaughton speaks now his speech will have the effect of closing the debate on second reading.

Senator Macnaughton: Honourable senators, in reply to the honourable senator, I did make inquiries about the "peculiar wording," which I think is the expression he used, and I am told that this means 60 sitting days after the end of March, 1979.

Senator Flynn: Or after the end of the last sitting?

Senator Macnaughton: After the end of March, 1979. The reason was not communicated to me, but I would suspect that if an election were called and the house was not sitting, this would be to give us a little surplus time so that the banks might continue to operate.

Senator Flynn: It would be one hell of a way to do it.

Senator Macnaughton: I agree with the honourable senator, but this is the explanation given to me. Honourable members of the Senate know very well, after our detailed study of the white paper—and my honourable friend was certainly one of the ardent members of that committee—that this is not an easy revision; it covers a great many things. For example, in the white paper and in our report we dealt with near banks, foreign banks, the Canada Payments Association, leasing, factoring, residential mortgages, data processing and a host of other things, so that the remodelled Bank Act, if, as and when we get it, will have to include amendments to the Quebec Savings Banks Act, the Bank of Canada Act, the Bills of Exchange Act, and the creation by statute of the Canadian Payments Association.

These are all new trends in Canadian banking, and I think they are very progressive and forward looking. I am sure it will in due course be quite beneficial to the country. I can understand why there have been considerable delays, when one considers all the other legislation which seems to be flowing through. I am prepared to answer any questions that honourable senators may wish to put to me, but this is a short bill and the purpose is clear. I do not know whether the honourable senator wishes it to be referred to the Standing Senate Committee on Banking, Trade and Commerce.

● (1420)

Senator Flynn: I am not entirely satisfied with the reply of the sponsor of the bill to my question relating to the delay. It is rather a complicated process, and I would think that in committee we could at least try to establish exactly what it means. If we adopt this legislation and then are caught next year because we are unable to prolong the present legislation, we will have some responsibility in the matter.

In my opinion, it would be worthwhile to send the bill to committee simply to deal with this point, and this point only.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

The Hon. the Acting Speaker (Senator Deschatelets): Honourable senators, when shall this bill be read the third time?

[The Hon. the Speaker.]

Senator Macnaughton moved that the bill be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to.

COMPENSATION FOR FORMER PRISONERS OF WAR ACT

BILL TO AMEND—SECOND READING

Hon. Charles McElman moved the second reading of Bill C-27, to amend the Compensation for Former Prisoners of War Act.

He said: Honourable senators, I am pleased to have this opportunity to move second reading of Bill C-27, which is designed to improve the lot of a group of very special Canadians; namely, those members of our armed forces who were prisoners of war during World War I and others who were evaders in enemy or enemy-occupied territory.

The bill is a further improvement of our Veterans Charter, which is already one of the best in the world.

This bill received third reading in the House of Commons last Wednesday. It was approved there with an unusual degree of alacrity, with all parties, at one sitting, giving unanimous consent to second reading and third reading.

The provisions of the bill will affect compensation paid to approximately 200 veterans who were prisoners of war during World War I, and to about 100 evaders, persons who were in enemy or enemy-occupied territory but who evaded capture. These evaders were generally members of the Royal Canadian Air Force who were shot down and found themselves in enemy territory during World War II but who evaded capture.

Also to be affected by the bill are some 75 veterans who became prisoners of war of the enemy but managed to escape from their captors.

The provisions of Bill C-27 are proposed to be retroactive to April 1, 1976. They will amend the Compensation for Former Prisoners of War Act to provide compensation for former prisoners of World War I, and evaders and escapees, under the same basic terms and conditions as for World War II prisoners of war of a power other than Japan.

As honourable senators are aware, legislation was enacted in 1971 to provide pensions for those of our veterans who suffered as prisoners of war in Japan, and again in 1976 with respect to POWs of other enemy nations involved in World War II other than Japan.

The proposed legislation provides that time spent as an evader, and the length of time spent as a prisoner of war, may be added together in the computation of benefits. The total of the two, however, would not exceed the maximum benefit available under current compensation for former prisoners of war.

Under existing legislation, only the time actually spent as a prisoner of war may be counted in the computation of POW compensation. However, some prisoners escaped and were recaptured, and others managed to evade capture, as I have

said, and eventually reached Allied lines or the United Kingdom.

Under the amended legislation, rates of compensation now paid to those veterans who managed to escape from the enemy may be increased if the time between escape and recapture or escape and eventual reporting to their own or Allied Forces is counted as prisoner of war time.

About 200 former members of the armed forces evaded capture by the enemy, and it is estimated that half that number eluded their captors for more than three months.

It is further provided in the bill that if a World War I prisoner of war or evader died between April 1, 1976, and the date that the act takes effect, the compensation he would have received would be payable to his survivor.

Some 3,850 Canadians were taken prisoner of war during World War I, and of that number 3,478 were liberated at the end of the war. Some 200 of those now surviving will be affected by the amended legislation. Their average age is 82.

A limited but as yet undetermined number of widows of former POWs will also become eligible for pension under the proposed amendment.

To summarize, in 1971 the Pension Act was amended to provide special benefits equivalent to a 50 per cent pension granted to former POWs of the Japanese. In 1976 the Compensation for Former Prisoners of War Act was passed to provide benefits for former POWs of World War II and later—and "later" in this context means the Korean War—other than POWs of the Japanese.

The bill will similarly provide for those of our surviving ex-servicemen who were POWs in World War I, with an additional calculation for time spent as evader or escapee. The latter provision will apply to former POWs and evaders of both World War I and World War II.

The bill, if enacted, will overcome an element of unfairness or inequity that resulted from the earlier broadening of our Veterans Charter in 1971 and 1976.

Honourable senators, as I mentioned at the outset, Bill C-27 passed all stages of consideration in one sitting in the other place. Its provisions are quite clear and are beneficial to those of our fellow citizens whom they are designed to assist.

I am confident that honourable senators will wish to consider the bill with reasonable dispatch, in view of the advanced age of so many of those who will benefit from its provisions.

• (1430)

Hon. Orville H. Phillips: Honourable senators, I should first like to thank the Honourable Senator McElman for his introduction of Bill C-27. At this time of year a great many people are watching the birds return and they see them as harbingers of spring. We on this side of the Senate are watching for harbingers of an election, and when I see a piece of veterans legislation I feel we are getting closer to such an event.

Senator Perrault: You have a suspicious mind.

Senator Phillips: I don't know how I developed that, Senator Perrault. I wasn't that way when I came here.

Senator Perrault: Yes. As I recall, at one time you possessed a simple, childlike faith.

Senator Langlois: You're on the wrong side of the house.

Senator Flynn: That may soon change.

Senator Phillips: Many of the veterans affected by this legislation will probably feel that 60 years too late is better than never, and I hope they appreciate the efforts made at many times by many different governments to bring this matter forward. Today, in some small way, their position is being recognized.

The total number of veterans is not large. As Senator McElman pointed out, we have an estimated 200 survivors left of those who were prisoners of war in World War I. The sponsor stated that there are approximately 100 evaders in Canada. I think possibly the number is somewhat higher than 100, but in any event I am disturbed by the use of the word "evaders." To me an evader is someone who dodges combat, and I do not think it is fair to apply that terminology to someone who was shot down over enemy territory. It is interesting to note that the members of the society refer to themselves as "escapees," not "evaders".

Some of the World War I prisoners of war, because of their age, will now be drawing a war veterans allowance. This means that in addition to the old age security and the guaranteed income supplement, a single recipient will receive $47.90 per month, and a married recipient $34.00 per month. Here is the sting in this bill as far as this group of former prisoners of war is concerned. When it comes into effect they are going to lose their war veterans' allowance, and it seems ridiculous to give them the prisoners of war compensation on the one hand, and take away the war veterans allowance on the other. I would hope that the War Veterans Allowance Board, in dealing with retroactive pay, will use a little discretion or, even better, common sense, and not go back and attempt to recover payments for the past year.

As honourable senators know, war veterans allowance is based on a means test, but in this case we are using a negative means test. Those who do not need the assistance and are not receiving war veterans allowance will receive the full amount of the disability pension, but those who have the greatest need are the ones who will be penalized.

Clause 4 amends section 7 of the act, and it again brings up that figure of 48 per cent. When the last amendment was before the Senate, I mentioned the absurdity of the pension ceasing on the death of a recipient who had 47 per cent disability or less. I was quite pleased at the response and the interest the Senate showed in this matter.

It was raised again at committee, and I was rather surprised to learn that no one was quite sure where the figure of 48 per cent originated. It seems to have originated in the late 1920s, but no one knows why the figure of 48 was selected. We do not know the origin, yet it has become almost a dogma with the Department of Veterans Affairs, and I think we should examine that clause further.

The chairman of the Canadian Pension Commission was asked at that committee meeting what it would cost to continue survivors benefits for those with 48 per cent disability or less. He estimated it would cost approximately $30 million per year. Honourable senators, in our budget $30 million is not a large item, and I find it rather strange that we continue on with the 48 per cent figure. I hope that that will be the next amendment to veterans legislation.

The case of a former prisoner of war who was wounded and is now receiving 90 per cent disability merits special mention. Under the Compensation for Former Prisoners of War Act he could be entitled to 20 or 30 per cent compensation; yet he can receive only 10 per cent. It seems to me we are saying to that veteran that he should not have been wounded. We are not treating him fairly. I believe he should receive both his disability pension and his pension for being a prisoner of war.

The legislation contains a number of rather serious anomalies. In the case of a prisoner of war who escaped, he has in effect reduced his compensation by successfully escaping. Many people did try to escape. Honourable senators will recall the escape of air crew members from Stalagluft 3 when 90 of them tunnelled out of this camp. Out of the 90, only one escaped to Sweden. The remainder were captured, and 50 were shot for attempting to escape. When we consider that 50 lives were lost in an effort to return one airman, I think we should be rather generous in our treatment of those who escaped from POW camps.

● (1440)

Senator McElman mentioned that many aircrew avoided capture by being picked up by the underground, particularly the Dutch and French underground movements. They went through a rather hazardous experience, as they were hidden in difficult circumstances, and moved across Europe, usually to Spain and out through Gibraltar. The anomaly in recognizing this achievement is the fact that if an individual required three months to complete that journey he is compensated, but if he did it in two months and twenty days he is not compensated. Surely we are compensating for the fact that they escaped, and I should very much like to see this anomaly removed from the bill.

I would be prepared to move an amendment, but we on this side are very well versed in the rules, and I know that if I moved an amendment I would be informed that it was out of order because it involved an expenditure of public money. However, the Royal Air Forces Escaping Society would like to appear before the Senate committee, when this legislation goes to a committee, to present their case. I hope the committee will give them a sympathetic and considered hearing. I should also like to see the Minister of Veterans Affairs present when this group appears before the committee, when perhaps the minister would give a commitment to correct this situation at the earliest possible date. I believe this situation occurred because the Royal Air Forces Escaping Society was unaware that the bill was going to be introduced so quickly in the other place and passed without reference to a committee. I would hope that the Senate committee could also support this by making a recommendation to this effect in its report.

[Senator Phillips.]

One further aspect I should like to mention is that of the Polish veterans. They are not covered by this legislation, and I hope the sponsor of the bill will be able to tell us that the matter is under—I forget the term used by Senator Perrault earlier in the day—I will say, very active consideration, not review. These people were in allied services, and I hope they will receive the same consideration as our own people have received.

Hon. Frederick William Rowe: Honourable senators, I had not planned to speak in this debate, but I feel that I should add my objection to that made by Senator Phillips. I believe it is an objection that is concurred in by a goodly number of members of the Senate because of the use of that word "evaders." It seems to me that in the richness of the English language—in some respects the richest, and certainly from the standpoint of vocabulary the most extensive, in the world—it ought to be possible for us to find some phraseology that does not convey, as Senator Phillips pointed out, a connotation that none of us likes. When I saw this word "evaders" on reading the bill the word "dodgers" came into my mind right away.

Perhaps I am a little emotional about this. I come from a province where, as I am sure the Senate knows, we suffered the highest casualty rate in World War I in the entire British Empire and Commonwealth, and our people react emotionally on these matters, as one would expect. I cannot speak for the rest of Canada, but I am quite sure that there will be many veterans and their families—and this includes almost every family in Newfoundland—who will not like the use of that word "evader." I assume this bill will be referred to a committee, although I do not know which one, but I urge that an amendment be made in committee to remove this word. I know the intentions are good, but it is a word that may be objected to by a great many people right across Canada.

Senator Croll: Have you got any idea on what should replace it? I have been thinking about this too. What do you suggest?

Hon. Raymond J. Perrault: Honourable senators, may I attempt to provide some degree of clarification? I was involved in the cabinet discussion of this measure before it was introduced. I raised this matter at one of the meetings and was assured by officials at the meeting that the word "evader," repugnant as it is to many Canadians, in certain usages, is, in the context of the bill, part of the lexicon of terminology used by those members of the armed forces who managed to evade capture by enemy forces. I understand that the word is held in great respect by what may be described as the "escapee" community. This may or may not be confirmed at subsequent committee meetings. Certainly a number of honourable senators and members of the other place have commented on the use of the work "evader." Fearing that it may cause some misapprehension in the community, I suggest that the matter be raised as part of the questioning in committee. The government is aware of the concern.

Senator Rowe: I thank the government leader for that explanation, but I do hope that this matter will be looked at very carefully. Finally, may I say that I support this bill with all my heart.

Hon. John Morrow Godfrey: Honourable senators, I intended to raise this very point before Senator Rowe spoke because, frankly, I was absolutely astonished when Senator Phillips drew attention to the word "evaders." I spent five and a half years in the air force, two and a half years of which was overseas, and I can assure honourable senators that this was a very honourable and well understood term. An evader was somebody who had been shot down and was never captured, was never incarcerated. He was a very proud individual; he said, "They never did get me."

I would point out that they were not only people who got into the hands of the underground and got back through Spain. One pilot in my wing was shot down; he evaded and joined the underground; he spent a year in France helping the undergound merrily blowing up railway bridges. He turned up over a year later, having been actively engaged against the enemy behind enemy lines. I have never once heard any criticism of the word "evader," which is certainly well understood by people in the air force.

Senator Phillips: I should like to inform honourable senators that I spent an equal amount of time in the air force, but when I was with No. 6 Group, Bomber Command, never once did I hear the word "evader." We used to say that he was an "escapee" or, more commonly, that he "walked home," but we never called him an evader.

● (1450)

Hon. John J. Connolly: Honourable senators, I do not propose to delay you for more than a few minutes. We are all very much indebted to the sponsor of this bill, to Senator Phillips, and to the other senators who have spoken from their experience in our armed forces. When they speak feelingly about the plight of prisoners of war and what is proposed to be done for them, I think they can be assured of the support of all of us in this chamber. It is warming for us to know that people such as they did survive the ordeal of the Second World War and return to grace this chamber and this Parliament and help in solving our national problems. They started out by fighting for the country they loved, a country they wanted to see free, and now they are working in another sphere to the same end. I suppose that if we were in the House of Lords today all of us sitting there would be referring to them not only as "my honourable friends" but also as "my gallant friends."

This legislation, as I understand it, is restricted to members of the Canadian forces—those who were citizens of Canada or Newfoundland and those who were members of the forces but not necessarily citizens—and to members of other Commonwealth forces domiciled in Canada at the time of their enlistment. I use the word "Commonwealth" because it is more readily understood, the connotation being one that we use most often now. I made reference to those who were domiciled in Canada at the time of their enlistment in one of the Commonwealth forces. Senator Phillips has referred to the Polish group in Canada. I am sure that other senators have had representations through the years from members of this group who are now Canadian citizens.

Senator McIlraith: Polish and other allied forces.

Senator Connolly (Ottawa West): Yes, other allied forces, in addition to the Polish group. Indeed, they were members of the allied armed forces. In many cases they fought with Canadian forces, enduring the same hardships and assuming the same risks. Now they are at least 33 years older than they were at that time. They belong to a group which is certainly diminishing in number, and I think it can be said that few of them are well to do and most of them could use some help.

I wish to ask some questions which I hope may be answered in committee. I am not suggesting that Senator McElman, the sponsor, is able to supply the answers now. However, before I ask the questions, may I refer to the views which have been communicated to members of the Senate, as Senator Phillips has indicated, by the Royal Air Forces Escaping Society. I have received a letter from Mr. D. W. McLarty, the past president of the Canadian Branch of this organization—a gentleman whom I do not know—in which he neatly summarizes the point they wish to make in respect of this legislation.

One paragraph of his letter reads as follows:

> We have fought very hard on two matters of basic principle:
>
> > The first is that a man who escaped from a Prisoner of War camp, as was his duty, should receive no less compensation than had he not escaped, and secondly, the man who evaded capture altogether should be treated as if he had been captured and the period of purposes of entitlement should count from the day he landed in enemy territory until the day he would have been liberated.

I think that that would satisfy the point made by Senator Phillips if it were to be found in the legislation. However, as he says, our problem is that by making amendments on either of these two counts we are, of course, increasing the number of beneficiaries, thereby increasing the tax upon the Treasury and thereby going beyond the power that we in this Senate have. However, while we may not be able to change this legislation in that respect, I believe it is appropriate to obtain further information so that we will know what might be done if either of these two proposals is to be envisaged. That is why I should like to put a few questions to the sponsor, to be answered in the committee, and those questions are:

How many people, now Canadian citizens, were members of such allied forces and might be able to benefit under a provision of this type? Perhaps the department has this kind of information.

What is the distribution by membership in Commonwealth forces, in other allied forces?

What is the estimate of the cost of providing these benefits?

What, if any, are the implications for other pension benefits that might occur if the class were extended in the way Senator Phillips has suggested?

Finally, what would be the estimate of the costs by groups of actually extending the benefits to these other groups?

Hon. Paul C. Lafond: Honourable senators, I welcome this debate, and would like to offer a few brief observations. I appreciate and support nearly all of Senator Phillips' remarks. As far as nomenclature is concerned, I think he will admit that in private conversation last evening, while referring to this bill and not having told me so beforehand, he mentioned the word "escapees". I had to do a double-take, and even a triple-take, to use modern language, to realize what he was aiming at. We must remember that the Second World War, in which so many of us participated in blue uniforms—this is true for three of the senators who preceded me—is receding further and further back in history. As Senator Godfrey said, our friends of those days glory in the appellations "evaders" and "escapees". But at least one-third—this is an arbitrary proportion—of the population of this country were not born when that war ended. The words "escapees" and "evaders" are beyond their comprehension. We should use such terms as "war escapees" and "war evaders". That term should be clarified. Another suggestion might be to use the word "enemy" as an adjective.

● (1500)

The number of those who had to undergo tremendous difficulties in answering their country's call to duty is dwindling rapidly. They are becoming fewer and fewer. Members of the Senate are at an age where this may not be as apparent, but many of us can appreciate it. In the other house, for instance, those who know the perils of war are few in number. Among the 25 or 30 ministers in the cabinet—and it does not matter whether it is a Liberal cabinet or a Conservative cabinet—few know what war is.

In 1972 I had the privilege of representing this chamber at the 30th anniversary of Dieppe. Dieppe is an historical event in which Senator Godfrey personally participated. In 1982 we will mark the 40th anniversary of Dieppe, and one wonders how many of those who were there will be left. They are becoming fewer and fewer. We should not be stingy with dollars for these people, whatever the value of the dollar may be today.

Hon. Senators: Hear, hear.

Hon. Charles McElman: Honourable senators—

The Hon. the Speaker: I wish to inform the Senate that if the Honourable Senator McElman speaks now, his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator McElman: Honourable senators, I wish to thank those who have participated in this debate. They have shown clearly the depth of feeling and respect the Senate has for those of our fellow citizens who, through war service, have become pensionable, and the dependants of those who have passed on and who are now recipients of pensions under the various pieces of legislation respecting war veterans.

[Senator Connolly (Ottawa West).]

Many of the suggestions and questions raised have to do with amendments that cannot be initiated in this chamber.

Senator Flynn: They could.

Senator McElman: It is important, however, that those views respecting further improvement in our veterans legislation be brought to the attention of the Minister of Veterans Affairs by way of referring this bill to the Standing Senate Committee on Health, Welfare and Science.

If this bill receives second reading, it is my intention to move that it be referred to the Standing Senate Committee on Health, Welfare and Science, and that the Minister of Veterans Affairs be invited to appear before that committee so that he may answer questions that have been raised. It was also suggested by Senator Phillips that spokesmen from the Royal Air Forces Escaping Society appear before the committee. At that time we can impress upon the minister our views with respect to further improvement in the Veterans Charter.

I should like to comment briefly on the reference to "evaders" and "escapees," and the suggestion by Senator Phillips that evaders should be referred to as "escapees." There has to be a clear delineation between "escapees" and "evaders" in terms of the drafting of the bill, because their situations are entirely different. Many of those who evaded capture were not, in any sense, prisoners of war, and they cannot come under the definition of "escapees." I draw to the attention of the Senate the fact that the bill is to amend the Compensation for Former Prisoners of War Act, and that under that umbrella the technical definitions apply.

I do think it is a mistake to take the terminology out of the context in which it is written, because the context in which it is written makes the meaning very clear. "Escapee" can be given a similar connotation to that which is now being given to "evaders." We have escapees from many places, including prisons and penitentiaries. Surely no one would think they come under this bill. I agree with the comments made by Senator Godfrey. There were a great many who were evaders and they saw no deleterious connotation in the use of that word. They were proud of it.

With respect to the Polish veterans and, as has been added, veterans of other nations who served with the Canadian Armed Forces, I am not totally familiar with the circumstances, but it is my understanding that such persons, after being residents of Canada for 10 years, can come under many of the aspects of our Veterans Charter. However, I am not in a position to give the absolute detail of the situation, and I hope this can be referred to the Minister of Veterans Affairs when he appears before the committee.

Senator Phillips also made reference to the 48 per cent situation as it applies under this act, and no one knowing the origin of it. I certainly do not know the origin of it, and I would expect him to raise that matter at the committee meeting.

• (1510)

Dealing with the three-month cut-off provision, we have to bear in mind that there has to be a cut-off at some point. Should it be one week, three weeks, or what should it be? Rather than relating the cut-off to those who are eligible after three months, I think perhaps we should relate it, in fairness, to those who were comrades in arms, those who have had honourable service and are now drawing a pension. These people went through as much as any person who was a prisoner of war for two days, or two weeks.

It would seem rather unfair to give a bonus, if you will, to a person who suffered relatively little by reason of a short term of imprisonment. It has been made clear in this debate, and others, that while much can be suffered by a person in a short period of time, the mental anguish, the indignity, and the maltreatment, both psychological and physical, over a period of more than three months, have a continuing and great impact on an individual.

I realize there has to be a cut-off at some point, and I hope the minister can respond much more fully in this respect during the committee's consideration of this bill. I think all the other matters raised during debate can be discussed in committee.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator McElman moved that the bill be referred to the Standing Senate Committee on Health, Welfare and Science.

Motion agreed to.

SPORTS

REPORT OF COMMITTEE ON INTERNATIONAL HOCKEY—DEBATE CONCLUDED

The Senate resumed from Tuesday, February 28, the debate on the inquiry of Senator Buckwold calling the attention of the Senate to the Report of the Committee on International Hockey to the Minister of State, Fitness and Amateur Sport.

Hon. Martial Asselin: Honourable senators, on first reading this report I was surprised to see the photograph of Senator Buckwold and learn that he had chaired this very important committee. I did not realize he had been such an excellent athlete in his youth. In response to my question as to why he had been chosen by the minister to preside over this committee, he said that during his term as Mayor of Saskatoon he had been a good skater, but he was quick to add that he was not a good skater on ice. I must say that when Senator Buckwold speaks in the Senate to defend the policies of the government or of his party, he still exhibits excellent skating ability.

In all seriousness, honourable senators, I congratulate Senator Buckwold on his chairing of this important committee, and on the excellent speech he made in presenting this report to the Senate.

[*Translation*]

Honourable senators, on looking over the work accomplished by that committee, questions inevitably come to one's mind. First, one wonders why that work was not performed jointly with the provinces since, as we know, both sports and education fall within the exclusive jurisdiction of the provinces. I shall come back to this later as I develop my subject.

First of all, it was obviously not a joint committee of the Senate and the House of Commons. One then wondered why a senator of the official opposition was not invited to sit on the committee, although we know that the Conservative Party was very ably represented on the committee by Mr. Roch La Salle and Dr. Bruce Halliday. We would have liked, I think, to have seen our party, in the Senate, represented or participating in that committee, and taking part in its deliberations. In any event—

[*English*]

Senator Buckwold: Would the honourable senator allow a clarification? He used the term "joint committee," and I would point out that it was not a joint committee as such; it was an ad hoc committee appointed by the minister.

Senator Asselin: I realize it was not a joint committee of the Senate and the House of Commons. However, I regret that there was not greater Senate participation and collaboration in the efforts of the committee in respect of this important matter of sport in Canada.

• (1520)

[*Translation*]

Of course, the minister has already tabled a green paper. I do not wish to stop here and talk only about international hockey because I think there is a problem which is being examined by many Canadians; I am referring to the question of violence in hockey. Therefore, I will not limit myself to the question of international hockey. Of course, I will come back to it in the course of my remarks. However, I have said that the green paper tabled by the minister is nothing but a pile of pious wishes which all federal ministers responsible for amateur sport have been repeating for several years and which have never come true.

The Fitness and Amateur Sport Branch, which establishes the physical fitness program, is not really a ministry in itself. It has no authority. It has no general policy and practically no budget.

Canada should have a real national policy in this field. In other words, the government should consider amateur sport and physical training as a priority to which it is prepared to devote concerted efforts and large sums of money.

Starting from the principle that sport and physical fitness are the basics of a well understood national health, the government would formulate a policy aimed at making sport and physical fitness an ever present concept in the process of our national life. The more Canadians would practice sport and

undergo physical training, the healthier they would be; the healthier they would be, the less the government would spend in medical services and all kinds of prevention practices.

For sport and physical fitness to become a daily reality, the federal government must assume most responsibilities for making it a part of our way of life. Every Canadian must be provided with the motivation and the means to practise the discipline of his choice and become proficient in it according to his capacities or talents.

That supposes the creation of a genuine concern so that young Canadians become interested in sport and physical fitness at the elementary level and not wait until they are forty years old, when they have grown fat and have flabby muscles before advising them that they should start jogging.

It has been only two or three years that we have started to dwell on that subject on radio and television and to publicize physical fitness. However, the government should have started long ago saying to Canadians that if they want to remain in good health, they should keep physically fit. They should start walking or practising some sports to remain in good shape.

It also means that schools and educational institutions should have the necessary facilities to enable young people to practice sports and physical conditioning.

It would also mean that teachers and coaches should be trained to teach various disciplines whether in schools or in various sport associations.

Well, we are aware that education and leisure planning fall under provincial jurisdiction. The federal government, therefore, must not interfere directly, but must operate in close consultation with the provinces and through their own organizations and mechanisms. It must be satisfied with playing the part of a catalyst of the policies, energies and funds made available to the provinces for sports as a tool of education.

As the foregoing requires rather large amounts of money, and as health is a federal responsibility, it is logical and necessary that the federal government should assume the greater part of the costs. The rest could be assumed by the provincial and municipal governments. The cost-sharing could be made on a 50-25-25 basis. The federal government could pay a lump sum to the provinces and supervise the spending, while the provinces in turn could do the same for municipalities. These would set their priorities in co-operation with the provincial authorities, which would do the same with the central government.

All provinces, Quebec included, would be delighted to benefit from federal grants to fitness and amateur sports, provided they are allowed to spend these grants according to their own priorities, needs and criteria, without any interference from the federal government.

I now come to the question of professional sport and international hockey. It is of course a different thing to speak of professional hockey and international hockey. In designing a policy, the government is up against the powerful giant of commercialized sport which is always seeking to make and amass more money rather than to promote fitness and maintain Canada's prestige abroad.

Here again, there is a serious lack of the authority necessary to control this entire field, and to prevent abuses and exploitation. There should be legislation to force professional leagues and associations to pay, some way or other, the cost of training young athletes who advance from junior to professional or from minor to major leagues. At present, professional clubs and associations in all forms of sport go and get the young stars and take full advantage of their talent, without having to reimburse a single penny of what it cost to train them.

Strict if not drastic rules should also be established regarding violence in sports, and especially in hockey, our national sport, which is becoming a form of spectacular bloodshed. To be effective, these rules would have to be supported by national legislation, otherwise fines and suspensions will always be written off by the interests of the financiers.

Furthermore, the attorneys general of the provinces have been concerned with violence in hockey for a few years. They ordered arrests. They followed up with prosecutions which, in most cases, led to few sentences. Of course, when these accused were tried before a jury it is obvious that the members of the jury did not have the education and the preparation which are necessary to judge these kinds of cases submitted to them by the attorneys general.

I also think that the federal government should inform people on control of violence in hockey. Many things were written on the subject. I refer all senators who are interested in amateur sport and also in this problem of violence in hockey to the studies made on this subject in New Brunswick. There is one study entitled "New Brunswick Hockey Study Report" which was submitted at the request of the Honourable Jean-Pierre Ouellet, the Minister of Youth. There is also another study entitled "The Violent Game", written by a Gary Ron Berg, which is available in the library. I also read other studies such as the one ordered by Ontario in 1974, which is entitled "Investigation and Enquiry into Violence in Amateur Hockey". I think those who are interested in this kind of sport, and who also want to control violence in hockey, should read these studies which demonstrate how far we have gone now to exploit violence in hockey in order to give a show. Then, I think it should be noted that in most cases young hockey players who are members of minor leagues have never received any education concerning their physical behaviour in the practice of this sport. We know that this education must start in school when the child is still very young and when he is still able to understand fully the meaning of his behaviour while practising this sport.

However, nothing has been done yet to teach children that if they want to be successful in this sport and become stars, it is essential that they forego violence and concentrate completely on developing their talents for both minor league and major league hockey. In my opinion, the federal government should play a leading role in this area. It could instruct the National Film Board to prepare a documentary which would show that talent, energy and courage have always had a place in the

success of an athlete. In my opinion, the NFB could film examples of the behaviour of certain hockey players, like Béliveau, Lafleur and Perreault, to name a few, to show clearly to young boys that these players became successful while foregoing violence and developing their athletic qualities.

In my opinion, honourable senators, this is a very positive aspect of amateur sports and the minister should consider it in establishing in Canada a true national policy in a very large sense for amateur sports.

In closing, I would like to say that I am fully in agreement with the three recommendations contained in the report submitted to the Senate by the committee. The federal government has a limited but important role to play to support Canadian participation in world competition. Senator Buckwold said that a great majority of respondents in the survey made among Canadians thought that it was much more important to take part in international tournaments than to win. As for me, I would agree with Senator Steuart who, as I understand it, replied: "For my part, I want to win." We must win when we play in international competitions. I am not saying that we must win at any price. But I believe that Canada must make a good showing since hockey is the national sport of Canada. Of course, we can always say that there will be close games with countries like the U.S.S.R. which have excellent teams, but in my opinion it is a shame for a country like Canada, whose national sport is hockey, to suffer such a fiasco as in our participation in Vienna.

As recommended in the report of the committee, we should reorganize this association so that it will be made up of people who set up international competitions abroad. I would say that we must be very well prepared. The federal government must provide the necessary financing to accommodate the athletes who want to participate, especially on an international level. In this way, I believe we shall serve the interests not only of the players who participate in these tournaments, but Canada itself by giving back to all Canadians the pride that they must feel.

Honourable senators, those are the few comments I wanted to make following the tabling of this report. In closing, I want to say that the committee presided over by our colleague, Senator Buckwold, has prepared an excellent report.

[*English*]

The Hon. the Speaker: As no other senator wishes to participate in the debate, this inquiry is considered as having been debated.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, March 9, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Daudlin had been substituted for that of Mr. Gauthier (Ottawa-Vanier) on the list of members appointed to serve on the Standing Joint Committee on Regulations and other Statutory Instruments.

RESTAURANT OF PARLIAMENT

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mrs. Pigott had been substituted for that of Mr. Schumacher on the list of members appointed to serve on the Standing Joint Committee on the Restaurant of Parliament.

PRINTING OF PARLIAMENT

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Macquarrie had been substituted for that of Mr. Reynolds on the list of members appointed to serve on the Standing Joint Committee on the Printing of Parliament.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Textile and Clothing Board, dated November 1, 1977, on an inquiry respecting handbags.

List of shareholders in the Chartered Banks of Canada as at the end of the financial year ended in 1977, pursuant to section 119(1) of the Bank Act, Chapter B-1, R.S.C., 1970.

List of shareholders in the Montreal City and District Savings Bank as at October 31, 1977, pursuant to section 101(1) of the Quebec Savings Banks Act, Chapter B-4, R.S.C., 1970.

Immigration Regulations, 1978, respecting admission and removal from Canada of persons who are not Canadian citizens, pursuant to section 115(3) of the Immigration Act, 1976, Chapter 52, Statutes of Canada, 1976-77.

NORTHERN GAS PIPELINE

FOURTH REPORT OF COMMITTEE OF SELECTION PRESENTED AND ADOPTED

Senator Petten, Chairman of the Committee of Selection, presented the following report:

Wednesday, March 8, 1978.

The Committee of Selection appointed to nominate senators to serve on the several select committees during the present session makes its fourth report as follows:

Your committee has the honour to submit herewith the list of senators nominated by it to serve on the Special Committee of the Senate on a Northern Gas Pipeline, namely, the Honourable Senators Austin, Bonnell, Flynn, Lang, Langlois, Lucier, Manning, McIlraith, Olson, Riley, Rowe, Smith (*Colchester*), Steuart, van Roggen, Williams and Yuzyk.

Respectfully submitted,

William J. Petten,
Chairman.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Petten: Honourable senators, with leave of the Senate, I move, seconded by the Honourable Senator Smith (Queens-Shelburne), that this report be now adopted.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Senator Flynn: Honourable senators, I will agree to having this report adopted today in order to dissipate any clouds that might be casting a shadow on the attitude of the opposition with regard to this pipeline bill.

[*Translation*]

I am quite satisfied with the membership of this committee, especially since both Senator Langlois and I will sit on it.

Some Hon. Members: Hear, hear.

Senator Flynn: Senator Smith (Colchester) as well, so its members and all those who have commended Senator Smith for the manner—

Senator Bourget: He deserved it.

Senator Flynn: —in which he chaired the Committee on Transport and Communications will have the opportunity to prove their confidence in him by electing him chairman. That would be the best way of showing that their praise and appreciation were sincere.

I said I wanted to clear up some misunderstandings because, last Thursday, after Senator John M. Macdonald spoke on the motion for referral of the bill, or its subject, to a special committee, the motion was passed. That was obvious. We had, on this side, expressed reservations about setting up a special committee when one was already clearly indicated by our rules. That was not a fundamental objection but rather one of principle.

After having expressed our opposition, and our regrets that the members of the party in power should have no confidence in that committee, which could anyway be modified to include almost all honourable senators who are members of the special committee, after that we agreed that, if the Senate so wished, well then, let it set up a special committee to that end.

However, Senator Langlois, as he usually does, wanted to pursue the debate though it was already over and, again as he usually does, he insisted on building himself some strawmen which he then proceeded to knock down vigorously to the ground.

Senator Langlois: It hurt them.

Senator Flynn: I do not know about that, but it certainly made the committee waste a couple of days; it could otherwise have been set up then and there. It might even now be operating.

Senator Langlois: You had adjourned the debate.

Senator Flynn: Yes, we did, the day before but, because of your speech on that day, we wasted at least one full half hour.

Senator Langlois: A full half hour is not a few days.

Senator Flynn: No, but we had to resume the debate on Thursday and the committee could not be set up right away, precisely because it was Thursday.

Among the strawmen set up by Senator Langlois, once again to better knock them down, there was the fact that he claimed we were opposed to the bill. He told me I had given only one reason for opposing the creation of that committee, namely, the election intentions of the government and the Liberal Party. That is false, absolutely false. I said at the start that I was not opposed to the principle of referring the subject of the bill to a committee—I said that, and I quote—all I have here is the English version, which I will not translate into French again—

[*English*]

> I recognize the urgency of this legislation. It is twofold: First because the project itself must start as soon as possible—

Surely that was clear enough.

> —second, if we are to have an election campaign, it is necessary that this legislation be adopted and for the government, the party in power, to make it part of its election platform and benefit from it as much as it possibly can. I am aware of that and I do not object.

● (1410)

Therefore it was clear that I was not objecting to the pipeline bill nor at that time was I objecting to its being referred to a special committee or, as we would have preferred, to the Standing Senate Committee on Transport and Communications.

[*Translation*]

Finally, the second strawman Senator Langlois set up was when he told me that I was certainly aware, as he said earlier, that there had been absolutely no criticism in the other place about the urgency to pass this legislation and start construction. That is what I had said. He implied that I was not aware of my party's position and that I intended to take another position than that. There is no question about it. I fully agreed with that position. I was very glad to, and I have agreed once again today that the report be adopted forthwith in order that the committee meet immediately, if it can, after the adjournment to choose its chairman and get to work as early as next week, as early as Monday if it so wishes. I have no objection to that.

Of course, to oppose our claim that this issue should have been referred to the Senate Committee on Transport and Communications, Senator Langlois quoted a lot of precedents. I did not take the trouble to check whether they were really valid precedents or not. We, on the opposition side, have the duty of keeping the government majority on the alert. I do not see why each time we raise an objection it creates a real scandal, a sort of resistance, of panic on the part of the government leader. We can very well have objections to raise and then accept the proposition of the majority, as we have very often done.

I would only say this: It is time that the Leader of the Government stop panicking at the slightest thing. He goes as far as evoking private conversations and giving false interpretations of them. That is why I tell him in friendly terms—and he knows I consider him as a friend—that when we are sitting in this house there is another point to take into consideration—his responsibility, my responsibility and the responsibility of those who are sitting on this side of the house. If we cannot have conversations outside the house without him trying to interpret them in his own way afterwards, I can tell him that we will have no more of these conversations. I am prepared to co-operate, as I did in the past, but I do not want to be told at every turn: "Remember, you said that to me on the plane, on the phone or elsewhere."

Senator Langlois: I did not say that.

Senator Flynn: You mentioned the plane in connection with Senator Smith's appointment. You referred to Senator Grosart's comment on the phone about the adoption of this

motion. Well, if we are going to discuss the meaning and significance of our private conversations, co-operation will be very difficult. The opposition in the Senate is eager to co-operate. It must, however, do its duty and indicate its disagreement once in a while. In this respect, I merely say to Senator Langlois that, if he wants to, he is welcome to make a speech of half an hour in reply to what I have just said. That is his business.

Senator Langlois: I shall do as I please.

Senator Flynn: I simply want to tell him this: a wise government knows when to accept criticism without fighting back.

Senator Langlois: Without replying?

Senator Flynn: Without replying, because this is the only way you can secure the full co-operation you are seeking. Allow us to say once in a while what we really think, without always trying to run over us for no reason at all.

I am merely saying this: we had agreed on the principle of starting consideration of this bill immediately. We have given today the permission which we could have given last week. I hope that the committee will do a good job and sit as soon as possible. Moreover, I hope that the committee will appoint Senator Smith as its chairman, and that it will make it possible for this bill to get royal assent before the Easter adjournment.

[*English*]

Senator Perrault: Honourable senators, the distinguished Leader of the Opposition seems to be in uncommonly vigorous form this afternoon, although it seems to me that he must have had a bad oyster for lunch, he seems so dyspeptic.

The important thing surely is the fact that we now have a broad-based special committee, including senators of undoubted integrity, ability and expertise, and there is no doubt that this important matter of the natural gas pipeline will be given the careful attention it deserves. I really wonder whether we achieve very much in this process of going over past debates and old ground. Nobody on this side has ever suggested that the opposition had anything but the most fundamental right to disagree with anything they wished to on government policy.

Senator Flynn: Bravo!

[*Translation*]

Senator Langlois: Honourable senators, I ask the forbearance of the house to reply to a political speech, entirely out of order, which has just been made by my excellent friend, Senator Flynn.

In the first place, Senator Flynn—

Senator Flynn: No, no!

Senator Langlois: Let me speak. I did not interrupt you when you spoke, so now please do the same for me.

In the first place, Senator Flynn referred to the speech I made in this house on March 2. According to him, I said that he objected to the passage of the bill. I have never said that, and I challenge him to prove that I did. This is what I said and about which Senator Asselin raised an objection. I am quoting it in English because I do not want it to be translated again.

[*English*]

> Honourable senators, yesterday, the Honourable Senator Flynn referred to the urgency of getting the pipeline legislation through but what he apparently meant—

I emphasize the words "apparently meant".

> —was to emphasize the urgency for the government to get the project going for electoral purposes, given the likelihood of forthcoming general elections.

[*Translation*]

It does not mean that I was suggesting that you were against the urgent passage of the bill. I objected only to the reason given to explain that urgency, which was a purely political reason.

[*English*]

Senator Flynn: Only one, you said.

Senator Langlois: This is not what I said. "Only one" was left out.

Senator Flynn: But you did say that.

Senator Langlois: My main statement was the one I have just quoted, to which Senator Asselin objected at the time.

● (1420)

[*Translation*]

I am surprised the honourable senator should suddenly become so touchy. As my leader said a moment ago, I wonder what he had for lunch today. He has become quite touchy regarding his attitude on Wednesday, and he has been trying ever since to find a way to answer what I said during his absence. It is not my fault if he was absent on Wednesday. I did not even know we were supposed to proceed with this motion on that day. But when he says that my speech had the effect of delaying by a few days the passing of the motion to refer the bill to a special committee, he is wrong. After the statement I made a moment ago, he partly rectified his mistake by admitting it was only half an hour. It was he anyway who adjourned the debate on the motion the day after, immediately after Senator Macdonald had spoken. I answered him within twenty minutes and then the motion was passed.

But is the honourable senator asking us, on this side of the house, to listen to his representations, interjections and interpellations without answering? If what he wants is a dialogue of the deaf he should say so. If he thinks he is always right in his remarks and has this pretension, I would not want to contradict him.

Senator Flynn: No, no.

Senator Langlois: I would not want to deprive him of this pretension, but if he wants his remarks to remain unanswered, he had better not talk. This house has the duty of debating issues of public interest. I think members on both sides should be allowed to answer as long as we are not out of order. My opinion is that the honourable senator was out of order this

afternoon, but he wished so much to give that reply that I did not want to rise on a point of order.

Senator Flynn: You could not have—

Senator Langlois: Yes, I could have if I had wanted to.

Senator Flynn: What I say is that you could not have kept silent.

Senator Langlois: The same for you, and then some. He is now saying that we have been friends for many years. He is right. We have been friends for quite a while, but I know because of my experience in politics and the law that it is possible for friends to have different opinions and argue points fiercely while remaining on the best of terms as friends. This is something I shall never disregard.

Senator Flynn: Certainly not.

Senator Langlois: I am amazed that my honourable friend should object to this approach.

Senator Flynn: That is what I said.

Senator Langlois: Do you want to make a couple of speeches? You are interrupting me all the time.

Senator Flynn: I was saying that that is what I said.

Senator Langlois: I think it is about time we put an end to this flood of interruptions. My honourable friend cannot stand controversy. He spends his time making all sorts of remarks to make whoever is speaking lose the thread of his ideas, but he will fail this time with me. He knows that this tactic which he has been trying on me for the past six years will fail again today.

Now, I think I clearly indicated to this house on Thursday the reasons for setting up this special committee. I am glad to see that my honourable colleague and friend is now in agreement with the setting up of this committee. I am sure it will do a good job. As I said last Thursday, however, I am against any suggestion aimed at changing the composition of a committee which is operating as well as that on transport and communications, thereby accepting Senator Asselin's idea to entrust the Senate Committee on Transport and Communications with this bill and disbanding the committee and appointing senators who have both expertise and knowledge of the needs of the areas most directly affected by the building of this pipeline.

Senator Flynn: Like you and me.

Senator Langlois: We are not the majority, for that matter. Because there are only four senators from western Canada on this committee of 22 members, it is completely off balance and lacks anyway the necessary expertise to study such a bill, expertise in the areas of environment, sociology, natural resources of regions which are entirely foreign to us, as representatives from eastern Canada. I feel therefore that this fully warrants the setting up of a special committee, as it fully warrants also the remarks Senator Asselin made when he suggested we submit this matter to the Senate Committee on Transport and Communications, but only after changing its composition. What I said on this subject was fully appropriate.

I do not want to continue this debate, which I feel is out of order, but I want to tell my honourable colleague that our differences of opinion will be limited to this house and that they will have no repercussions outside. I hope we shall remain good friends for many years to come.

Senator Asselin: Would the honourable senator allow me a question? Is there any chance that my colleague Senator Smith will be appointed chairman of that committee, since we have praised so much his talents as chairman of the Senate Committee on Transport and Communications?

Senator Langlois: First of all, it is not I but the committee itself which is going to appoint the chairman. I accept in advance the choice that the committee will make.

Senator Flynn: Could I ask a question of the honourable senator? Would he prefer I agree or disagree with him?

Senator Langlois: That you disagree, because if you agree it would mean I would be wrong myself.

[*English*]

The Hon. the Speaker: It is moved by the Honourable Senator Petten, seconded by the Honourable Senator Smith (Queens-Shelburne), that the report of the Selection Committee be now adopted. Is it your pleasure, honourable senators, to adopt the motion?

Senator Buckwold: Honourable senators, before the question is put, I wonder if the Selection Committee would consider the addition of one further name? I refer to Senator Adams of the Northwest Territories.

It seems to me that the voice of another group of native people who are involved in this problem of pipelines would be useful. I am delighted to see that Senator Williams is a member, but I should like to suggest that the name of Senator Adams be added to the list.

Hon. Senators: Hear, hear!

Senator Riley: Honourable senators, I understand from the report of the Selection Committee that I have been named to the Special Committee on the Northern Gas Pipeline. We in the east have little knowledge of this subject, although we do have the Tenneco pipeline concern down there. I would prefer that my name be withdrawn from the committee and that my place be taken by Senator Cameron, who is well versed in the problems of pipelines in the northwest. He is familiar with the area and the ecological problems connected with the tundra, and he could contribute much more to the deliberations of the committee than I could. When it was suggested that the subject matter concerning a northern gas pipeline should be referred to the Standing Senate Committee on Transport and Communications, as a member of that committee I agreed with that suggestion. In any event, I would recommend that someone with the knowledge and experience of Senator Cameron should be named to the committee, and I am willing to yield my place to him.

Senator Perrault: Honourable senators, the list of names for the proposed committee was evolved in co-operation with a

number of honourable senators, including members of the opposition. Without question there is the possibility of adding further names at a later stage. Some senators may be absent from some of the meetings. It is very much a procedural matter. I am sure that the suggestions put forward will receive serious consideration by the committee.

Senator Flynn: That could be done later.

Motion agreed to and report adopted.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, March 14, 1978, at 8 o'clock in the evening.

● (1430)

Honourable senators, as is customary, before the question is put I should like to provide the Senate with the information I have regarding our program for the next week.

Again, the committee schedule is a very heavy one. On Tuesday the National Finance Committee has a meeting scheduled for 2.30 p.m. to consider both the main estimates for 1978-79 and supplementary estimates (B) for 1977-78. Also on Tuesday there will be a meeting of the Standing Senate Committee on Health, Welfare and Science Subcommittee on Childhood Experiences at 4 p.m. and, at 8.30 p.m., a meeting of the Standing Joint Committee on Regulations and other Statutory Instruments.

We are now in the process of trying to arrange for Tuesday evening a meeting of the Transport and Communications Committee on Bill C-2, respecting the administration and development of certain fishing and recreational harbours in Canada, or the Health, Welfare and Science Committee on Bill C-27, to amend the Compensation for Former Prisoners of War Act. Whether or not one of those committees will meet on Tuesday evening will depend upon the availability of witnesses.

On Wednesday, the Banking, Trade and Commerce Committee will meet at 9.30 a.m. to consider both Bill C-16, to amend the Bank Act and the Quebec Savings Banks Act, and the subject matter of Bill C-13, the combines investigation legislation. At 3.30 p.m. the National Finance Committee will again meet to consider supplementary estimates (B) for 1977-78. In the event that the Health, Welfare and Science Committee does not meet on Tuesday evening on Bill C-27, it will meet on Wednesday when the Senate rises.

On Thursday the Banking, Trade and Commerce Committee will meet at its usual time, 9.30 a.m., on Bill S-3, respecting Canadian non-profit corporations. Also at 9.30 a.m. on Thursday the National Finance Committee will meet to consider the main estimates for 1978-79, and the Foreign Affairs Committee will hold an *in camera* meeting to consider its draft report on Canada-U.S. relations. The Standing Joint Committee on Regulations and other Statutory Instruments is scheduled to meet at 11 a.m.

[Senator Perrault.]

It is expected that there will be additions to this list as the week progresses. It may be that we will have to reserve all day Wednesday for committee meetings, but that is not something to be decided before Tuesday evening at the earliest.

Dealing now with the workload in the Senate for next week, on Tuesday evening Senator Desruisseaux will call the attention of the Senate to the right of public access to government documents and information. The supply bill covering supplementary estimates is expected to pass the other place on Wednesday next and should come to us on Thursday. In addition to any bills which may come to us from the other place during the course of next week, it is our hope to have a bill for introduction in the Senate in the first instance.

We may find it advisable as the week progresses to sit on Friday of next week, or to come back on Monday of the following week. In any event, before any decision is reached in that respect, the Leader of the Opposition will be consulted.

Motion agreed to.

HEALTH, WELFARE AND SCIENCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(a), I move:

> That the Standing Senate Committee on Health, Welfare and Science have power to sit while the Senate is sitting on Tuesday next, March 14, 1978, and that rule 76(4) be suspended in relation thereto.

The Hon. the Speaker: Is leave granted, honourable senators?

Senator Grosart: Explain.

Senator Langlois: Honourable senators, as I said in my statement outlining the work program for next week, it is possible that this committee will not be meeting. I am making the motion today in order to allow notices to be sent out. Depending on the availability of witnesses, either this committee or the Standing Senate Committee on Transport and Communications will be meeting on Tuesday evening. We will have to cancel one of the meetings, depending on what witnesses are available.

Senator Grosart: Is there a pressing reason why these two committees cannot meet at times other than when the Senate is sitting?

Senator Langlois: I have only to refer the honourable senator to the long list of committee meetings for next week. The week is very full, and unless we decide to sit on Friday we will have to allow some of these committees to sit while the Senate is sitting. In order to avoid this situation—which is particularly embarrassing to the opposition because of their small number—I will be suggesting on Tuesday evening that we reserve the whole of Wednesday afternoon, or most of it, for committee work.

Senator Grosart: If the decision is for the Senate not to sit on Wednesday, is it then suggested that that will avoid the Tuesday night meetings?

Senator Langlois: That might be possible, but there again we are bound by the availability of witnesses. As honourable senators know, at the meeting of the Standing Committee on Transport and Communications this morning the minister was invited to reappear before the committee. If that is the only evening he can give us, we shall have to meet at that time, since we could not postpone it then to the next day. However, if the situation changes between now and Tuesday I will advise the house as soon as I know about it.

Motion agreed to.

TRANSPORT AND COMMUNICATIONS

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

> That the Standing Senate Committee on Transport and Communications have power to sit while the Senate is sitting on Tuesday next, March 14, 1978, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

NATIONAL FINANCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois: I move, with leave of the Senate and notwithstanding rule 45(1)(a):

> That the Standing Senate Committee on National Finance have power to sit while the Senate is sitting on Wednesday next, March 15, 1978, and that rule 76(4) be suspended in relation thereto.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Senator Langlois: This is subject to the remarks I made earlier.

Senator Grosart: We will soon need a motion to allow the Senate to sit while the committees are meeting.

Motion agreed to.

AGRICULTURE

FARM CREDIT BILL—FURTHER QUESTION

Senator Argue: Honourable senators, on February 28 last I asked the Leader of the Government whether or not amendments to the Farm Credit Act might be expected soon. I suggested at that time some of the things I thought should be included in such an amending bill. I wonder whether the Leader of the Government has any reply to make to that question.

Senator Perrault: Honourable senators, I draw your attention to the fact that this bill is shown on the Order Paper of the other place for today. It is hoped it will be introduced tomorrow, or at the earliest opportunity thereafter.

● (1440)

THE ECONOMY

MEETING BETWEEN AMERICAN AND CANADIAN TREASURY OFFICIALS—QUESTION

Senator Olson: Honourable senators, may I ask the Leader of the Government a question about the meetings that have taken place or are still in progress between United States treasury officials and Canadian treasury officials? I wonder if he would give a report to this house about those meetings, particularly in view of Item No. 2 on the Order Paper which concerns the relative values of the Canadian dollar and the United States dollar.

Senator Perrault: Honourable senators, I am not in a position to present a report on this subject to the Senate today. However, an endeavour will be made to provide a statement at the earliest possible opportunity.

Senator Olson: If I may add a supplementary question, could the Leader of the Government inform us if the discussions taking place between Canada and the United States today might lead to an agreement respecting an additional announcement that any speculative attack on Canadian currency would be known in the international financial community, so that such contemplated actions would be non-profitable?

Senator Perrault: Honourable senators, I must take that question as notice, together with the first question asked by the honourable senator.

AGRICULTURE

GRAIN ELEVATOR FACILITIES AT PRINCE RUPERT—QUESTION ANSWERED

Senator Perrault: Honourable senators, I have an answer to the question asked by Senator Austin on February 22 last about the Prince Rupert grain facilities, but no answer as yet to the supplementary question posed by Senator Argue.

The essence of Senator Austin's question is: Can the government leader tell us whether an early announcement of the construction of a new large grain facility at Prince Rupert is in the offing?

In replying to the honourable senator, I would refer to two press releases, the first by the Minister of Agriculture dated March 7, 1978, and the second by the Minister of Transport under the same date.

Briefly, the Department of Agriculture's press release refers to the upgrading of the Prince Rupert terminal at a cost of

$11.5 million. The Department of Transport's press release details the development and servicing of the Ridley Island site at a cost of approximately $16.3 million.

I am informed that these projects will be financed by the federal government, with assistance, possibly, from the Province of Alberta in respect of the Ridley Island site. Operating control will remain with the Canada Government Elevators,—which is a government system.

BRITISH COLUMBIA

BICENTENNIAL OF VISIT OF CAPTAIN JAMES COOK

Senator Austin: Honourable senators, before the Orders of the Day are called, and with your leave, I rise to draw attention to an event being celebrated in British Columbia this year, namely, the 200th anniversary of the visit of Captain James Cook to the shores of that province. Probably the first European to see the British Columbian coastline, Captain Cook, according to his log, landed at Nootka Sound on the west coast of Vancouver Island on March 29, 1778.

There are many versions of how Captain Cook ventured into Nootka Sound, but I believe the most authentic one is that he was discovered adrift and helpless at sea, having encountered severe North Pacific winter storms, by the efficient and helpful British Columbia search and rescue service of the time. A patrolling 20-man long-boat sighted the unhappy vessel, and assisted her to a safe landing at what is now known as Friendly Cove. After 4 or 5 weeks of reprovisioning and repairs to the ship, Captain Cook was able to sail on in search of the Northwest Passage via the Bering Strait, and ultimately to the Hawaiian Islands where, regrettably, he was not as well received, dying there in an accident.

May I simply add, honourable senators, that British Columbians have maintained their reputation for hospitality and friendship, and would invite all of you to visit British Columbia in this bicentennial year, which recollects the meeting of Captain Cook and the friendly native people of British Columbia.

Senator Williams: Honourable senators, I rise to support my colleague's invitation to visit British Columbia in this bicentennial year, and in doing so I cannot help relating one or two incidents. Not only in British Columbia but from the east coast to the west coast every explorer had help from the Indian people of what is now Canada. There were also incidents that may not have been pleasant, but they were mostly incidents of misunderstanding.

The first ship that sailed to my reservation was known as a man-o'-war. The crew anchored six miles away and from a sense of curiosity went to see the people —the Indian people, my people. They went there in six huge rowboats, all in uniform, and landed on the beach in formation and with muskets on their shoulders. The chief had one musket— I don't know where he got it—and he told his nephew to be the one-man guard of honour to meet them. He was misunderstood. They took him and bound him, and it was two years

before he got back home. And to show that the Indians were friendly, the musket was not even loaded.

I fully support what my colleague has said and concur in his invitation to all of you to visit British Columbia in this bicentennial year.

Senator Bell: Honourable senators, I would like to add my concurrence in the remarks of my colleagues from British Columbia, and also to point out, as Senator Williams has done, that there is a western and eastern component to all this, because Captain Cook's first voyage to Canada was in 1759—19 years before he got to Friendly Cove in British Columbia—when he was navigating for Wolfe on the St. Lawrence.

Furthermore, in 1778 when he came to Friendly Cove and Nootka Sound—I am getting all this, by the way, from that fine book by Bob Bowman entitled *Dateline Canada*; and should I add that he is my brother?—and was greeted by the friendly search and rescue crew, he had the infamous Captain Bligh of the *Bounty* as his navigator, and one of his young officers was George Vancouver who later came back and, of course, went on to further discoveries on the west coast.

So come and discover our province for yourselves in this Captain Cook bicentennial year.

SCIENCE POLICY

VOLUME 4 OF REPORT OF COMMITTEE—DEBATE CONCLUDED

The Senate resumed from Thursday, December 1, the debate on the inquiry of Senator Lamontagne, calling the attention of the Senate to the report of the Special Committee of the Senate on Science Policy, appointed in the last session of Parliament and authorized in that session to consider and report on Canadian government and other expenditures on scientific activities and matters related thereto, entitled: *A Science Policy for Canada*, Volume 4, *Progress and Unfinished Business*, tabled in the Senate on Tuesday, October 25, 1977.

Hon. Allister Grosart: Honourable senators, this item has been standing in my name for several weeks now, the reason being, as I explained on an earlier occasion, that this was pending the finalization of certain arrangements in connection with the phasing out of the work of this committee. This may well be the last occasion when the Senate will be considering a report of a special committee of the Senate on a national science policy, and for that reason I intend to make a few quite brief remarks on the work of that committee.

The document before us is the fourth and final volume of the report of the committee, and it is entitled *Progress and Unfinished Business*. As far as I am concerned that is an appropriate title for the entire work of the committee over a period of almost ten years. It is hard for me, as one who was an original member of the committee at the invitation of Senator Lamontagne, to believe it is almost ten years ago that this task was initiated. Ten years is a long time for any special committee to take to complete its work—and, of course, in one sense the work of this committee is not yet completed. How-

ever, the work was done in response to a mandate from this house that the committee inquire into and report upon the multitude of decisions which were being made, and are still being made, in respect of scientific and technological matters which affect the standard of life and the way of living of every Canadian today and in the future.

• (1450)

I am sure that all members of the committee—and by now, I think, all members of the Senate—would agree with me that the committee has been a success, and its success is due largely to Senator Lamontagne, the chairman. I am delighted to see that he is in the chamber on this occasion. It was his brilliant conception of the necessity of having an examination of Canadian science policy, that resulted in the mandate from the Senate. It was his dogged and determined leadership over these years that brought about the accomplishments which stand, and will continue to stand for a long time, to the credit of the committee.

Honourable senators are entitled to know what the committee accomplished in that period of almost ten years. In a general way, I can pass on three short comments which have been made by close observers of the work of the committee over that time. The first comment is from Dr. Alexander King, who was at the time the head of the Science Secretariat of the Organization for Economic Cooperation and Development, representing the views of 24 nations of the world. Dr. Alexander King said:

> In no country has the legislative branch undertaken such a thorough and detailed job.

As the committee continued its work, the then Minister of Science and Technology, the Honourable Charles M. Drury, said:

> I have been most impressed by the record of performance of your committee . . . No one can doubt the thoroughness with which you approached your task. I think it is fair to say that no other investigation of science policy anywhere in the world has equalled that carried out by your committee. Your report has constituted a significant background to all discussions of science policy matters, and its influence will continue to be felt not only in Canada but, I suspect, also internationally.

Mr. Drury's successor as Minister of Science and Technology, the Honourable Hugh Faulkner, said:

> This is my first meeting with the committee which, if I may say so, has been one of the outstanding success stories of parliamentary committees. I do not say that gratuitously. I happen to believe that not only has the committee made a profound impact on the development of science policy with government . . . but outside . . . I think it has been viewed . . . as a landmark of political awareness, if you like, of the role of science and technology in Canada.

I say again, honourable senators, that while those comments were directed to the committee, all members of the committee would agree that if a bow has to be taken it should be taken by the chairman of the committee, Senator Lamontagne.

Those are merely general comments on the work of the committee. In more specific terms, perhaps I can indicate just a few highlights—merely the tip of the iceberg—of achievement. This is not the time to go into detail, some of which is to be found in the fourth report. I indicate these highlights merely as symbols of the kinds of things that were achieved, because I am sure all honourable senators are concerned that when they set up a committee that committee justify its existence in terms of the public interest.

When the committee began its hearings, Canada was one of the few western industrial market economies which did not have a minister or a department dealing specifically with science, and scientific and technological decisions. One of the earliest recommendations of the committee was that such a ministry be established in Canada, and the government responded quite quickly by establishing what we now call MOSST.

At that time Canada was also in the unique position of having no general association, no overall association, of the various societies in the science community. Again, as a direct result not only of a recommendation but of the actual work of the committee, there was set up for the first time in Canada such an overall society generally known as SCITEC, its full name being the Association of the Scientific Engineering and Technological Communities of Canada. That association established, in effect, as I say, for the first time by Senator Lamontagne's committee, is still carrying on its work and is making a valuable contribution to national science policy decision-making in Canada today.

It is hard to believe that when the committee began its work there was no such thing as a science budget in Canada. There were no reliable figures on what was being spent overall—that is, the general expenditure on science activities and research and development in Canada. Even more strange, there were no reliable figures on what the Canadian government was spending. Again, as a result of our recommendations—and, more than recommendations, our prodding and continuous prodding for quite a while—it was decided to expose to the Canadian public a kind of budget. Many of us—Senator Cameron, Senator Lamontagne, myself and others—were being asked to speak at universities and to learned societies, and I well remember making the statement that we did not know the level of Canadian government funding of science activities and research and development. That statement got into the press. I received two letters in response to it, one from the Science Council and one from the Treasury Board. Both were very polite. They said, "No doubt you are misreported, senator, but here are the figures." And certain figures were then given to me by the Science Council and by the Treasury Board, but they were $300 million apart. That was the state of the art at that time.

Today, on a continuing basis and as a result of progressive recommendations by the committee, we have what can be called a visible science budget. There are recommendations in

our final report as to the way that visible budget can be made more visible and brought more under the operation of the Ministry of State for Science and Technology. It is not a perfect instrument at the moment, but in general it matches the best in other countries. Perhaps it is not quite as good as the French system, but it is still a great improvement on the situation that we faced when this committee commenced its work. In the opinion of the committee this was most important because now each department is required to aggregate its own science spending intentions before the Treasury Board makes its decision to approve the departmental estimates. It goes to the experts in MOSST, and that ministry now, at least, has an input on the overall validity of total science spending in Canada before the Treasury Board makes its decision. MOSST has complained to us at times that it did not always have enough time, but I believe that situation is improving.

● (1500)

When the committee started its work, Canada was in the most extraordinary position of having a National Science Council with very wide responsibilities but no mandate to include the social sciences either in its membership or within the scope of its activities. There was a recommendation of the committee pointing out this absurd situation, and that has been remedied.

The committee also dealt with the problem of the existing organization of the various science "agencies" of government, if I may use that word in the broad sense. The committee recommended a very extensive re-organization of these bodies, and this has taken place, not exactly as the committee recommended, but certainly in keeping with the spirit and general intention of the recommendation.

When the committee first addressed itself to the problem of national science policy, it found the most unbelievable imbalances in the spending of government funds in this area. In charts and statistics that we prepared, we found Canada very often at the bottom of the ladder. Unfortunately, in some areas it is still at the bottom of the ladder. The fourth report of the committee contains some suggestions as to how these continuing deficiencies may be remedied. It is fair to say that some part of the slowness in implementing the recommendations of the committee is due to the economic circumstances of the last two or three years—circumstances which were not predicted.

The committee also addressed itself very seriously to what is probably the single most important problem of science policy in Canada, and that is the support, financial and otherwise, of research and development in industry. It was a long, hard battle in the committee and in its external relations with the various departments of government in trying to persuade them of the importance of developing a much higher level of innovation in Canadian industry than has previously existed.

Progress has been made. At one time we had what was called the "alphabet soup" approach. We had something like 12 or 14 "schemes"—and that is probably the appropriate word—for the support of research in industry. Almost without exception they failed. The committee made certain recommendations as to how research in industry might be supported in a more useful way in order to achieve some returns to the Canadian economy, and the result has been a major change in government approach to this problem. Some of the changes are indicated in the report. This is not the time to go into them in detail, but I think it is fair to say that as a result of the work of Senator Lamontagne's committee, there is a new awareness at all levels in government—departmental, cabinet and otherwise—of the fantastic urgency of government support in this area.

The committee has now concluded its work, and this raises the problem of who will carry it on. A vacuum has been created so that once again Canada today is almost certainly the only western industrialized market country which has no science and technology committee in its elected house or at all in its Parliament. The committee has recommended that this vacuum be filled. It has made more or less alternative suggestions: first, that the elected house, the House of Commons, should have such a committee; failing that, or implementing that, there should be a joint committee of both houses; and, in any event, the Senate itself, as long as that vacuum lasts, should move to fill it by establishing a standing committee on science. I am aware that we have a committee known as the Health, Welfare and Science Committee, but this work has never been regarded as its responsibility. Indeed, that committee does not have a mandate to carry on a continuing survey and examination of national science policy as it is developed.

The preface to the report concludes:

> Our last message is another call for quick, vigorous action.

I am sure Senator Lamontagne would be the first to emphasize this, because that has been the position he has taken all along—that the job of this committee was not just to make reports and recommendations or hear witnesses; it was to get action. It is true that the committee did not get all the action it wished, and it has not achieved all that it had set out to achieve. However, it has been a success. I have indicated some external opinions and there are many more that could be quoted. It has, I am sure, been a credit to the Senate. As Mr. Faulkner said, it has been "one of the outstanding success stories of parliamentary committees."

In conclusion, honourable senators, I repeat what I said at the beginning of my remarks, that most of the credit for these accomplishments—and they have been very real accomplishments—is due to Senator Lamontagne. He has given almost ten years of his life to making this committee and its work a success in the public interest. He has discharged a burden of responsibility that few of us would willingly undertake if we knew it was a ten-year task. He has earned the thanks not only of his colleagues but of all Canadians everywhere, now and for some generations to come.

Hon. Senators: Hear, hear!

● (1510)

Senator Lamontagne: Honourable senators, my remarks will be very brief. First of all, I thank Senator Grosart for the kind words and the compliments he paid me. My second and final

point is to share with him all he said about me, because he was an active, imaginative and creative member of the committee. I also wish to thank all other members of our committee, especially, of course, our Vice-Chairman, Senator Cameron.

The Hon. the Speaker: As no other senator wishes to participate, this inquiry is considered as having been debated.

The Senate adjourned until Tuesday, March 14, 1978, at 8 p.m.

THE SENATE

Tuesday, March 14, 1978

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

Prayers.

[*Translation*]

HONOURABLE JEAN MARCHAND, P.C.

NEWSPAPER REPORT—QUESTION OF PRIVILEGE

Senator Marchand: Honourable senators, I do not intend to annoy or embarrass you with a matter which does not come under the authority of this house and which is now the subject matter of a prosecution in Toronto. I note, according to the newspaper reports, that the witness has testified in what is now known as "the dredging affair" under the protection of the court. For the moment, my comments are necessarily restricted.

I take the liberty of taking a few minutes of your time because I believe you are entitled to know some aspects of the problem so that the reputation of this speaker may not be further unfairly tarnished.

First, I can solemnly state that I have never intervened in the awarding of the Cap-à-la-Roche dredging contract nor have I ever exercised any pressure on anyone in that case.

Second, I have never directly or indirectly received for myself, my constituency or the Quebec area the $25,000 mentioned in Mr. Horace Rindress testimony. I knew nothing about that gift.

Third, when the contract was awarded in August 1972, I was not Minister of Transport, but Minister of Regional Development.

According to all the newspaper reports and the statement of the witness, I was then supposed to be the Minister of Transport who had awarded the contract to the company involved. Well that is not true.

It was only in November 1972 that I was entrusted with the transport portfolio. I suggest that this is a very significant fact, because it was the Minister of Transport who had to give the final approval. May I remind my honourable colleagues that the Royal Canadian Mounted Police has examined the minutest particulars of all my files since my appointment as minister. Moreover, it has even investigated the $25,000 which Mr. Rindress seems to be obsessed with. Nobody can suspect the RCMP of any weakness in my favour.

I suggest that Mr. Rindress was well advised to seek the protection of the court.

There is quite a variety of thieves in this world. One of the most dangerous is probably the kind that seeks to destroy his neighbour's reputation.

However, I want to conclude on a somewhat happier note. I once asked the Prime Minister whether he knew anybody who could claim that he had me in the palm of his hand. He said: "No, unfortunately".

[*English*]

ELECTORAL BOUNDARIES READJUSTMENT ACT

FIRST READINGS

The Hon. the Speaker informed the Senate that messages had been received from the House of Commons with Bill C-267, respecting the Electoral Boundaries Readjustment Act (Prince George-Peace River); Bill C-358, respecting the Electoral Boundaries Readjustment Act (Pontiac-Gatineau-Labelle); Bill C-412, respecting the Electoral Boundaries Readjustment Act (Humber-Port-au-Port-St. Barbe); Bill C-414, respecting the Electoral Boundaries Readjustment Act (Prince Edward-Hastings); Bill C-415, respecting the Electoral Boundaries Readjustment Act (Saint-Henri-Westmount); Bill C-417, respecting the Electoral Boundaries Readjustment Act (Sainte-Marie); Bill C-418, respecting the Electoral Boundaries Readjustment Act (Hochelaga-Maisonneuve); and Bill C-423, respecting the Electoral Boundaries Readjustment Act (Mégantic-Compton-Stanstead).

Bills read first time.

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

An Hon. Senator: Never.

Senator McElman moved that the bills be placed on the Orders of the Day for second reading on Thursday next.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Report on certain aspects of the Public Service Employee Pension Program to the President of the Treasury Board prepared by Tomenson-Alexander Associates Ltd.

Report respecting operations under the Health Resources Fund Act for the fiscal year ended March 31, 1977, pursuant to section 13 of the said Act, Chapter H-4, R.S.C., 1970.

Report of Minister's Permits issued under the authority of the Immigration Act for the year ended December 31, 1977, pursuant to section 8(5) of the said Act, Chapter I-2, R.S.C., 1970.

Capital Budget of the Northern Transportation Company Limited for the year ending December 31, 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copies of Order in Council P.C. 1978-627, dated March 2, 1978, approving same.

NORTHERN GAS PIPELINE

CHANGE IN COMMITTEE MEMBERSHIP

Senator Flynn, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the name of the Honourable Senator Asselin be substituted for that of the Honourable Senator Yuzyk on the list of senators serving on the Special Committee of the Senate on a Northern Gas Pipeline.

Motion agreed to.

● (2010)

THE ECONOMY

EXCHANGE RATE OF CANADIAN DOLLAR—DEBATE CONCLUDED

The Senate resumed from Thursday, February 23, the debate on the inquiry of Senator Austin calling the attention of the Senate to the situation with respect to the Canadian dollar, the floating exchange rate and its relevance to the Canadian economy.

Hon. Jacques Flynn: Honourable senators, you need not worry, I do not intend to keep you long. I was never sure that I should enter this debate anyway, and I am even less sure that I should as I enter it tonight. It is a vast and complex subject. Since Senator Austin spoke some two weeks ago, I have been trying to gather my thoughts by reading and listening. And the more I read and listen, the more confused I become. There appears not to be any consensus as to the causes or effects of this newly devalued dollar. Nor is there any consensus among those who do not accept the situation regarding the devaluation of the Canadian dollar concerning the validity of the remedies being suggested.

On one matter there is agreement. The devaluation of the Canadian dollar reflects a sick economy. I do not suggest that all the blame for that should be placed exclusively on the action or inactions of the government. But I do suggest that a substantial part of that blame rests properly with the government.

I am aware, of course, that the Canadian dollar is tied to the U.S. dollar, which has not been doing very well. I am also aware that the election of a separatist government in Quebec has had a detrimental effect. But inflation is not a recent problem; it is one that we have had for some years. And so is unemployment. And it is getting worse. Only today it reached a record of 1,007,000—

Senator Croll: The figure is 1,000,070.

Senator Flynn: You can add 63,000 if you like. I was just speaking of the official figures, but others calculate that we are not very far from one and a quarter million. I do not say they are right. But the official figure of today, if I heard correctly, was 1,007,000, and that is a record. We have never had it so bad.

Why is it that only about 16 months ago the dollar was, in comparison to the U.S. dollar—since that is the only valid or practical comparison—worth $1.03 U.S. and it is now worth just a little more than 88 cents? That is a difference of 15 cents, and a 13 to 14 per cent decline. It is not easy to say this is due to any specific fact. Some people think that five cents is due to the Quebec election and the rest to those various other causes.

In any event, when we cannot agree exactly on the causes, the question is: is this a good thing? Some people say it is. Senator Argue for one—I am sorry to distract him from his conversation—

Senator Argue: I was learning more about wheat from Senator McNamara.

Senator Flynn: Senator Argue said it was a marvellous thing for the grain growers. I know that the pulp and paper industry in Quebec is very happy with this situation. However, if you look at it on a long-term basis, it would not be sufficient to help because we would have to keep our productivity in line with that devaluation. And one of our big problems has been that our productivity has not kept pace with that of the United States. So sometimes I ask myself what this government wants—a Canadian dollar worth 90 cents, 85 cents, 95 cents? What does it want? We saw the dollar pegged at 92½ cents in 1962. Senator van Roggen the other day was very critical of some remarks I had made with respect to questions by Senator Argue and answers by Senator Perrault about the Canadian dollar devaluating. He said that I did not know the difference between pegging the dollar and allowing it to float. But, I ask you, do we really have a floating dollar? I would say we have a sinking dollar. I would also say that we are trying our best to keep it afloat, and whether we do that by pegging it, buying it, raising interest rates, or doing one thing and another, it all amounts to the same thing. There is no substantial difference between what the government is doing now and what was done in 1962. I was interested to read in a report of the National Finance Committee of 1971 the conclusions they reached in this connection. They said a floating dollar is the ideal, but do not be so foolish as to say that you will let it float even as it sinks. Much as the devalued dollar may be good for exports on the short-term basis, though that is not a proven fact, what of the long-term basis? And on a short-term basis again, the devalued dollar is very bad for our imports. It is a source of inflation and continued increasing unemployment.

In 1962, people scorned the "Diefenbuck," a 92½-cent dollar. What must their opinion be of this "Trudough," this "trou d'eau," dollar? It certainly isn't a true dollar. There is no doubt in my mind that the government wants to keep the dollar at 90 cents at least. It is doing its best, but has not succeeded very well. Whether the remedies that the govern-

ment has applied are the only ones that should be applied at this time, I have some doubt. There is certainly a consensus that the government should adopt a policy of encouraging the private sector to generate more employment. There is also agreement that the government should restrict its expenses and its entry into the private sector. However, I suggest to you that the government has not done much in this regard.

Having said that, I do not intend to go on very long, except to question the suggestion of Senator Austin that this matter be referred to the Standing Senate Committee on Banking, Trade and Commerce. I have no special objection to the matter being referred to that committee, or even to a special committee, since this is truly a question for experts, even more so than is the pipeline. This is the perfect example of a subject that should be referred to a committee of experts. And, of course, I would expect that the Leader of the Government, with his profound knowledge of monetary problems, would sit on such a committee. Such a participation would be essential. I have no objection to a special committee, but on the other hand it seems to me that under our rules the ideal committee to deal with this matter would be the Standing Senate Committee on National Finance. This committee made an excellent report in 1971, indicating what its views were as far as monetary policy was concerned; and those recommendations were completely ignored. I should like to know from Senator Everett if he thinks that the recommendations made by the committee are still valid, and if they should be listened to even more closely today than they were when the report was published. What would a new special committee, or Senator Everett's committee, be able to do that was not done by the National Finance Committee in 1971?

● (2020)

There is no doubt in my mind that as far as Senator Austin is concerned, what he would like the committee to conclude is what he said in his speech, and I quote:

> There are therefore grounds for optimism in the longer term, and I believe in general the federal government's economic policy for Canada deserves to be considered a success.

That, evidently, is the conclusion Senator Austin would like the committee to reach, and I have an idea that perhaps Senator van Roggen would like to concur in that. In any event, there is a practical difficulty as regards having this matter referred to a committee, and that is that we are going to have an election soon and the committee will not have time to study it. So let's just forget about it.

The Hon. the Speaker: As no other senator wishes to participate in this debate, this inquiry is considered as having been debated.

GOVERNMENT DOCUMENTS AND INFORMATION

RIGHT OF PUBLIC ACCESS

Hon. Paul Desruisseaux rose pursuant to notice of Thursday, March 2, 1978:

That he will call the attention of the Senate to the right of public access to government documents and information.

He said: Honourable senators, I hesitated for a while about speaking to you on this subject tonight.

Senator Flynn: You are like me.

Senator Desruisseaux: Well, possibly in certain aspects, if not all.

I hesitated because I saw that the Standing Joint Committee on Regulations and other Statutory Instruments was to examine tonight, after the sitting, the Green Paper on Public Access to Public Documents. I took some advice, therefore, and was told that there was time for me to speak tonight if I wanted to, so I will proceed. I hope it will not embarrass Senator Forsey's committee, or any member of it, in view of the fact it touches on the subject that it is now studying. I might say that it is not normally my habit to deal with a subject that is being studied by a committee.

During the first session of the Thirtieth Parliament it was stated before the Standing Joint Committee on Regulations and other Statutory Instruments that the Right Honourable the Prime Minister had said that democracy

> —requires the ready availability of true and complete information. In this way people can objectively evaluate the government's policies. To act otherwise is to give way to despotic secrecy.

● (2030)

In the study of the Right to Know by the Canadian Bar Association, we find both this quotation and that which James Madison made in 1822:

> A popular government without popular information or the means of acquiring it is but a prologue to a farce or a tragedy or perhaps both. Knowledge will forever govern ignorance and the people who mean to be their own governors must arm themselves with the power which knowledge gives.

These views are shared by most Canadians. Somehow they are prerequisites to democracy itself. The purpose of legislation respecting freedom of information is to give citizens the right "to acquire information to which they had no right before." Of the five review option possibilities outlined in the green paper, four have been severely criticized.

Some legislation respecting freedom of access to information was introduced in Canada as early as Confederation. As Canada developed, these laws proved to be too limited and inadequate. Attempts up to now to improve them have been unsatisfactory and unsuccessful. Since Confederation, seven bills have been introduced in the House of Commons to establish or to expand some of the public's rights of access to public documents and information. Six of the seven were introduced in the last ten or eleven years; five were private bills, but none were enacted into law.

Some administrative disclosure regulations were first acted upon in the First Parliament in 1867 to delimit some of the

public's rights of access to public documents and information. On administrative disclosure, there was Bill C-39, introduced on April 15, 1969, which received only first reading. Bill C-98, Bill C-118, respecting the right to information concerning public business, and Bill C-128 were introduced on February 25, 1972, and received only first reading. Bill C-185 and Bill C-258 were both presented on March 12, 1974, and likewise received only first reading. Bill C-225, respecting the right of the public to information concerning public business, introduced on October 14, 1974, did not reach the stage of third reading. None of those bills became law. The latest was Bill C-25, respecting public access to government documents.

Some months ago, I believe the Standing Joint Committee on Regulations and other Statutory Instruments considered some of the projected legislation respecting the right to know and freedom of access to information, the 1969 report of the Royal Commission on Security, and the report of the Task Force on Government Information "To know and be known". The committee is still considering the Green Paper on Public Access to Public Documents.

The Canadian Bar Association criticized the green paper in their major study which was released on August 4, 1977, and entitled "Freedom of information in Canada—Will the doors stay shut?" It was prepared by Murray Rankin, Professor of Law at the University of Victoria. It presents a review of the present barriers to citizens' access to government documents, the practical and legal lessons to be learned from experience in the United States with freedom-of-information legislation, and the applicability of judicial review of document disclosure in the Canadian parliamentary constitutional setting.

The conclusions of the report of the Canadian Bar Association contained severe criticisms. The green paper was said to masquerade as a list of possible alternatives but:

> By the paucity of its analysis, the blurring of its stated options and the misrepresentation of the goals and practices of freedom of information legislation, the green paper leaves little doubt that meaningful legislation will not be forthcoming.

Touching on the spectre of disclosure of cabinet policy deliberations, Professor Rankin concludes the green paper "sets up a convenient straw man which permits the paper to avoid the real issues." He criticizes the categories of exemption from disclosure suggested in the green paper. He singles out the exemption of information obtained in the course of investigations, saying it is wide enough to embrace every piece of information in the government's hand. He criticizes the government's green paper for seeking "to perpetuate the inadequacies of the Federal Court Act" in regard to the privilege accorded crown documents. His most stringent criticism is for the green paper's contention that the judicial branch would be inappropriate to review decisions on the disclosure of government documents because this would contravene the principle of ministerial responsibility. Professor Rankin concludes:

> No constitutional, legal or practical impediment stands in the way of judicial involvement in the adjudication of such questions. The defence of ministerial responsibility is a time-worn dogma that collapses upon the examination of English or Canadian constitutional precedents.

The Canadian Bar Association disagrees that there is no way a judicial officer can properly be made aware of all the factors that may have led to a decision to withhold a document. Based on experience in Great Britain and Canada, the study disapproves of leaving the final decision on documents to the non-reviewable discretion of a minister "who is hardly a disinterested party," which would make a sham of any system of access to government information.

● (2040)

The green paper takes the position that open government is indeed the basis of democracy. Democracy implies government acceptable to the collectivity of citizens. To ensure that it is acceptable, there must be a political system to establish that government is accountable, and effective accountability depends on knowing the information and options available to the decision-makers.

Canadians are concerned because public access to government documents is presently limited to a greater extent than is compatible with the public interest. The Canadian Human Rights Act, which was passed in the last session, provides that individual citizens and permanent residents have rights of access to information held about them by departments and agencies. The green paper focuses on access to government documents in what appears to be a limited way.

Professor Rankin criticized the inadequacies of the Federal Court Act in respect of the privilege accorded crown documents, and considers it "a mockery of a serious desire for more open government." A great many Canadians agree with the criticisms expressed by the Canadian Bar Association. Many feel that what the green paper actually advocates is a great amount of protective secrecy, which is hardly admissible in a true democracy.

Private members' bills respecting freedom of information have been introduced in the legislatures of nine provinces. Nova Scotia recently enacted its own freedom-of-information law. This provincial act, which allows freedom of information on government documents, outlines 10 categories of information to which the public has a right, and there are 16 sections which give the government the right to withhold information. It appears to be working quite well, and it is now for us to assess its value.

I believe there are many reasons for a broadening of our views on access to government information, and for giving more recognition to the public's right to know. Public servants have been rapidly emerging from behind their cloak of traditional anonymity. This has been heightened by changes in political institutions and practices, and by the media's response to demands for more public information.

These changes, with the federal public servant's widening scope of ability to participate in partisan politics, have led

many to believe that the traditional doctrine of administrative responsibility and secrecy should not be enlarged and broadened. Professor Allan Cahoon of the Univeristy of Calgary has said:

> Civil servants have become so integral a part of policy making and management that they should be subject to public scrutiny and would now have to be held to a much greater degree accountable to the people at large.

The public does not want to know only what the department wants to have known, but all the facts necessary so that they can pass moral and political judgment on what is taking place and can decide who is responsible for what.

I believe that everything relating to political mandates should be accounted for and opened fully to public scrutiny, criticism and knowledge. A realistic approach, supported by a good freedom-of-information and freedom-of-access statute, would mean the elimination of most of public service secrecy, and would conform to the "security of tenure" of the employment system in the public service. The tradition that only cabinet ministers "can be attacked when things go wrong," in our present concept of politics, is unrealistic and misleading to the public, and has proven to be wrong and harmful to innocent individuals.

Administrators in the public service should no longer remain faceless and be protected the way they have been, and their blunders should in no way be covered up. Potential bureaucratic abuses and irresponsible unilateral actions should somehow be eliminated from the present system by opening it as unreservedly as possible to public scrutiny and criticism.

A great many remain displeased at the shallow and somewhat evasive explanations of the Lockheed contracts, the commission secretly paid to persons who still remain unknown by Atomic Energy of Canada Limited, and the fees paid directly to former officers of certain crown agencies. We have been unable to learn the reasons for building a certain fishing boat at a cost of $1 million, for instance, and then the order for its scrapping by someone in government administration as soon as it was completed. It is high time that we eliminated the actual tenure-based employment system and responded at last to the public right to know by facilitating through public scrutiny and putting public servants and public administrators in the same position regarding employment and job security as employees in the private sector.

New right-to-know and freedom-of-access-to-information legislation would not, in my opinion, increase public service power, but would make public servants and public administrators more accountable for the use of that power which they now possess. This accountability would place the responsibility where it should be. As it is, governments are increasingly coming under attack for things that cannot be seen, things for which they are always blamed.

There is a potentially limitless volume of information hidden from public scrutiny by our long-established government tradition. The right-to-know syndrome, which without reservation cut its teeth in the private sector, is shifting its focus quite rightly to the public sector, which it should have done long ago. There is now strong public pressure for legislation which will force the disclosure of all but the most sensitive information, and remove the traditional parliamentary privilege which so far has enabled the Canadian government and public administrators to withhold whatever they want, whenever they want, from the general public. This, of course, is contrary to the practice in the United States and Sweden where there has for years been freedom-of-information legislation which, although not perfect, has been working well and has served a good public purpose.

● (2050)

The whole issue here in Canada goes well beyond the Official Secrets Act, inherited from Britain, which bound public servants to secrecy in government matters and limited the public's right to know. This inherited legislation should indeed be reviewed and amended, or replaced with more functional, updated and practical right-to-know legislation. Secrecy, except in ultra-sensitive cases, has no place in the modern government of this country. As it is, the present Canadian concept is built on broad notions of ministerial responsibility, cabinet solidarity, and supremacy of parliamentary privileges. Such concepts are now under heavy attack and are, it seems, working against the better interests of Canadians. They are also claimed to be archaic, unjust and unfair to the public.

Under the present system, the cabinet has the power, either collectively or through the initiative of an individual minister, to decide what information should be released. In opposition thereto, it is pointed out there is the principle of law that no person should be the judge of his own cause and that our parliamentary system permits the courts, in certain instances, to determine the scope of the cabinet's discretionary power to withhold information.

Sweden and the United States have, in my view, a much better piece of legislation, namely, the Freedom of Information Act, which, if made applicable in Canada, would still assure the secrecy of specific types of information in matters such as national security, trade secrets, personal income tax, and certain commercial information and medical files could reasonably be protected from public scrutiny. Most other information from government departments, agencies or crown corporations could be released voluntarily—as I believe it should—or by court order to satisfy the public right to know and to establish responsibilities publicly where they should be.

It is my assessment that the Canadian parliamentary system of ministerial responsibility could well withstand any potential disturbance that such a flow of information might at first create.

Honourable senators, the national security of ultra-sensitive material must be fully upheld in the best interests of our nation. The reasons are obvious. In my opinion, any public administrative officer—or anyone else for that matter—who passes ultra-sensitive top-secret material to another person, even though that person may be a representative of the people, is guilty of betraying his country, and he should be sought out

and punished. Any recipient of such material should, out of moral consideration and patriotic duty, return it immediately to its source without making it public, either inside or outside Parliament, and without retaining in his possesion, directly or indirectly, any copy or portion thereof. Otherwise, I believe he becomes as guilty as the person who passes this secret information to him. No such example of moral turpitude should be permitted to be used in the Parliament of such a country as Canada.

In any case, a right-to-know and freedom-of-access-to-information act would be in line with present trends. It would allow for the allocating of responsibility and blame among government departments and government administrators. Ministers or public servants are not always, as it is sometimes implied, responsible for errors or blunders that are made, and the public has a right to know where the blame really lies.

Canada now has some 17 crown corporations and agencies. The government spends billions of the people's dollars per year for their operation. The Auditor General made the following comment in a recent report:

> Civil servants, at all levels, believe that public funds are readily available and that they themselves are not personally accountable, that many senior government officials simply do not know what effective management of public funds actually consists of, that senior civil servants, up to and including deputy ministers, do not recognize the need for competent and experienced financial officers—a need recognized by every successful corporation in the world.

I believe that under these conditions all matters, related to manipulation or handling of such funds, should be subject to full public scrutiny, to full investigation, and to the clear establishment of responsibility and blame.

The Canadian Bar Association, in its study of the Canadian administration, concludes its analysis as follows:

> Government, in a modern democracy, is largely in the hands of a bureaucracy, using the term in a neutral sense as meaning a body of professionally competent hierarchically organized administrators. The major problem in a modern constitutional government is to retain an effective control, by public opinion and by legal restraints of the apparatus of the state which constantly expands with an increased public demand for more social welfare services and with the growing burden of national defence in a world of increasing peril. Liberty in such a world can be nourished only by the full and effective functioning of the political and legal restraints on abuse of power.

● (2100)

Effective freedom-of-information machinery, which would include as much of the most sensitive items as possible and be subject to in-camera inspection, must be established in Canada. In my opinion, there is no justification for more delays.

The mystery and secrecy surrounding government business must be erased by meaningful right-to-know legislation. The responsibility for reviewing information must be entrusted to the courts in order to avoid further erosion of the trust relationship between the governors and the governed. I believe this has now become one of our higher priorities, and we should do something about it when new right-to-know and freedom-of-access-to-information legislation is introduced after the recommendations of the Joint Committee on Regulations and other Statutory Instruments are known.

The Hon. the Speaker: As no other senator wishes to participate, this inquiry is considered as having been debated.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, March 15, 1978

The Senate met at 2 p.m., Hon. Maurice Bourget, P.C., Speaker *pro tem,* in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Actuarial report on the state of the Royal Canadian Mounted Police Superannuation Account in the Consolidated Revenue Fund as at December 31, 1974, pursuant to section 25 of the Royal Canadian Mounted Police Superannuation Act, Chapter R-11, R.S.C., 1970.

Copies of contract, pursuant to section 20(3) of the Royal Canadian Mounted Police Act, Chapter R-9, R.S.C., 1970, entered into between the Government of Canada and the Municipality of Swan Hills, in the Province of Alberta (English Text).

PRIVATE BILL

ROYAL CANADIAN LEGION—FIRST READING

Senator Connolly (Ottawa West) presented Bill S-10, respecting the Royal Canadian Legion.

Bill read first time.

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

Senator Connolly (Ottawa West): Honourable senators, this is a short bill. I am reluctant to ask for special concessions for it, because it is a private bill, but in view of the approaching recess it might be agreeable to the house to have the explanation tomorrow. Because this is a private bill, it must, of course, go to committee. It is hoped that if the bill receives second reading it can be dealt with in committee some time next week. Therefore, with leave of the Senate and notwithstanding rule 44(1)(f), I move that the bill be placed on the Orders of the Day for second reading at the next sitting of the Senate.

The Hon. the Speaker *pro tem:* Honourable senators, is it agreed?

Senator Flynn: Certainly. Agreed.

Motion agreed to.

BANK ACT
QUEBEC SAVINGS BANKS ACT

BILL TO AMEND—REPORT OF COMMITTEE

Senator Hayden, Chairman of the Standing Senate Committee on Banking, Trade and Commerce, reported that the committee had considered Bill C-16, to amend the Bank Act and the Quebec Savings Banks Act, and had directed that the bill be reported without amendment.

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

Senator Macnaughton moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

CANADA BUSINESS CORPORATIONS ACT

BILL TO AMEND—REPORT OF COMMITTEE PRESENTED

Senator Hayden, Chairman of the Standing Senate Committee on Banking, Trade and Commerce, presented the following report:

Wednesday, March 15, 1978

The Standing Senate Committee on Banking, Trade and Commerce, to which was referred Bill S-2, intituled: "An Act to amend the Canada Business Corporations Act" has, in obedience to the Order of Reference of Tuesday, November 15, 1977, examined the said Bill and now reports the same with the following amendments:

A. AMENDMENTS TO THE BILL

1. *Page 1, New Subclause 1(3):* Add to clause 1 the following subclause:

> "(3) Whenever the expression "*Loi sur les corporations commerciales canadiennes*" is mentioned or referred to in any Act of the Parliament of Canada, other than this Act, including any such Act passed in the third session of the thirtieth parliament, or in any order, rule or regulation made under any such Act, there shall in every case, unless the context otherwise requires, be substituted "*Loi sur les sociétés commerciales canadiennes*"."

2. *Page 3, Subclause 4(1):* In the French version, strike out line 17 and substitute the following:

"faire partie, autrement que dans un sens figuratif ou descriptif, de la dénomination sociale de"

3. *Page 4, Clause 5:* Strike out line 2 and substitute the following:

"existing body corporate."

4. *Page 4, Clause 7:* Strike out line 8 and substitute the following:

"7. (1) Subsection 21(3) of the said Act is repealed and the following substituted therefor:

"(3) Shareholders and creditors of a corporation, their agents and legal representatives, the Director and, where the corporation is a distributing corporation as defined in subsection 121(1), any other person, upon payment of a reasonable fee and upon sending to a corporation or its agent the affidavit referred to in subsection (7), may upon application require the corporation or its agent to furnish within ten days from the receipt of the affidavit a list (in this section referred to as the "basic list") made up to a date not more than ten days before the date of receipt of the affidavit setting out the names of the shareholders of the corporation, the number of shares owned by each shareholder and the address of each shareholder as shown on the records of the corporation."

(1.1) Subsection 21(6) of the said Act is"

5. *Page 5, Subclause 9(4):* In the French version, strike out lines 16 and 17 and substitute the following:

"*b*) chacun des droits énoncés au paragraphe (3) doit se rattacher à au moins une"

6. *Page 5, Clause 10:* Strike out line 21 and substitute the following:

"10. (1) Subsection 25(1) of the said Act is"

7. *Page 5, New Subclause 10(2):* Add immediately after line 29 the following subclause:

"(2) Subsection 25(3) of the said Act is repealed and the following substituted therefor:

"(3) A share shall not be issued until the consideration for the share is fully paid in money or in property or past service that is not less in value than the fair equivalent of the money that the corporation would have received if the share had been issued for money." "

8. *Page 5, Clause 11:* Strike out lines 30 to 38 and substitute the following:

"11. (1) Subsection 26(1) of the said Act is repealed and the following substituted therefor:

"26. (1) A corporation shall maintain a separate stated capital account for each class and series of shares it issues.

(1.1) A corporation shall add to the appropriate stated capital account the full amount of any consideration it receives for any shares it issues.

(1.2) Notwithstanding subsections 25(3) and (1.1), where a corporation issues shares in exchange for property to

(*a*) a body corporate that was an affiliate of the corporation immediately before the exchange, or

(*b*) a person who controlled the corporation immediately before the exchange,

the corporation may, subject to subsection (1.5), add to the stated capital accounts maintained for the shares of the classes or series issued the amount agreed between the corporation and such body corporate or person to be the consideration for the shares exchanged.

(1.3) Notwithstanding subsections 25(3) and (1.1), where a corporation issues shares in exchange for shares of a body corporate that was an affiliate of the corporation immediately before the exchange, the corporation may, subject to subsection (1.5), add to the stated capital accounts maintained for the shares of the classes or series issued an amount that is not less than the amount set out, in respect of the acquired shares of the body corporate, in the stated capital or equivalent accounts of the body corporate immediately before the exchange.

(1.4) Notwithstanding subsections 25(3) and (1.1), where a corporation issues shares in exchange for shares of a body corporate that becomes, because of the exchange, an affiliate of the corporation, the corporation may, subject to subsection (1.5) and to any recommendations of the Canadian Institute of Chartered Accountants set out in the Handbook of that Institute respecting the pooling of interest method of accounting for a business combination, add to the stated capital accounts maintained for the classes or series issued an amount that is not less than the amount set out, in respect of the acquired shares of the body corporate, in the stated capital or equivalent accounts of the body corporate immediately before the exchange.

(1.5) A corporation shall not add to a stated capital account in respect of a share it issues an amount greater than the amount of the consideration it received for the share.

(1.6) Where a corporation proposes to add any amount to a stated capital account it maintains in respect of a class or series of shares, if

(*a*) the amount to be added was not received by the corporation as consideration for the issue of shares, and

(*b*) the corporation has issued any outstanding shares of more than one class or series,

the addition to the stated capital account must be approved by special resolution." "

9. *Page 6, Subclause 13(1):* Strike out lines 34 to 36 and substitute the following:

"(*b*) distributing to the holder of an issued share of any class or series of shares an amount not exceeding the stated capital of the class or series; and"

10. *Page 7, Subclause 14(2):* Strike out line 21 and substitute the following:

"(2) Subsections 37(4) and (5) of the said Act are"

11. *Page 7, Subclause 14(2):* Strike out line 47 and substitute the following:

"(4.1) For the purposes of subsection (4) and subject to its articles,"

12. *Page 8, Subclause 14(2):* Strike out line 8 and substitute the following:

"before the conversion.

(5) Shares or fractions thereof issued by a corporation and purchased, redeemed or otherwise acquired by it shall be cancelled or, if the articles limit the number of authorized shares, may be restored to the status of authorized but unissued shares."

13. *Page 8, Clause 17:* In the English version, strike out line 46 and substitute the following:

"of an affiliated corporation or to an associate of"

14. *Page 11, Clause 19:* Strike out line 11 and substitute the following:

"permitted under section 168."

(4) Paragraph 45(10)(*a*) of the said Act is repealed and the following substituted therefor:

"(*a*) the rights, privileges, restrictions and conditions attached to the shares of each class and series that exists when the share certificate is issued; or" "

15 *Page 14, Clause 30:* Strike out lines 14 to 23 and substitute the following:

"any liability incurred by him

(*a*) in his capacity as a director or officer of the corporation, except where the liability relates to his failure to act honestly and in good faith with a view to the best interests of the corporation, or

(*b*) in his capacity as a director or officer of another body corporate where he acts or acted in that capacity at the corporation's request, except where the liability relates to his failure to act honestly and in good faith with a view to the best interests of the body corporate."

16. *Page 15, Subclause 31(3):* In the French version, strike out line 9 and substitute the following:

"public ou entre dans un regroupe-"

17. *Page 20, Subclause 49(1):* Strike out lines 41 and 42 and substitute the following:

"49. (1) Subsections 168 (1) and (2) of the said Act are repealed and the following substituted"

18. *Page 21, Clause 51:* Strike out line 43 and substitute the following:

"referred to in paragraphs (*a*), (*b*) and (*e*)",

19. *Page 24, Clause 56:* Strike out line 33 and substitute the following:

"notice referred to in subsection (7)."

(4) Subsection 184(15) of the said Act is repealed and the following substituted therefor:

"(15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder." "

20. *Page 25, Clause 57:* Strike out line 37 and substitute the following:

"other than the Director;

(a.1) an order appointing counsel, at the expense of the corporation, to represent the interests of the shareholders;"

21. *Page 26, Subclause 59(1):* Strike out lines 28 to 34 and substitute the following:

"59. (1) The definition "take-over bid" in subsection 199(1) of the said Act is repealed and the following substituted therefor:

"take-over bid" includes

(a) an offer to purchase shares of a class of shares to which no voting rights are attached if the offer complies with sections 188 to 196;

(b) an offer to purchase shares, including shares to which no voting rights are attached, of a corporation having fewer than fifteen shareholders if the offer is made to all shareholders in the prescribed form and manner."

22. *Page 27, New Clause 60.1:* Add, immediately after clause 60, the following clause:

"60.1 Section 203 of the said Act is amended by adding thereto, immediately after subsection (2) thereof, the following subsection:

"(2.1) A corporation that has property or liabilities or both may be dissolved by special resolution of the shareholders or, where it has issued more than one class of shares, by special resolutions of the holders of each class whether or not they are otherwise entitled to vote, if

(a) by the special resolution or resolutions the shareholders authorize the directors to cause the corporation to distribute its property or discharge its liabilities or to do both; and

(b) the corporation has distributed its property or discharged its liabilities or has done both before it sends articles of dissolution to the Director pursuant to subsection (3)." "

23. *Page 29, New Clause 67.1:* Add, immediately after clause 67, the following clause:

"67.1 The said Act is further amended by adding thereto, immediately after subsection 224(1) thereof, the following subsection:

"(1.1) In addition to the powers set out in the order appointing him, an inspector appointed to investigate a corporation may furnish to, or exchange

information and otherwise cooperate with, any public official in Canada or elsewhere who is authorized to exercise investigatory powers and who is investigating, in respect of the corporation, any allegation of improper conduct that is the same as or similar to the conduct described in subsection 222(2)." "

24. *Page 31, Clause 74:* Strikeout line 18 and substitute the following:

"contrary, proof that the person in whose name the security is registered is"

25. *Page 32, Subclause 77(1):* In the French version, strike out lines 9 and 10 and substitute the following:

"261. (1) Dans le présent article, «charte» s'entend également:"

26. *Page 32, Subclause 77(1):* Strike out lines 39 to 42 and substitute the following:

"referred to in subsection 170(1) that affects a class or series of shares, unless

(a) the charter of the body corporate otherwise provides in respect of an amendment of the nature referred to in paragraph 170(a), (b) or (e); or

(b) the holders of the class or series of shares approve the change in accordance with section 170."

27. *Page 32, Subclause 77(1):* Strike out lines 45 and 46 and substitute the following:

"rated or continued by or under an Act of Parliament other than this Act may, notwithstanding any provision in any other Act of Parliament or any provision in the charter of the body corporate, apply under section 181 for a certifi-"

B. AMENDMENTS TO THE SCHEDULE

28. *Page 35:* Strike out line 41 and substitute the following:

"quelles elle a un droit découlant des droits du véritable propriétaire ou à l'égard"

29. *Page 43:* Strike out line 12 and substitute the following:

"engagée pour elle et l'empêche d'en tirer parti."

30. *Page 43:* Strike out line 24 and substitute the following:

"une clause expresse à cet effet et ne peut en tirer parti."

31. *Page 47:* Strike out lines 28 and 29 and substitute the following:

"22. (1) Tous les livres, notamment les registres dont la présente loi requiert la tenue peu-"

32. *Page 50:* Strike out lines 19 to 23 and substitute the following:

"28. (1) Si les status le prévoient, les actionnaires détenant des actions d'une catégorie ont, au prorata du nombre de celles-ci, un droit de préemption pour souscrire, lors de toutes nouvelle émission, des"

33. *Page 50:* Strike out lines 38 and 39 and substitute the following:

"privilèges de conversion, ainsi que des options ou des droits d'acquérir des valeurs mobilières de"

34. *Page 51:* Strike out lines 16 and 17 and substitute the following:

"ception de celles sur lesquelles l'une ou l'autre d'entre elles ou leurs filiales ont un droit découlant des droits du véritable propriétaire."

35. *Page 52:* Strike out lines 26 to 28 and substitute the following:

"des sommes nécessaires au paiement, en cas de rachat ou de liquidation, des actions payables par préférence."

36. *Page 55:* Strike out lines 26 and 27 and substitute the following:

"incombe à la société de prouver que cette exécution est prohibée par les article 32 ou 33."

37. *Page 55:* Strike out line 30 and substitute the following:

"(1), le cocontractant a le droit d'être payé"

38. *Page 58:* Strike out lines 32 to 36 and substitute the following:

"«représentant» désigne toute personne administrant les biens d'autrui, notamment les fiduciaires, tuteurs, curateurs, exécuteurs ou administrateurs de succession;"

39. *Page 63:* Strike out line 33 and substitute the following:

"lières ainsi que ses héritiers ou le mandataire de ceux-ci;"

40. *Page 64:* Strike out line 13 and substitute the following:

"émise au profit de codétenteurs"

41. *Page 69:* Strike out lines 8 to 18 and substitute the following:

"(2) L'acquéreur ou le courtier, avisé de la détention d'une valeur mobilière pour le compte d'un tiers, de son inscription au nom d'un représentant ou de son endossement par ce dernier, n'est ni tenu de s'enquérir de la régularité du transfert ni réputé connaître l'existence d'une opposition; cependant l'acheteur qui sait que le représentant agit en violation de son mandat, notamment en utilisant la contrepartie ou en effectuant l'opération, à des fins personnelles, est réputé avisé de l'existence d'une opposition."

42. *Page 70:* Strike out lines 5 to 7 and substitute the following:

"reur, est chargé de livrer une valeur mobilière pour le compte d'une autre personne ou en recouvrement d'une"

43. *Page 70:* Strike out line 38 and substitute the following:

"plus en cette qualité ou son successeur;"

44. *Page 71:* Strike out line 14 and substitute the following:

"ture et aucune modification des circonstances"

45. *Page 72:* Strike out line 12 and substitute the following:

"ment à l'émetteur ou à tout acquéreur, à l'ex-"

46. *Page 75:* Strike out line 43 and substitute the following:

"raisonnables pour déterminer les personnes"

47. *Page 76:* Strike out line 14 and substitute the following:

"(6) L'émetteur n'est réputé connaître le con-"

48. *Page 77:* Strike out line 1 and substitute the following:

"*a*) signification de l'ordonnance d'un tribunal; ou"

49. *Page 77:* Strike out line 19 and substitute the following:
"sonne désignée comme tel n'est pas tenu"

50. *Page 78:* Strike out line 33 and substitute the following:
"*b*) lui fournir un cautionnement suffisant; et"

51. *Page 79:* Strike out line 9 and substitute the following:
"l'émetteur,"

52. *Page 80:* Strike out line 38 and substitute the following:
"faite en vertu de la *Loi sur la preuve au Canada* et visée au paragraphe (4), une liste"

53. *Page 82:* Strike out line 7 and substitute the following:
"*a*) en une déclaration faite en vertu de la *Loi sur la preuve au Canada* ou un cer-"

54. *Page 83:* Strike out lines 21 and 22 and substitute the following:
"bonne foi, fait état de déclarations faites en vertu de la *Loi sur la preuve au Canada*, de certificats, d'opinions ou de rapports"

55. *Page 84:* Strike out line 39 and substitute the following:
"d'entériner les actes du séquestre ou"

56. *Page 90:* Strike out lines 3 to 5 and substitute the following:
"(4) La société ou la personne agissant en son nom n'engagent pas leur responsabilité en diffusant la déclaration faite par un administrateur en confor-"

57. *Page 90:* Strike out lines 45 and 46 and substitute the following:
"de la catégorie ou série ayant le droit exclusif de le faire."

58. *Page 92:* Strike out line 21 and substitute the following:
"les participants de communiquer oralement entre eux;"

59. *Page 93:* Strike out line 33 and substitute the following:
"numéraire qu'elle aurait dû recevoir à la date"

60. *Page 94:* Strike out line 27 and substitute the following:
"achetées, rachetées ou autrement acquises ou d'en émettre en sa faveur; ou"

61. *Page 94:* Strike out line 36 and substitute the following:
"la société aurait dû recevoir."

62. *Page 94:* Strike out lines 41 to 46 and substitute the following:
"114. (1) Les administrateurs, durant leur mandat, sont conjointement et solidairement responsables envers les employés des dettes résultant de l'exécution par ceux-ci de services au profit de la société, jusqu'à concurrence de six mois de salaire."

63. *Page 101:* Strike out lines 8 and 9 and substitute the following:
"délégué ou qui remplissent les fonctions afférentes à ces postes, et"

64. *Page 102:* Strike out lines 1 to 3 and substitute the following:
"(3) Aux fins de la présente Partie,

[Senator Hayden.]

a) lorsqu'une personne morale devient initiée d'une société ayant fait appel au public ou entre dans un regroupement"

65. *Page 102:* Strike out lines 38 to 40 and substitute the following:
"les rapports exigés d'un initié en vertu du présent article pour la période où elle est réputée avoir été un initié"

66. *Page 102:* Strike out lines 47 and 48 and substitute the following:
"(5) Le rapport d'initié fait par une personne et mentionnant les valeurs dont elle est censée être le"

67. *Page 103:* Strike out lines 3 to 5 and substitute the following:
"(6) Le rapport d'initié fait par une personne morale et mentionnant les valeurs mobilières dont elle est censée être le véritable propriétaire est"

68. *Page 105:* Strike out line 18 and substitute the following:
"tiée d'une société ou entre dans un"

69. *Page 106:* Strike out line 17 and substitute the following:
"tenir à l'étranger; l'assistance à ces assemblées"

70. *Page 110:* Strike out line 16 and substitute the following:
"sollicitant des procurations; le tribunal, s'il"

71. *Page 110:* Strike out line 31 and substitute the following:
"*b*) à défaut de fixation d'une date de référence,"

72. *Page 111:* Strike out line 9 and substitute the following:
"les personnes y inscrites."

73. *Page 111:* Strike out line 13 and substitute the following:
"où est tenu son registre central des valeurs"

74. *Page 111:* Strike out line 34 and substitute the following:
"par son fondé de pouvoir."

75. *Page 120:* Strike out line 3 and substitute the following:
"fait dont la divulgation était requise ou"

76. *Page 122:* Strike out line 17 and substitute the following:
"*a*) des valeurs mobilières en circulation ont"

77. *Page 122:* Strike out line 35 and substitute the following:
"revenus bruts et l'actif de la société com-"

78. *Pages 128 and 129:* Strike out line 47 on page 128 and line 1 on page 129 and substitute the following:
"naires et, si la société est tenue de se conformer à l'article 154, en informer de la"

79. *Page 134:* Strike out line 21 and substitute the following:
"société mère et ses filiales, peuvent fusionner"

80. *Page 134:* Strike out line 25 and substitute the following:
"qui énonce les modalités de la fusion et notamment:"

81. *Page 136:* Strike out line 24 and substitute the following:
"(2) Plusieurs filiales dont est entièrement pro-"

82. *Page 137:* Strike out lines 5 to 7 and substitute the following:
"déclaration faite en vertu de la Loi sur la preuve au Canada de l'un des administrateurs ou dirigeants de

chaque société établissant, à la satisfaction du Directeur, l'exis-"

83. *Page 137:* Strike out lines 21 and 22 and substitute the following:
"fusionnantes, ayant reçu un avis adéquat, ne s'opposent pas à la fusion,"

84. *Page 138:* Strike out lines 7 to 10 and substitute the following:
"*e*) la société isue de la fusion remplace toute société fusionnante dans les poursuites civiles, criminelles ou administratives engagées par ou contre celle-ci;"

85. *Page 138:* Strike out line 21 and substitute the following:
"lement peut, si la loi sous le régime de laquelle elle est constituée le permet,

86. *Page 140:* At line 24, strike out the marginal note and substitute the following:
"Changement de régime"

87. *Page 143:* Strike out line 19 and substitute the following:
"vingt jours de la réception de l'avis prévu au paragraphe (6)"

88. *Page 147:* Strike out line 6 and substitute the following:
"déclarations d'enregistrement, circulaires d'offres"

89. *Page 153:* Strike out line 24 and substitute the following:
"*d*) d'un pollicitant concurrent."

90. *Page 153:* Strike out line 45 and substitute the following:
"groupe ou les personnes qui ont des liens avec lui, à la date"

91. *Page 161:* Strike out line 30 and substitute the following:
"*a*) s'il constate qu'elle abuse des droits des"

92. *Page 161:* Strike out line 36 and substitute the following:
"(ii) par la façon dont elle conduit ou a conduit ses"

93. *Page 169:* Strike out line 26 and substitute the following:
"figurant sur la dernière liste enregistrée"

94. *Page 171:* Strike out lines 12 to 17 and substitute the following:
"*b*) que la société ou toute autre personne morale de son groupe, soit par la façon dont elle conduit ou a conduit ses affaires tant commerciales qu'internes, soit par la façon dont ses administrateurs exercent ou ont exercé leurs pouvoirs, abuse des droits des détenteurs de valeurs mobilières, porte atteinte à leurs intérêts ou n'en tient pas compte;"

95. *Page 175:* Strike out line 25 and substitute the following:
"n'ont pas agi avec diligence au cours des procédures;"

96. *Page 176:* Strike out line 48 and substitute the following:
"à l'article 149, ou de rendre compte en telle"

97. *Page 177:* Strike out line 42 and substitute the following:
"approuvé, ou peuvent approuver, la prétendue"

98. *Page 179:* Strike out line 27 and substitute the following:
"nom de la société ou de refuser de le réserver, de l'accepter, de le modifier ou de l'annuler en vertu de"

99. *Page 183:* Strike out line 30 and substitute the following:
"tion faite en vertu de la *Loi sur la*"

100. *Page 185:* Strike out line 30 and substitute the following:
"les affidavits ou déclarations faites en vertu de la *Loi sur la preuve au Canada*."

Before concluding its report, your committee wishes to acknowledge the assistance given by the officials in the Department of Consumer and Corporate Affairs, who had the responsibility for the preparation of necessary amendments thereto, both in respect of such points as were raised in submissions to your committee and in submissions to the said department.

Respectfully submitted,

Salter A. Hayden,
Chairman.

The Hon. the Speaker *pro tem:* Honourable senators, when shall this report be taken into consideration?

Senator Hayden moved that the report be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

NORTHERN GAS PIPELINE

CHANGE IN COMMITTEE MEMBERSHIP

Senator Macdonald, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the name of the Honourable Senator Yuzyk be substituted for that of the Honourable Senator Asselin on the list of senators serving on the Special Committee of the Senate on a Northern Gas Pipeline.

Motion agreed to.

TRANSPORT AND COMMUNICATIONS

CHANGE IN COMMITTEE MEMBERSHIP

Senator Macdonald, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the name of the Honourable Senator Macdonald be substituted for that of the Honourable Senator Phillips on the list of senators serving on the Standing Senate Committee on Transport and Communications.

Motion agreed to.

ROYAL COMMISSION ON CONCENTRATION OF CORPORATE POWER

DATE OF PUBLICATION OF REPORT—QUESTION

Senator Benidickson: Honourable senators, if the Leader of the Government has a long enough memory he will recall that almost three years ago, on March 26, 1975, on a morning when we were sitting for a few hours before adjourning for the Easter recess, I placed a notice of inquiry on the order paper. This arose from my having read in a morning newspaper of a possible takeover bid by Power Corporation of Canada Ltd., of Argus Corporation Ltd. The purpose of my inquiry was to call

the attention of the Senate to this takeover bid, and the advisability of referring the matter to a standing or special committee of the Senate to ascertain if such a takeover, if successful, would be in the public interest.

During the Easter recess of 1975 the government took action and appointed a Royal Commission under the chairmanship of that distinguished public servant, Robert Bryce. Later he was obliged to withdraw, to my great sorrow, due to ill health.

Can the Leader of the Government now inform us as to when we can expect to have a report from the remaining members of that commission? I believe the report was close to completion when Mr. Bryce withdrew.

Senator Perrault: Honourable senators, I understand that an enormous amount of work has been invested in undertaking the inquiry into corporate concentration. As Senator Benidickson pointed out, his notice of inquiry related to the then announced planned takeover bid by Power Corporation of Canada Ltd., of Argus Corporation Ltd. That specific merger proposal, of course, fell through, and so the inquiry of that date by Senator Benidickson is not entirely relevant today. However, I can report that the Royal Commission on Concentration of Corporate Power has made significant progress, and its mandate included those areas of concern to the honourable senator. I can advise this chamber that the commission is due to submit its report very shortly.

Senator Flynn: Do you mean shortly?

Senator Perrault: Very shortly.

Senator Grosart: Before the election?

BUSINESS OF THE SENATE

NOTICE OF COMMITTEE MEETINGS

Senator Langlois: Honourable senators, before the motion to adjourn is moved, I should like to remind you that there are two committee meetings this afternoon. The National Finance Committee will meet in room 256-S to examine supplementary estimates "B", and the Health, Welfare and Science Committee will meet in room 356-S to deal with Bill C-27, to amend the Compensation for Former Prisoners of War Act.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, March 16, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

APPROPRIATION BILL NO. 4, 1977-78

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-30, for granting to Her Majesty certain sums of money for the public service for the financial year ending March 31, 1978, to which they desire the concurrence of the Senate.

Bill read first time.

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

Senator Perrault: Honourable senators, with leave of the Senate, I move that the bill be placed on the Orders of the Day for second reading later this day.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Reports of the Anti-inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. Croven Limited and its Whitby plant employees, represented by the United Automobile Workers, Local 1090, dated March 3, 1978.

2. Mount Sinai Hospital, Toronto, Ontario and the medical doctors group, dated March 6, 1978.

3. Canada Safeway Limited and the retail employees in Edmonton, Alberta, represented by the Retail Clerks Union, Local 401, dated March 10, 1978.

4. Domtar Packaging Limited and its Trenton hourly plant group employees, represented by Local 1470 of The Canadian Paperworkers Union, dated March 10, 1978.

5. Board of School Trustees School District No. 72 (Campbell River) and its teachers aides, clerical staff, janitors, maintenance personnel and bus drivers, represented by the School Operating Staff and the Canadian Union of Public Employees, Local 723, dated March 10, 1978.

6. St. Joseph's Villa, Dundas, Ontario and the nurses group, dated March 10, 1978.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between The Flin Flon School Division No. 46, Flin Flon, Manitoba and the group of its maintenance supervisors. Order dated March 8, 1978.

Copies of a Report of the Bay of Fundy Tidal Power Review Board entitled "Reassessment of Fundy Tidal Power," dated November 1977.

THE ESTIMATES

REPORT OF NATIONAL FINANCE COMMITTEE ON SUPPLEMENTARY ESTIMATES (B) PRESENTED

Senator Everett, Chairman of the Standing Senate Committee on National Finance, presented the following report:

Wednesday, March 15, 1978

The Standing Senate Committee on National Finance to which the Supplementary Estimates "B" laid before Parliament for the fiscal year ending 31st March, 1978, were referred, has in obedience to the order of reference of Thursday, March 2, 1978, examined the said Estimates and reports as follows:

1. The committee made a general examination of the Supplementary Estimates "B" and heard evidence from the Honourable Robert Andras, President of the Treasury Board; Mr. R. L. Richardson, Deputy Secretary, Programs Branch; Mr. L. J. O'Toole, Assistant Secretary, Programs Branch; and Mr. E. A. Radburn, Director, Estimates Division; all of the Treasury Board Secretariat.

2. These Supplementary Estimates total $1,094 million. This figure is composed of $505 million in cash outlays and $589 million for three items which are not composed of cash outlays but which require Parliamentary approval. The total Estimates for the fiscal year ending 31st March, 1978, are now $47,587 million.

3. The committee expressed its concern about the year to year comparability of the figures used to measure the growth in government expenditures. The witnesses provided assurances that the figures are comparable.

4. The committee sought and obtained reassurance that the practice of net voting is being altered to prevent the expenditure of funds for purposes not approved by Parliament.

5. The committee questioned the use of grants, which do not require the recipient to provide an accounting to the government. The witnesses pointed out that in many instances it was the intent of the government to not place any restrictions on the use of the funds granted. Where some return was sought in exchange for funds, they were given as contributions. This requires that the recipient account for the use of funds and permits the government to audit the recipient's books. Where the costs to the government of administration of contributions could prove excessive in relation to the amount of funds involved, grants could be and were used.

6. The committee sought and received assurances that monies in revolving funds were subject to increasing Parliamentary control.

Respectfully submitted,

D. D. Everett,
Chairman.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Everett: Honourable senators, later this day we will be considering Appropriation Bill No. 4, which deals with the contents of supplementary estimates (B). It would be convenient at that stage to consider both Appropriation Bill No. 4 and the supplementary estimates (B). Therefore, with leave, I move that the report be taken into consideration later this day.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

COMPENSATION FOR FORMER PRISONERS OF WAR ACT

BILL TO AMEND—REPORT OF COMMITTEE

Senator Bonnell, Chairman of the Standing Senate Committee on Health, Welfare and Science, reported that the committee had considered Bill C-27, to amend the Compensation for Former Prisoners of War Act, and had directed that the bill be reported without amendment.

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

Senator McElman moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

[Senator Everett.]

NORTHERN GAS PIPELINE

COMMITTEE AUTHORIZED TO MEET DURING SITTINGS AND ADJOURNMENTS OF THE SENATE

Senator McElman, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Special Committee of the Senate on a Northern Gas Pipeline have power to sit during sittings and adjournments of the Senate and that rule 76(4) be suspended in relation thereto.

Senator Flynn: Honourable senators, do I glean from this motion that it is contemplated the special committee might possibly have to sit during the Easter recess? It is not that I have any objection, but if that is what the chairman has in mind for the committee, I would like to know. Maybe the chairman can reply.

Senator Olson: Honourable senators, what we do know is that consideration of the bill in the special committee of the other place has nearly finished. It has probably been reported by now. There was only one clause left, I understand, after last night. We do not know whether it will pass the report stage and third reading in the other place on Monday or Tuesday, or when. It was hoped that we could set up a series of meetings so that we could complete hearing from possible witnesses in order to be able to deal with the bill in the house on Wednesday next. The motion calls for power to sit during adjournments, which obviously includes the Easter adjournment. That is not necessarily contemplated. We do not know whether we will have the bill by the Easter recess, and if we do not there would be an opportunity perhaps to hear some of the other witnesses who have asked to come, if there is time.

Senator Flynn: During the week after Easter?

Senator Olson: Unless the bill has passed through all stages in this chamber before Wednesday, we would be able to hear these witnesses then. I do not have any time set now, or even have in contemplation any meetings during the week of recess.

Senator Flynn: I suggest that this motion is not necessary unless it is anticipated that the bill will reach us on, let us say, Wednesday next, and we would need to have some sittings of the special committee during the week after Easter. I was wondering if this is what the chairman had in mind.

• (1410)

Senator Olson: Honourable senators, there is only a possibility if there is time, because a number of other witnesses indicated that they might wish to be heard. However, we are endeavouring to be in a position to deal with the bill itself on Wednesday next.

Senator Perrault: Honourable senators, it is hoped that it might be possible to expedite the passage of the bill.

Senator Flynn: That is one way of expediting it, by having the committee sit during the recess. If that is the case, why not answer yes, and that will be the end of it?

Senator Perrault: We hope to have it completed before the recess.

Senator Flynn: Then you do not need the motion.

Motion agreed to.

CHANGE IN COMMITTEE MEMBERSHIP

Senator McElman, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

> That the names of the Honourable Senators Cottreau, Hays and Macnaughton be substituted for those of the Honourable Senators Manning, McIlraith and Rowe on the list of senators serving on the Special Committee of the Senate on a Northern Gas Pipeline.

Senator Flynn: Honourable senators, is this motion related to the previous motion? Why are we switching "lines" like this?

Senator Perrault: Because of absences.

Senator Flynn: But are these changes being made because the committee might sit during the Easter recess?

Senator Olson: No.

Senator Perrault: No. A number of senators may not be here next week, and the substitutions relate only to these possible absences.

Senator Flynn: This seems to be a decision by the coach.

Motion agreed to.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Monday, March 20, 1978, at 2 o'clock in the afternoon.

Honourable senators, we propose to meet next Monday afternoon in order to deal with the work now before our committees, the legislation now before the Senate and legislation expected to come to us from the other place. It may be necessary to devote all day Tuesday to committee work and have the Senate sit in the evening on that day, but this cannot be decided until Monday. At that time we should have a clearer picture of just what we shall have to do before, hopefully, adjourning on Wednesday for Easter.

As honourable senators are aware, Bill C-30, the supply bill covering the supplementary estimates (B) for the fiscal year ending March 31, 1978, is now before us. The interim supply bill for the 1978-79 estimates is scheduled to pass the Commons tonight and we shall have that bill to deal with when we return on Monday. It is expected that Bill C-25, the Northern Pipeline Act, will be reported from committee in the Commons some time today. I believe that we can look forward to that bill's reaching the Senate early next week.

As I have already mentioned, there is also a possibility that other bills could come to us from the other place during the course of next week. This is in addition to the items already on the order paper. I have been advised that Senator Hayden expects to be in a position to present the report of the Banking, Trade and Commerce Committee on Bill S-3, respecting Canadian non-profit corporations, on Monday or Tuesday, and if he does not deal with the report on Bill C-2 today he plans to move its adoption on Monday.

I shall now give the committees schedule for next week, as well as I am able to do so at this time. There will, of course, be some additions to the list during the week.

The Standing Senate Committee on Foreign Affairs will meet on Monday at 10 a.m., and again when the Senate rises, to consider its draft report on Canada-United States relations. Both meetings will be *in camera.*

On Tuesday the Special Committee of the Senate on a Northern Gas Pipeline will meet at 9.30 a.m., at 2.30 p.m., and again in the evening, probably at 8 o'clock. The committee expects to hear on Tuesday all the government and outside witnesses appearing on this matter.

Also on Tuesday, the Joint Committee on Regulations and other Statutory Instruments will meet at 2.30 p.m. The Standing Senate Committee on Foreign Affairs will meet at 2.30 p.m. or, if the Senate sits in the afternoon, when the Senate rises. The Subcommittee of the Standing Senate Committee on Health, Welfare and Science on Childhood Experiences as Causes of Criminal Behaviour will meet at 4 p.m. on that day or, if the Senate sits in the afternoon, when the Senate rises.

The Special Committee of the Senate on a Northern Gas Pipeline will meet again on Wednesday morning at 9.30 to commence clause-by-clause study of the bill, and it is expected that the Standing Senate Committee on Foreign Affairs will hold another *in camera* meeting at 9.30 a.m. to consider its report on Canada-United States relations.

Motion agreed to.

AIR TRANSPORT

CHARTER AIRLINES WITHIN CANADA—QUESTION

Senator Benidickson: Honourable senators, no doubt the Leader of the Government has observed some of the recent comments which have appeared in the newspapers relating to airline fares. Honourable senators will recall that in an unusual move the cabinet overruled the Canadian Transport Commission in respect of its judgment relating to cheaper air fares in Canada. I should like to read from the Montreal *Gazette* of March 11, 1978, which quotes one charter organizer as saying:

> What the CTC knows is that all they have to do is stall another few weeks and it will be too late for us to put these flights on the market for this summer.

A Toronto newspaper published a similar comment on this matter. My question to the Leader of the Government is based on the prestige of the cabinet which, in this instance, overruled a government agency.

I did not give notice of this question to the leader but before we adjourn for Easter I should like to know whether there is any validity in the statement that a government regulatory

agency can, as the headline indicates, stall a reversal of opinion with respect to that agency.

Senator Perrault: Honourable senators, I shall take that question as notice, and will make an immediate inquiry.

Senator Flynn: The answer is that it is quite possible.

FOREIGN AFFAIRS

TERRORIST RAID ON ISRAEL AND RETALIATORY ACTION—QUESTION

Senator Olson: Honourable senators, I should like to put a question to the Leader of the Government. Bearing in mind that the Government of Canada recently sent a note to the Prime Minister of Israel expressing its regret and sympathy following the terrorist raid on Israel a few days ago, could the leader inform the house whether the government intends to send a further note now that we have witnessed the recent military action in southern Lebanon?

• (1420)

Senator Perrault: Honourable senators, I cannot answer that question now, but that information will be sought from the Secretary of State for External Affairs.

AGRICULTURE

WESTERN GRAIN STABILIZATION FUND—FURTHER QUESTION

Senator Olson: Honourable senators, I have a question arising out of one I asked several weeks ago respecting an interim payment out of the Western Grain Stabilization Fund. I realize there has been some report by the minister responsible of an intention to make an interim payment, but I wonder whether we could have a reply spelling out in some detail what that intention is.

Senator Perrault: That information will be made available as soon as it comes to my office.

BANK ACT
QUEBEC SAVINGS BANKS ACT

BILL TO AMEND—THIRD READING

Senator Macnaughton moved third reading of Bill C-16, to amend the Bank Act and the Quebec Savings Banks Act.

Motion agreed to and bill read third time and passed.

ELECTORAL BOUNDARIES READJUSTMENT ACT

BILL C-267 (PRINCE GEORGE-PEACE RIVER)—SECOND READING

Senator Grosart moved second reading of Bill C-267, respecting the Electoral Boundaries Readjustment Act (Prince George-Peace River).

Senator Forsey: May I just remark in passing that I should like to endorse what has been said on previous occasions on bills of the kind that we have before us on the order paper

[Senator Benidickson.]

what has been said by the Honourable Leader of the Opposition, adding simply that the Honourable Leader of the Opposition has just confided to me that he remains of the same opinion still as he was before, and he has no objection to my saying so.

Motion agreed to and bill read second time.

THIRD READING

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

Senator Grosart moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

• (1425)

BILL C-358 (PONTIAC-GATINEAU-LABELLE)—SECOND READING

Senator Côté moved second reading of Bill C-358, respecting the Electoral Boundaries Readjustment Act (Pontiac-Gatineau-Labelle).

[*Translation*]

He said: Honourable senators, Bill C-358 amends the Electoral Boundaries Readjustment Act, and through it the paragraph which names and describes the electoral district of Pontiac is amended by substituting for the name "Pontiac" the name "Pontiac-Gatineau-Labelle".

[*English*]

Motion agreed to and bill read second time, on division.

THIRD READING

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

Senator Côté moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

BILL C-412 (HUMBER-PORT-AU-PORT-ST. BARBE)—SECOND READING

Senator Smith (Colchester) moved the second reading of Bill C-412, respecting the Electoral Boundaries Readjustment Act (Humber-Port-au-Port-St. Barbe).

Senator Rowe: Honourable senators, I think I should draw your attention to the fact that for the first time since Newfoundland became part of Canada, the historic portion of the west coast of the island of Newfoundland, known as the Port-au-Port peninsula, is now incorporated in the official name of the riding. The name before was Humber-St. George's-St. Barbe. The St. George's part of that riding has now been incorporated, I understand, with the riding which is represented by the Honourable Don Jamieson in the House of Commons, and the Port-au-Port peninsula has been retained in the riding formerly known as Humber-St. George's-St. Barbe,

which is represented in the House of Commons by Mr. Marshall.

An interesting fact worth bringing to the attention of the Senate is that the Port-au-Port peninsula has the largest single concentration of French-speaking people on the island of Newfoundland. It is not generally known in the rest of Canada, perhaps, that we do have an important community of people of French descent, many of whom still speak the French language, living with anglophones on the west coast in this well-known area of Newfoundland—well known in Newfoundland, at any rate—the Port-au-Port peninsula.

• (1430)

While I was not involved in choosing this nomenclature, I think it is fitting that the name of this region of Newfoundland, which does have the largest French-speaking community, is now officially contained in the name of a federal riding.

Senator Smith (Colchester): Honourable senators, I wish to convey my gratitude to Senator Rowe for having made my speech for me in support of the bill.

Senator Lafond: Honourable senators, while I agree with the sentiments expressed by Senator Rowe, I would suggest that the appellation "St. Barbe" is as much French as "Port-au-Port", but, for principles enunciated previously in this chamber, I oppose the adoption of the bill.

Motion agreed to and bill read second time, on division.

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

Senator Smith (Colchester) moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

BILL C-414 (PRINCE EDWARD-HASTINGS)—SECOND READING

Senator Macdonald moved the second reading of Bill C-414, respecting the Electoral Boundaries Readjustment Act (Prince Edward-Hastings).

He said: Honourable senators, as a result of the redistribution under the Electoral Boundaries Readjustment Act, the constituency known as Hastings will no longer be made up of just the provincial county of Hastings. The new constituency will be comprised of one-half of the county of Hastings and one half of the county of Prince Edward Island.

The commissioners felt that the new constituency should be known as Prince Edward. However, it is felt that since one-half of the county of Hastings will be in the new riding, the name of Hastings should also be included in the name of the new constituency. Consequently, Bill C-414 would make the name of the new riding Prince Edward-Hastings.

It would seem to me that the people of the constituency, in requesting this change, are making a reasonable and logical request, and I ask your support of the bill.

Motion agreed to and bill read second time, on division.

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

Senator Macdonald moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

BILL C-415 (SAINT-HENRI-WESTMOUNT)—SECOND READING

Senator Denis moved the second reading of Bill C-415, respecting the Electoral Boundaries Readjustment Act (Saint-Henri-Westmount).

[*Translation*]

He said: Honourable senators, this legislation is simply aimed at adding the words "Saint-Henri" to the name of the current "Westmount" constituency. As has been said by Senator Rowe on a similar bill respecting a bilingual county, there is a French-speaking part, Saint-Henri, and an English-speaking part, Westmount.

Senator Lafond: Honourable senators, I have already made my views known on this kind of legislation. It is refuse in the legislative garbage can. We should not be wasting the Senate's time on this. However, I have a duty to put on record on this occasion the comments published yesterday evening by the Canadian Press, and I quote:

• (1435)

[*English*]

> It took the Commons only a few moments to approve changes in the names of nine federal ridings.
>
> But the move has created a headache for Chief Electoral Officer Jean-Marc Hamel and his staff.
>
> The changes mean that electoral maps already prepared for the general election many expect this year will have to be scrapped and new ones prepared and printed.
>
> Several publications put out by Hamel's staff also must be revised. These include street guides to inform voters in large cities such as Toronto, Montreal and Vancouver in what riding they are entitled to vote—required because so many ridings are located in such cities.
>
> Another guide also is prepared to enable Canadian Forces and public service employees to know the riding in which they can vote when they are out of the country.
>
> The extra work for the Hamel staff could not come at a more inopportune time.

I said this was garbage legislation. It still is, in my view, and it stinks more than it ever did.

[*Translation*]

Senator Denis: Honourable senators, Senator Lafond suggests this is a waste of time. But without his contribution, the waste would have been minimal. Moreover, it must be realized we now have unemployment, and if some work is involved in changing constituency names, this will prevent us from putting our employees on unemployment. I therefore feel this is good. The important thing is to please Canadians. If an important part of a constituency has its name posted, and there is more work involved for Mr. Hamel, the Chief Electoral Officer, so

much the better because he can hire extra help, and those people will not receive unemployment insurance.

Senator Lafond: The people look after that.

[*English*]

Motion agreed to and bill read second time, on division.

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

Senator Denis moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to, on division.

BILL C-417 (SAINTE-MARIE)—SECOND READING

Senator Côté moved the second reading of Bill C-417, respecting the Electoral Boundaries Readjustment Act (Sainte-Marie).

Motion agreed to and bill read second time, on division.

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

Senator Côté moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

● (1440)

BILL C-418 (HOCHELAGA-MAISONNEUVE)—SECOND READING

Senator Côté moved the second reading of Bill C-418, respecting the Electoral Boundaries Readjustment Act (Hochelaga-Maisonneuve).

Motion agreed to and bill read second time, on division.

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

Senator Côté moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

BILL C-423 (MÉGANTIC-COMPTON-STANSTEAD)—SECOND READING

Senator Denis moved the second reading of Bill C-423, respecting the Electoral Boundaries Readjustment Act (Mégantic-Compton-Stanstead).

[*Translation*]

He said: Honourable senators, to please Senator Lafond I shall be brief and I will not give the excellent reasons for which I ask the Senate to pass this bill on second reading.

Senator Lafond: On division, anyway.

[*English*]

Motion agreed to and bill read second time, on division.

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

[Senator Denis.]

Senator Denis moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

PRIVATE BILL

ROYAL CANADIAN LEGION—ORDER STANDS UNTIL LATER THIS DAY

On the Order:

Second reading of the Bill S-10, intituled: "An Act respecting The Royal Canadian Legion".—(*Honourable Senator Connolly, P.C. (Ottawa West)*).

Senator Connolly (Ottawa West): Stand until later this day.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

Order stands.

CANADA BUSINESS CORPORATIONS ACT

BILL TO AMEND—REPORT OF COMMITTEE ADOPTED

The Senate proceeded to consideration of the report of the Standing Senate Committee on Banking, Trade and Commerce on Bill S-2, to amend the Canada Business Corporations Act, which was presented yesterday.

Hon. Salter A. Hayden moved the adoption of the report.

He said: Honourable senators, Bill S-2 proposes a considerable number of amendments to the Canada Business Corporations Act which came into force in 1975, and which succeeded the Canada Corporations Act. The committee's report on this complicated and technical bill proposes 100 amendments, and I should tell you that more than half of them have to do with the French version. I should explain that the French version represents a gathering together of the French texts of the Canada Business Corporations Act, which texts were much criticized in that they did not convey in the most diligent way the effect of the English version of the Canada Business Corporations Act. Accordingly, the second part of the report refers to the appendix to this bill, which contains the French version.

In the course of preparation for the committee hearing, the Department of Consumer and Corporate Affairs conferred not only with the Department of Justice, but also with a committee of the Quebec Bar, seeking assistance in checking, verifying and being satisfied that the French version and its text properly agreed with and related to the English version. The concern of your committee was as to whether the French version stated or provided an offence, rulings, regulations or proceedings which differed in some way from the English version.

The committee of the Quebec Bar had a number of meetings during which they examined the bill thoroughly, and expressed their support of it, but indicated that there were a great many amendments which they felt should be made to the text of the French version. These were subsequently considered by your

committee, having first been reviewed by the Department of Justice and the Department of Consumer and Corporate Affairs.

As a result of that review the Department of Justice was prepared to agree to and accept 50 of these amendments. Your committee, when considering this phase of the bill, approved and adopted those amendments, and they appear as part of the report in which you are now asked to concur.

As to the other amendments, I should tell you that they are substantially technical. There are some material amendments that bring the provisions of the Canada Business Corporations Act up to date. There are some further amendments relating to the correlation of the Income Tax Act to the Canada Business Corporations Act, which become very important in light of the substantial changes made in the Income Tax Act last year resulting from the passing of Bill C-11, which received Royal Assent in December 1977.

Perhaps I should illustrate some of the technical amendments. For instance, on page 4 of the bill, clause 5, line 2 is struck out and new words are added. The words struck out are "existing corporation"; the words substituted are "existing body corporate". That may seem a sort of idle, wasteful effort, but in the context which occurs the addition of the word "existing" is important.

● (1450)

By clause 77(2) of the bill subsections 261(4) and 261(5) of the Canada Business Corporations Act are amended by substituting the word "order" for the word "regulation."

That is just to give you some idea of the nature of many of the amendments. They are necessary to the context, but I do not propose to pursue this matter through the various clauses of the bill and the report in order to explain them all. What I do propose to do is concentrate more on what I regard as material amendments.

One material amendment, which may seem to be in the category of technical amendments, and possibly is, deals with the section in the Canada Business Corporations Act which relates to the right of a shareholder or creditor to obtain a shareholders list. In the section dealing with that, the words "transfer agent" were used in providing all of the bases on which one would have to be satisfied in order that there might be entitlement to that list. But that did not cover the situation where companies have both transfer agents and registrars—as many large companies do have—because both of those personalities bear a relationship to the shareholders list. So the words "transfer agent" have been struck out, and the word "agent" has been put in to replace them so as to include a description of the two offices.

As a matter of curiosity, perhaps I should tell you that it is quite unnecessary that this section of the act be used at all, because there is a general provision in the act, in section 247, under which formal service of the necessary notice of application for a shareholders list and the tendering of the necessary affidavit is provided for. So this is a short-cut for whoever may want to follow that course.

The next thing I regard as a material addition is the short form liquidation. There have been actual cases where the problems presented by applications for dissolution of the company have not been taken care of by the "short division", method, and the procedures by "long division" are very considerable and involved. This was the situation where the corporation had properties and liabilities but had arranged to distribute its properties and to discharge its liabilities. The new section 203(2.1) has been added to permit the corporation, in those circumstances, to take advantage of a short form liquidation or dissolution by forwarding its articles of dissolution to the director, who is the officer under the Canada Business Corporations Act. That is a material change. In the dissolution of companies, where the procedure first is to clear up property and liabilities, it certainly represents substantial change and, I would say, cost.

The next material change has to do with the definition of "inspector" under the Canada Business Corporations Act. Where it is believed that a corporation has indulged in some fraud or has acted in prejudice of the rights of the shareholders, and in other cases as well, an application may be made to the court to obtain an order appointing an inspector. Now, in the application of this section the experience of the department administering the act has been that there are difficulties at times with the administration because the scope of the power of the inspector has been challenged. Therefore, there is a new definition of the function, scope and authority of the inspector to extend his capacity to deal in an investigatory situation which is proceeding under the provisions of the Canada Business Corporations Act.

There are several other important provisions. One relates to sections 25 and 26 of the Canada Business Corporations Act. You will find this dealt with in the record of the committee's proceedings at pages 4:12, 4:14 and 4:15. It is clause 11 of the bill. The situation is that the Income Tax Act was substantially amended, and many advantages—or, as I described them at the time, many carrots—were provided in that bill in December of last year in relation to the marshalling of the affairs of a corporation or for purposes that a shareholder might have in mind in connection with, for instance, freezing the value of his estate at a figure which would flow the subsequent increments to the heirs, but the Canada Business Corporations Act had not been correlated by that time to these changes in the Income Tax Act.

This bill proposes to amend the Canada Business Corporations Act so that when you sell shares, or when a company issues shares, the consideration received must be credited or attributed to capital account. Where what is involved is a transfer of property to a company or to a person—which, in this case, would be a subsidiary corporation of the corporation which has the property— the amendments provide for the

allocation of the consideration as between capital account and surplus account.

● (1500)

There are a number of procedures open, which are available under what was Bill C-11, which amended the Income Tax Act, by virtue of its enactment last year. One of them is to freeze the value of the assets of the property which is transferred in those circumstances—and then to issue shares from a subsidiary company, which would be redeemable preferred shares, and the company could subsequently redeem those shares. The transfer of the property would not involve any problem of taxation, but, of course, the redemption of the preferred shares would have several effects on the subsequent redemption out of the surplus. Until this amendment becomes law, the corporations, in the special circumstances I have detailed, will not be able to avail themselves of a privilege which is there under the provisions of the Income Tax Act.

In those circumstances, we heard witnesses and we approved this amendment. The result of it, as and when the amendments in this bill become law, will be that the redemption of the preferred shares, which the subsidiary company has issued for the property which it acquired, ends the financial interest of a controlling shareholder in the transferor company, and also terminates his tax liability in connection with the redemption of those shares. If he does it by way of dividends he may, as to part of it, be subject to income tax. If he does not do it in that way he may attract some capital gains tax.

However, the net effect of following that method is that he is then removed from the picture, and if the common shares are given or transferred or sold to the heirs, those common shares are the only shares that can enhance in value. As the property may increase in value, the value of the shares will increase without attracting tax. It is a way that, in other associations, has been followed for the purpose of freezing certain values for estate purposes.

Those are important provisions. There are some other provisions, but the question is how far they should be developed on a motion for concurrence in the report. The report is there. It may in some parts be difficult to read, because you have to go back and dig out the act that is being amended. I am, therefore, giving some further explanation to try to save your having to do that digging.

I should tell you that there is another material amendment, which relates to section 168 of the Canada Business Corporations Act. That provision concerns the powers of a public distributing corporation. Those are high sounding words, but a public distributing corporation is a corporation that issues shares to the public. Under section 168 a public distributing corporation has the authority to constrain—or you can say restrain—the transfer of its shares, in particular to limit foreign control over a corporation or to permit a corporation to qualify for a licence to carry on a regulated business, such as in the transportation or communications industry.

The important words are these. The act presently permits constraint to be imposed "for any purpose"—and those are, for

purposes of the amendment, the offending words—subject in such case to obtaining shareholder approval of the constraint after it has been in force for a period of five years. In practice this power has proved to be too broad, because it enables the management of a corporation not only to ensure Canadian control but also to ensure that the corporation and its management is insulated from any threat of takeover bids.

As a result, Bill S-2, as amended by the committee, restricts the purposes for which a public distributing corporation may constrain the transfer of its shares. More specifically, the corporation can no longer restrain the transfer of shares for any purpose. It may do so only to limit foreign control or comply with any restraint of share ownership that is required to comply with federal regulatory laws. As a corollary to that limitation of this restraint or constraint power, it is no longer necessary to have the requirement that there must be shareholder approval of the constraint at the end of each five-year period.

The next substantial amendment concerns the rights of class shareholders to vote separately as a class on any change of the corporation's capital structure that affects that class. In section 116 of the Canada Business Corporations Act the provision is quite rigid in that respect, in conferring a class vote and hence a veto power, in any case where a change of the corporation's corporate structure derogates, either partly or indirectly, from the rights of the class. This rigidity has proved in practice to have an impractical constraint on financial transactions in a series of shares. The committee's report amends this provision to render it less rigid, with a view to facilitating such financial transactions.

The effect is that if there is authority in the charter to proceed with certain changes in the charter for purposes of adapting that for financial purposes, and if the intention is to create a class of shares ahead of a particular class that already exists, the company may go ahead without that veto vote to impede it in carrying out the transaction. The department did undertake, however, to review carefully the application of this provision, as amended, to ensure that it does not in practice detract from the rights of shareholders of a class, or series of classes, in a way that is unfair to these shareholders.

I should point out to you possibly one more provision, and that is the final substantive amendment proposed to Bill S-2. It relates to section 261 of the Canada Business Corporations Act, and concerns the continuance of a federal corporation under the act. As you know, companies that were incorporated under the Canada Corporations Act were permitted, by virtue of the Canada Business Corporations Act, to carry on under their existing charter and under their relationship to the Canada Corporations Act. However, at some time the question arises as to the requirement for them to proceed to continue under the Canada Business Corporations Act. If they do not, they face dissolution.

● (1510)

The Canada Business Corporations Act, of course, provided basic changes to the federal corporation law. It was not practicable, therefore, to apply it to federal corporations all at

once. Instead, the corporations which were incorporated before the Canada Business Corporations Act was enacted were given a discretion to continue until 1980, at which time they have to remedy the situation. I should point out that to date there are only approximately 2,000 corporations which are in a position where they will have to face the question of continuing and taking proceedings therefor, as against 25,000 federal corporations which have continued under the new law.

To expedite the process, clause 77 of Bill S-2 amends the continuance provisions to clarify the power of a corporation to amend its charter in the course of continuance. It also empowers the directors of the corporation to authorize continuance where the articles of continuance do not affect any material modifications of the corporation's charter.

These are the substantial amendments. One might be inclined to look at some of those that change only a word, and question the need. Of course, words have a way of piling up and who knows at what stage, as has happened in the past in respect of many different types of legislation, the interpretation or the intent of a section may turn on one word. One word too many included, or one word less than the number which should have been included, will turn the intent and meaning that may be extracted from one direction to another. So all these amendments, if they are necessary to conform to the proper meaning and description in connection with the application, are necessary. While it may seem tedious to have to go through all this, it is a very necessary task, otherwise we will face a difficult and embarrassing situation at some future time when the cumulative effect is felt of so many words excluded which should have been included, and so many words included which should not have been.

There is also a restatement of intent and the adoption of a co-relationship between the Canada Business Corporations Act and, particularly, the Income Tax Act. The Income Tax Act gives certain benefits and certain opportunities in certain circumstances, and if the Canada Business Corporations Act and the corporation's charter have not been adapted to those provisions of the income tax law there is no way in which it can take advantage of them, short of winding up. Whether it would do so, I am not venturing an opinion at this time.

So I say that the bill is very important. It is difficult to read and difficult to understand. However, we heard many witnesses and received much assistance from the departmental officials, and feel that we have done the best we can with it. It is now up to the Senate to consider whether it will or will not concur in the report.

Motion agreed to and report adopted.

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

Senator Lang moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

PRIVATE BILL

ROYAL CANADIAN LEGION—SECOND READING

Hon. John J. Connolly moved the second reading of Bill S-10, respecting the Royal Canadian Legion.

He said: Honourable senators, this is a bill to amend an act respecting the Royal Canadian Legion. The previous amendment to the charter of the Legion was made by this chamber in 1975. On July 15 of that year, as reported at page 1194 of *Debates of the Senate* for the 1974-75-76 session, Senator Carter explained the proposed amendments at great length, and gave a helpful dissertation on the history of the Legion and the work it does. He was followed the next day by Senator Phillips, who also spoke knowledgeably on the work of the Legion.

The amendment before us today is fairly short, the bill containing only one clause. However, I do think that it requires a little explanation, and more than my simply asking the Senate to direct its attention to its bare provisions.

The Legion itself arose out of organizations which existed prior to 1925 and following World War I. Some members of the Senate will remember those organizations with great affection and respect—organizations such as the Great War Veterans Association, the Tubercular Veterans Association, the Great Army of United Veterans Association, the Disabled Canadian Veterans Association, and some 10 or 12 other organizations which were involved in the establishment of the central organization known today as the Legion.

In 1948 the Legion was incorporated by act of Parliament, and the name then given to it was the Canadian Legion of the British Empire Service League. I believe that name rings in the minds of those whose memories go back to the early days of the organization. By chapter 52 of the statutes of 1959, the name was changed to the Canadian Legion, and by chapter 83 of the statutes of 1960-61, the name was changed to what it is at present—The Royal Canadian Legion. That amendment also provided for the establishment of the Ladies' Auxiliary, which is now recognized in by-laws 801 and 802 of the Legion. Chapter 112 of the statutes of 1974-75-76 contains amendments providing for regulation by provincial commands of the activities of branches within those provincial commands. It also establishes rules respecting the rights of branches over their property, and their relationship to the provincial commands.

Senator Benidickson: And membership?

Senator Connolly (Ottawa West): No, those amendments did not touch membership at that time, senator.

The present ordinary membership of the Legion, as honourable senators who are members know so well, consists generally of persons who have served in Her Majesty's Canadian forces, the navy, the army or the air force. The Legion's bylaw 206 provides that. The membership also includes members who have served in any of the auxiliary forces, and, in an appendix to the bylaws, there are 58 different categories of people and groups of people entitled to membership.

• (1520)

I draw the attention of the Senate to the fact that in 1972 there were provided four categories of associate members. Category 37 allowed membership to members of the forces who have not served in a theatre of war. Category 47 provided for servicemen who had served in the NATO and NORAD forces, except, but not specifically referring to, servicemen who were in the Canadian or United Kingdom forces. In other words, foreign nationals who had served in NATO and NORAD forces were entitled to join. Category 55 provided for the inclusion, as associate members, of members of the Newfoundland forestry unit; and category 56 provided associate membership for sons and daughters of members of the Legion. None of these associate members have ever been given the right to vote or to hold office.

In 1970 provision was made for the inclusion of affiliate or fraternal groups such as teachers, policemen, firemen and Post Office employees, particularly in the small towns, for the purpose of assisting in the operation of the Legion and the work of the branch. Again, these affiliate groups have no vote and cannot become officers.

I should now like to say something about the present structure and status of the Legion. The present membership is approximately 511,483, made up as follows: ordinary members, 318,789; life members; 9,007; honorary members, 9,376; and associate members—to whom I have just referred—82,302. The group known as fraternal organizations or associations number 92,009.

Senator Benidickson: Do you mean firemen, and so on?

Senator Connolly (Ottawa West): Yes, the group I have just mentioned.

There are various tiers of command within the Legion, the principle three being the Dominion Command, which, except at the time of the Dominion convention, is the supreme authority within the Legion; the Provincial Command, which, as the words indicate, is the organization in charge of the provincial group under the bylaws and charter; and the branches which are within the various provincial commands. There are 1,806 branches in Canada today.

As honourable senators know, the branches have halls or club houses in which they hold their meetings and where they conduct their various activities—the communal, social and other activities that are carried on in the Legion hall within a community.

The Legion has developed extensive community programs in various parts of the country. For example, there is a program dedicated to aged veterans, providing, in particular, services in the home, companionship, meals in some cases, transportation when required to hospitals, to visit doctors or for shopping, and also library services. This is a personal kind of service which is most heartwarming in view of the rather impersonal climate and environment in which people live, particularly in the larger cities. It is good to know that the Legion tries hard to look after aged veterans and their dependants.

[Senator Connolly (Ottawa West).]

The branches of the Legion have been engaged extensively in administering low-cost housing throughout the country. I am told that the Legion owns and administers approximately $25 million worth of low-cost housing in Canada for the benefit of veterans. In some provinces—I believe Manitoba is one—although the Legion owns no low-cost housing, it administers low-cost housing on behalf of the province and at no cost to the province.

The record of youth and sports programs conducted by the branches throughout the country is impressive. The branches sponsor, for example, 438 cadet corps, 363 scout troops, 351 cub packs, 234 guide groups, 817 hockey teams, 870 baseball teams, 517 track and field units, and some 944 scholarships.

Honourable senators, the average age of World War II veterans, 33 years after the end of that war, is 61. The number of people in that age group is diminishing, and, of course—this is happening to us all—they are getting older. In 10 years' time those persons will be 70 or more years of age.

I am told that the Legion estimates its services to veterans and their dependants will be required for another 20 or 30 years, and those in the branches and various commands see a need to maintain and increase the ordinary membership—members who can vote and hold office—in order to support the various services and activities now conducted by the Legion.

Reduced to its bare bones, the bill would open membership in the Legion to "others who support the purposes and objects of the Legion." That looks as though the door will be wide open, but the group now being considered and proposed by the branches for membership are the sons and daughters of ex-service personnel. I understand that the next Dominion convention of the Legion will be held in Edmonton, Alberta, in June of this year. They are biennial meetings, and the last one was held in 1976. The Legion would like to have this authority to extend its membership, and to place the matter before the next Dominion convention. The ultimate choice, I understand, will be for the branches, individually, to make.

• (1530)

Parliament has always been sympathetic to helpful veterans legislation, and I am sure it will be sympathetic to this piece of veterans legislation. Parliament has always been sympathetic to the work of the representative veterans association in Canada, the Royal Canadian Legion. Parliament has always been impressed, and is impressed in this case, with the extent and value of the social and community work which is done by the Royal Canadian Legion.

It is unfortunate that this bill has come to us just before the Easter recess. It certainly cannot be passed by the House of Commons before the Easter recess, and since it is a bill that should be referred to committee, at the appropriate time I will move that it be referred to the Standing Senate Committee on Health, Welfare and Science. I would hope that the Senate might be disposed to facilitate this bill's getting before that committee before the Easter adjournment next week so that, if possible, the bill might be able to reach the House of Com-

mons shortly after the Easter recess for favourable consideration by that house.

I commend the bill to the Senate.

Hon. Senators: Hear, hear.

Senator Smith (Colchester): I should like to ask the honourable senator a question, but he may have answered it already. Am I correct in believing that the substance of this amendment has not yet been approved by the Dominion convention?

Senator Connolly (Ottawa West): I do not think it has been approved by the Dominion convention. I should think that the proposal now before Parliament comes from the Dominion Command. That is a technical question and I would rather have the officials from the Royal Canadian Legion answer it during the committee meetings. I should think this specific amendment has not been approved by the Dominion convention.

Senator Smith (Colchester): Does the honourable senator know whether the subject matter of this amendment has, on some previous occasion, been considered by the Dominion convention and rejected?

Senator Connolly (Ottawa West): I am told that at the last Dominion convention many branches submitted resolutions to the convention to achieve the result here proposed. Whether it is precisely the step proposed in the bill or not, I am unable to say. My understanding is that this matter was proposed to the last Dominion convention by many branches.

Senator Smith (Colchester): I suppose it follows, then, that it could not have been accepted at that time or we would not be dealing with it now.

Senator Connolly (Ottawa West): Perhaps the representatives of the Dominion Command who attended the Dominion convention told the branches that they did not have the authority at the time to open the doors for further membership, and would not be able to do so until an amendment to the charter was acquired. Perhaps that is the genesis of the proposal.

On motion of Senator Macdonald, debate adjourned.

NATIONAL UNITY

MAGAZINE ARTICLE—ORDER STANDS

On the Order:

> Resuming the debate on the inquiry of the Honourable Senator Forsey calling the attention of the Senate to a most mischievous article by June Callwood in the January number of *L'actualité*.—(*Honourable Senator Langlois*)

Senator Forsey: Honourable senators, I wonder whether it is worthwhile keeping this on the order paper. It has been there a long time now. Nobody appears to have anything further to say about it. I wonder whether the order might not be discharged. Perhaps it is not proper for me to make the suggestion, but I merely throw it before the house in the hope that somebody will see fit to consider it.

Senator Perrault: Senator Langlois is not in the chamber at the present time. I would hesitate to suggest it should be withdrawn in his absence.

I do know that he holds very strong views with respect to the subject of the inquiry.

Senator Forsey: I know that, too, but he is being what we used to call rather "backward in coming forward," and I wondered whether this was just a sort of holding operation that he was performing.

Senator Perrault: It may be a painstakingly prepared speech.

Order stands.

THE ESTIMATES

REPORT OF NATIONAL FINANCE COMMITTEE ON SUPPLEMENTARY ESTIMATES (B) ADOPTED

The Senate proceeded to consideration of the report of the Standing Senate Committee on National Finance with respect to the supplementary estimates (B) laid before Parliament for the fiscal year ending March 31, 1978, which was presented earlier this day.

Senator Everett moved that the report be adopted.

He said: Honourable senators, I hope that you will see fit to adopt this report now without any explanation on my part, because the next item the house will be considering will be my explanation on second reading of Appropriation Bill No. 4, which contains the substance of supplementary estimates (B). Rather than having honourable senators hear me speak twice, I would simply dispense with any explanation now and move that the report be adopted.

Senator Grosart: May I ask the honourable senator whether it is his intention—and I am sure it is—to include in his remarks in moving the second reading of the bill, comments on the report itself?

Senator Everett: Yes, it is, Senator Grosart. I simply wanted to save honourable senators the trouble of having to listen to the same speech on two occasions.

Motion agreed to and report adopted.

APPROPRIATION BILL NO. 4, 1977-78

SECOND READING

Hon. Douglas D. Everett moved the second reading of Bill C-30, for granting to Her Majesty certain sums of money for the public service for the financial year ending March 31, 1978.

He said: Honourable senators, this appropriation bill is designated as Appropriation Bill No. 4 because of a change in the numbering system which previously was based on a calendar year. It became quite confusing because one could be

dealing, under the previous numbering system, with two fiscal years, as happened this year.

While it will not go down as one of the major recommendations of Senator Grosart, it nevertheless is one of the many recommendations he has made to simplify the processes of Parliament and, indeed, the processes of dealing with these rather complicated estimates.

So Appropriation Act No. 1 for the calendar year 1977 was supplementary estimates (D) for the fiscal year 1976-77. Appropriation Act No. 2 was interim supply for the 1977-78 estimates. Appropriation Act No. 3 was the balance of the main estimates for the fiscal year 1977-78. Then we had another No. 3, which became Appropriation Act No. 3 for the 1977-78 fiscal year and was for supply in respect of supplementary estimates (A) for the fiscal year 1977-78. So this becomes Appropriation Bill No. 4 for the fiscal year 1977-78, and is for supply to cover supplementary estimates (B) for the fiscal year 1977-78.

• (1540)

The items to be voted by this appropriation bill total $818 million, and the major amounts are: $160 million to write off the accumulated deficit of the Canadian Dairy Commission; $197 million to transfer the Nelson River transmission facility to the Department of Energy, Mines and Resources from Atomic Energy of Canada Limited; $232 million to CIDA to convert its loans to the less developed countries to grants; and $107 million to the Department of Agriculture for support payments under the Agricultural Stabilization Act.

In supplementary estimates (B) there are another $275 million of statutory items. The major amounts there are $50 million in additional public debt costs and $234 million to the provinces for revenue guarantee payments less a consequential reduction in equalization payments. These two items total $284 million, which is more than the total of $275 million statutory items, and this is brought about by the fact that there are a number of other items, one of which is a credit of $20 million, which is the net of payments respecting armed forces retirement benefits. Loans, investments and advances in these supplementary estimates (B) total $22 million.

The total of supplementary estimates (B), therefore, is $1,094,000,000, which brings the total estimates for the year ending March 31, 1978, to $47,587,000,000, which is an increase over the previous year of 9.37 per cent.

The government reduces this total amount of $47,587,000,000 by taking out certain items so as to arrive at a cash outlay budget. That means taking out all the items that involve no cash outlays. These include the write-off of debts, contributions to international financial institutions which are made out of the foreign exchange fund, and repayments of previous loans, investments and advances. The second element involves the revision of previous spending plans, and the two largest items there are a reduction in the expenditure by the Export Development Corporation of $369 million, which was made possible by private borrowing, and a reduction of $212 million in the requirements of the Central Mortgage and Housing Corporation, which was due to a reduction in their housing commitments. The third element that the government uses to bring the budget to a cash outlay budget is the normal lapsing of parliamentary spending authority. Normal lapsing is provided for when the blue book of main estimates is published, but in this particular year it is expected that the actual lapses will be a good deal higher than the figure that was provided.

As a result of these reductions the spending target came down from the $47,587,000,000 to $44,450,000,000, and we have been informed by the President of the Treasury Board that the government expects to be within that ceiling amount of $44,450,000,000.

Senator Benidickson: When? When the costs are finalized in July or August?

Senator Everett: That is correct. In the public accounts you should see that the cash outlay is below the ceiling of $44,450,000,000.

This would indicate an increase over the previous year of 8.2 per cent. However, in the course of that year the federal government shifted some of its shared cost programs with the provinces from direct payments to tax transfers. If those shifts from direct payments to transfers were taken back in, the target would increase from $44,450,000,000 to $45,268,000,000, which would indicate an increase of 10.2 per cent over the previous year, rather than an 8.2 per cent increase, as had been previously suggested to the committee.

The committee was concerned about this, and asked a number of questions of the minister and his officials on it, but what is interesting is that the final figure of 10.2 per cent is still below the nominal growth in the GNP, which is estimated for the fiscal year to be somewhere in the neighbourhood of 11 per cent.

I think we can say that the government's restraint program, in these terms, has been effective, and I will give you some figures that I think illustrate that. In 1974-75 the increase in government expenditures, on a cash outlay basis, over the previous year was 28.3 per cent. In 1975-76 it was 18.4 per cent; in 1976-77, 10.2 per cent; and in 1977-78, 8.2 per cent, or the 10.2 per cent that I have just explained, is due to the shift in shared cost programs from direct payments to tax transfers.

In our examination of the Treasury Board officials, we were also pleased to note that the process of vote netting that we discussed in respect of the Fishing and Recreational Harbours bill, and which concerned the Senate greatly, has been reduced considerably. There are now only five departments that are permitted by the Treasury Board to net votes, and the Treasury Board assures us that the operations of these five departments are being reviewed to determine whether the vote netting should be allowed to continue because it is valid, or whether it should be discontinued.

Finally, the committee made its usual examination of the $1 items in the supplementary estimates, and is satisfied that there were no amendments, as a result of these $1 items, to acts other than appropriation acts.

Honourable senators, I believe that covers the essence of Appropriation Bill No. 4, 1977-78, which, of course, winds up the fiscal year 1977-78. It arises out of supplementary estimates (B) which total $1,094,000,000, but it asks for an appropriation of $818,335,876.

● (1550)

Hon. Allister Grosart: Honourable senators, I rise to comment briefly on the report of the National Finance Committee and Senator Everett's remarks thereon, and on his explanation of Appropriation Bill No. 4, 1977-78.

Senator Everett has given us a detailed explanation of some of the complicated numbers that are before us. They are complicated to some extent because the Treasury Board, reflecting, presumably, government policy, has decided in the last year or so to present the figures to us in a rather different way from that in which they were presented in previous years. The main purpose, I believe, is to justify the announced restraints program by the government, in spite of the fact that many of the figures would not indicate very great success in the restraints program. This is why questions are being raised in the press as to whether the government's statements respecting the actual year-over-year increases in expenditures are valid in accounting systems other than the one used by the government. The amount of the increase, instead of being 8.2 per cent or 10 per cent—

Senator Benidickson: Or 9.3 per cent.

Senator Grosart: No, 9.3 per cent is next year's forecast. The amount of the increase, instead of 8.2 per cent or 10 per cent, is being said by financial writers and commentators to be as high as 13.2 per cent.

I admit at once that this is entirely a matter of the accounting approach one takes. Senator Everett has given an explanation of the kind of re-accounting that is being done in the way of placing in the accounts the results of the policy decision of a year or so ago to exchange direct payments to the provinces for tax points. There was an assumption that this would have added roughly 2 percentage points to the expenditures in 1977-78, and this is used to indicate that the proposed increases in next year's budget are not higher but are, in effect, lower.

This is a kind of reasoning which is understandable in the circumstances, but because of the change in the method of presentation of the accounts in advance there are questions as to the validity of this approach. I will say no more on that for the moment, except to comment on the statement made in the report that the witnesses "provided assurance that the figures are comparable". That is a reference to the year-to-year growth figures which were given to us as representing the increase in government expenditures, particularly in relation to the increase in the GNP. Personally, I would not agree completely with the statement that the witnesses provided assurance that the year-to-year figures are comparable. A good case can be made out for that statement, but a good case can also be made out for the statement that they are not comparable. I think anyone putting forward the second case would point out that there are many items from year to year, increases and decreases in the spending intentions and the spending actualities, that are not comparable.

The committee dealt with this at some length, and I for one will not agree that we have really received the kind of answer that satisfies us. I am quite sure that the committee will continue to probe this question and assist Parliament in assessing the claims that are made from time to time in respect of the restraints program.

In saying that, I am not also saying that the restraints program has not been effective. It has. There is no question that Treasury Board has imposed restraints, and that those restraints, in many cases, have been effective. We had clear evidence that it now continues its examination of the spending intentions of departments as the year goes along and, from time to time, mandates cuts in the spending programs as stated in the main estimates. That was very reassuring evidence for all the members of the committee. So, when I cast some doubts on the use of figures to support the restraints program, I am certainly not saying that there has not been restraint. Whether there could have been more restraint is, of course, a matter of opinion.

The committee dealt at considerable length with the question of grants and contributions. Throughout the estimates honourable senators will find hardly a department which does not list in its spending intentions, budgetary or non-budgetary, expenditures on grants and contributions. The committee spent a good deal of time trying to discover the rationale for the decisions made by Treasury Board—decisions presumably made by the government—as to what kind of assistance will be given by way of a grant and what kind of assistance will be given by way of a contribution, the main difference being that a grant is not subject to audit whereas a contribution is. This carried us into another component of this general category, subsidies, which, again, appear to be not clearly defined.

One of the interesting things that came out of the discussion on supplementary estimates (B) is that we were told for the first time that the Treasury Board has now issued a directive on definitions. Senator Everett's committee has been discussing this question for some time, insisting that the present or existing definitions are not adequate for the circumstances. The paper that was given to us only today by the officials of the Treasury Board calls for revised definitions in respect of grants and contributions. This paper is dated November 1977. Here again, Senator Everett's committee can claim some success. It is interesting to note that the document goes beyond this question, and points out that there may be at times conflicts between legislation and these definitions. Well, we, as a committee, established clearly that there are areas where there are very distinct conflicts between the old and new definitions.

According to the new definitions a "grant" now means an "unconditional transfer payment made to a recipient for which the government will not receive any goods or services." It does not, of course, mean that the government will not receive any benefits. A "contribution" will mean a "conditional transfer

payment made to a recipient which is subject to audit and for which the government will not receive any goods or services."

I said there are many grants and contributions listed in the estimates. In fact, it may be that in supplementary estimates (B) there is not a single department that has not asked for authorization to spend on grants and/or contributions. It is not merely an academic subject because some of these grants run into millions of dollars, and in one or two instances they run into a hundred million dollars or more. So I suggest that our committee—because it is not being done elsewhere—should continue its scrutiny of the use of these two methods, grants and contributions to authorize the expenditure of public funds.

● (1600)

We did ask, and I believe the answer was not quite clear, for a complete list of all grants and contributions. I think the list, even applied to votes in the supplementary estimates before us, would run to somewhere between 50 and 100—that is votes in which there is provision for grants—and we asked for clarification of the reasoning behind making the grant or contribution.

I suggest this is important, honourable senators, because the use of these methods seems to be increasing. It is the easiest thing for a department to ask for a grant or a contribution, because normally it does not come under the same kind of scrutiny as an authorization for a specific project or a specific expenditure. However, as I say, the committee has already brought about an obvious improvement, and I suggest that we continue to examine this very important element in the estimates. This applies to the supplementaries every bit as much as it does to the main estimates.

It was interesting to me, at least, and I think it is interesting to other honourable senators, that the question of net voting, or vote netting, was raised in committee. It will be recalled that we considered a bill—in fact, we still have the bill before us—in respect of which the subject of vote netting was raised. When it was asked if it was the intention of a branch of a particular department to use or expend certain funds under vote netting, the answer was yes.

Senator Benidickson: What department was that?

Senator Grosart: I am referring to Bill C-2, the Fishing and Recreational Harbours Bill, and to the Small Craft Harbours Branch of the Department of Fisheries and the Environment. Senator Cottreau, the sponsor of the bill, told us that, according to information given him, the department intended to continue that practice. Interestingly enough, when we examined some estimates, we found that Treasury Board itself had announced that this particular department would not be permitted to continue with vote netting.

I only indicate this as another example of the type of scrutiny that the Senate can give to bills. The Treasury Board itself was not aware that one branch of one department intended, and had stated that it intended, to carry on with a procedure which was frowned upon, in spite of a Treasury Board directive to the contrary, a method of spending public funds which was not only not authorized in the estimates, but, if I may use the word, forbidden in the wording of the estimates.

The question of the total amount of spending—in this case actual expenditures or very close to actual expenditures—is one that has always concerned the Senate. If one looks back one finds a situation where government spending appeared to run wild for a few years, but fortunately economic conditions finally brought home to the government a fact which the government had denied over and over again, and that was that one of the major causes of inflation was excessive government spending. Economically speaking, there are very few silver linings in the clouds these days, but one of them, I think, is that the government has finally realized that there are levels of government expenditures which the economy and the country cannot afford, and which, if persisted in—as they were persisted in—will bring about some of the problems the country faces now. I do not think anybody will seriously question me if I say that that is a realization that has come to the government, and that we can be thankful for it.

We did mention in committee the possibility that when conditions begin to improve greatly—perhaps after the next election, depending on what happens at that time—departments and spenders of public money may go back to the old bad habits. I think we in the committee are agreed that this is one thing we will be watching very carefully. The Senate can rely on Senator Everett's committee to be a good watchdog for that important aspect of the public interest.

Senator Benidickson: Honourable senators, the Standing Senate Committee on National Finance, under the capable chairmanship of Senator Everett, has worked assiduously this week on supplementary estimates (B). The committee held meetings on Monday, Tuesday, yesterday and today. I left the committee this morning with some pique, and I say it quite frankly. Pique is unusual for me. I commend the use of placards and graphs showing trends and so on, such as were used by representatives of Treasury Board when they were before us. But Senator Everett in his remarks today referred to something that aroused my interest in committee, a 9.3 per cent figure—the increase over the total estimates for 1976-77. I had a particular interest in that item because I had in my hands an editorial from the Toronto *Globe and Mail* which related federal expenditures and the increases in federal expenditures to the report of the Treasurer of Ontario last week which showed an increase of 7 per cent.

● (1610)

I cannot retain in my mind any more figures from the chart. We have had a busy week. It was my inclination to move the adjournment of the debate on this report. However, I am not going to do that. The informative statement the chairman of the committee gave today will be reproduced in *Hansard*. We shall have an opportunity to review it, and on Tuesday evening I may have some observations to make.

I feel these things are important. We can become so confused if we are pressed for time when we are dealing with percentages. I do not know if we are dealing with percentages

relating to GNP or ball-park figures of last year's expenditures.

I will not carry out my inclination to ask for an opportunity to read the report of the committee as presented today and speak on it next Tuesday, but I will take the opportunity to speak when we have the appropriation bill.

Senator Grosart: You have it.

Hon. Douglas D. Everett: Honourable senators—

The Hon. the Speaker: I should like to inform the Senate that if the Honourable Senator Everett speaks now, his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator Everett: Honourable senators, I would just like to deal with two points that were raised in the excellent speeches made by Senator Grosart and Senator Benidickson.

The first point relates to the confusion that may arise when we are dealing with a number of figures. I stated that the adjusted figures indicate an increase in 1977-78 over 1976-77 of 8.2 per cent, and that if one took into account the result of shifting the shared-cost programs from direct payments to tax transfers, that would increase the government's target from $44,450,000,000 to $45,268,000,000, which would mean an increase between the two years of 10.2 per cent. This figure is still below the increase projected in the GNP during the fiscal year. However, if you take the raw figures for 1976-77, without any adjustment, they are $43,501,000,000, and for 1977-78 they are $47,587,000,000, and the increase there is only 9.37 per cent.

Whether you take the adjusted figures; whether you take those adjusted figures and then further adjust them for the transfer of shared costs from direct payments to tax transfers; or whether you take the raw figures, the increase in expenditures is less than the projected increase of the gross national product.

The question then arises whether the figures are comparable, as is stated in the report. It is true that the adjusted figures had to be changed for the transfer of tax points which gave rise to the increase of 10.2 per cent. In fact, what happened was that there was an offset. As I understand it, that transfer of tax points totalled about $970 million. There was an offset of some $900 million that had to be paid in revenue-guarantee payments from the federal government to the provincial governments in order to make up the shortfall in the revenue on the transferred tax points due to the shortfall in tax receipts.

Senator Grosart: It was explained in supplementary estimates (A).

Senator Everett: That is correct, it was explained in supplementary estimates (A). I believe it is correct to say in the report that the figures are comparable—and I use the word "comparable" in its widest sense—because for the offsets one way there are offsets back the other way.

Senator Grosart: I wonder if Senator Everett will agree with me that the point I was making was that the official figures issued by the Treasury Board show the increase in 1976-77 over 1975-76 as 10.2 per cent. For the next year the official figure issued by the Treasury Board is 8.2 per cent, and the projected figure in the main estimates for the current fiscal year is 9.8 per cent. My complaint is that instead of taking the figure of 8.2 per cent, which was used to indicate a decrease from the 10.2 per cent of the previous year, the government, now finding itself in a position where the 1978-79 increase is 9.8 per cent, says to us that we are really below last year's figure because we have to add those two points. However, they did not add them in the official statement comparing the former year—the 10.2 per cent with the 8.2 per cent. That is where I say there is confusion. I am reading from the official statement that the Treasury Board issued:

> Thus the forecast increase of 9.8 per cent for 1978-79 reflects a continuing downward trend in the growth rate of federal government expenditures.

It only reflects this if you manipulate the 8.2 per cent to make it 10.2 per cent.

Senator Everett: I agree with the honourable senator that figures can be confusing, and I guess the easiest way to answer the point is to say that obviously, from the historical figures, starting at 28.3 per cent and getting down to 9.8 per cent, which I think was his figure, there is considerable restraint. I could add to that the fact that this year employment by the federal government is only increasing by six-tenths of one per cent in man-years. I think there is restraint.

Senator Grosart: I agree.

Senator Everett: I do agree with Senator Grosart that figures can confuse, and that different interpretations can be put on the same figures. I will concede that. I will not concede "manipulation."

Senator Grosart: I said "use".

Motion agreed to and bill read second time.

● (1620)

Senator Grosart: Honourable senators, I have just remembered that Senator Flynn wanted me to adjourn the second reading debate in his name. I am sure he has no intention of delaying the matter.

Senator Benidickson: It is still early in the last month of the fiscal year.

Senator Everett: The only problem I have now, Senator Grosart, is that I have closed the debate. I do not know the way out of that dilemma.

The Hon. the Speaker: I gave the notice that Senator Everett was closing the debate.

Senator Sparrow: There really isn't any problem. Senator Flynn can speak on third reading.

Senator Grosart: Yes, Senator Flynn can speak on third reading.

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

Senator Everett moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

The Senate adjourned until Monday, March 20, 1978, at 2 p.m.

THE SENATE

Monday, March 20, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

APPROPRIATION BILL NO. 1, 1978-79

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-31, for granting to Her Majesty certain sums of money for the public service for the financial year ending March 31, 1979, to which they desire the concurrence of the Senate.

Bill read first time.

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

Senator Perrault: Honourable senators, with leave of the Senate, I move that the bill be placed on the Orders of the Day for second reading later this day.

The Hon. the Speaker: Is leave granted, honourable senators?

Some Hon. Senators: Agreed.

Motion agreed to.

TRANSFER OF OFFENDERS BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-21, to implement treaties on the transfer of persons found guilty of criminal offences.

Bill read first time.

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

Senator Perrault: Honourable senators, with leave of the Senate, I move that the bill be placed on the Orders of the Day for second reading at the next sitting of the Senate.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

CANADA ELECTIONS ACT
ELECTION EXPENSES ACT
NORTHWEST TERRITORIES ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-33, to amend the Canada Elections Act, the Election Expenses Act and the Northwest Territories Act in respect of territorial elections.

Bill read first time.

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

Senator Perrault: Honourable senators, with leave of the Senate, I move that the bill be placed on the Orders of the Day for second reading later this day.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of letter from the Prime Minister of Canada to the Chairman of the Economic Council of Canada, dated March 15, 1978, requesting that the Council take on certain responsibilities for analysis of inflation and productivity developments in the period after April 14, 1978, and setting out the conditions and limitations of this reference.

Report on operations under the Regional Development Incentives Act for the month of December 1977, pursuant to section 16 of the said Act, Chapter R-3, R.S.C., 1970.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between Becker Milk Company Limited (Cameron Dairy), Cornwall, Ontario and the group of its Cameron Dairy Division employees, represented by the Milk and Bread Drivers, Dairy Employees, Caterers & Allied Employees, Local 647. Order dated March 14, 1978.

Report of the Governor of the Bank of Canada including statement of accounts certified by the Auditors, for the year ended December 31, 1977, pursuant to section 26(3) of the Bank of Canada Act, Chapter B-2, R.S.C., 1970.

CANADA NON-PROFIT CORPORATIONS BILL

REPORT OF COMMITTEE PRESENTED

Senator Hayden, Chairman of the Standing Senate Committee on Banking, Trade and Commerce, presented the following report:

THURSDAY, March 16, 1978

The Standing Senate Committee on Banking, Trade and Commerce to which was referred Bill S-3, intituled: "An Act respecting Canadian non-profit corporations" has, in obedience to the Order of Reference of Tuesday, November 22, 1977, examined the said Bill and now reports the same with the following amendments:

1. *Page 3, Subclause 2(1):* In the French version, strike out line 2 and substitute the following:

"quelles elle a un droit découlant des droits du véritable propriétaire ou à l'égard"

2. *Page 8, Subclause 9(1):* In the French version, strike out line 25 and substitute the following:

"faire partie, autrement que dans un sens figuratif ou descriptif, de la dénomination sociale de"

3. *Page 9, Subclause 11(3):* Strike out line 40 and substitute the following:

"body corporate."

4. *Page 10, Subclause 13(2):* In the French version, strike out line 28 and substitute the following:

"engagée pour elle et l'empêche d'en tirer parti."

5. *Page 11, Subclause 13(4):* In the French version, strike out line 3 and substitute the following:

"tient une clause expresse à cet effet et ne peut en tirer parti."

6. *Page 13, Subclause 19(1):* Strike out lines 14 and 15 and substitute the following:

"(d) a securities register that complies with Part VI and a register of members,"

7. *Page 15, Subclause 21(1):* In the French version, strike out lines 33 and 34 and substitute the following:

"21. (1) Tous les livres, notamment les registres dont la présente loi requiert la tenue peu-"

8. *Page 17, Subclause 25(1):* In the English version, strike out line 25 and substitute the following:

"of an affiliated corporation or to an associate of"

9. *Page 20, Subclause 31(2):* In the French version, strike out lines 41 to 45 and substitute the following:

"«représentant» désigne toute personne administrant les biens d'autrui, notamment les fiduciaires, tuteurs, curateurs, exécuteurs ou administrateurs de succession;"

10. *Page 22, Subclause 32(7):* In the French version, strike out lines 38 and 39 and substitute the following:

"de la *Loi sur les sociétés canadiennes à but non lucratif*;"

11. *Page 23, Subclause 32(9):* Strike out line 21 and substitute the following:

"each class that exists when the security is issued; or"

12. *Page 25, Subclause 34(2):* In the French version, strike out line 37 and substitute the following:

[Senator Hayden.]

"lières ainsi que ses héritiers ou le mandataire de ceux-ci;"

13. *Page 26, Subclause 34(6):* In the French version, strike out line 17 and substitute the following:

"émise au profit de codétenteurs"

14. *Page 29, Subclause 38(3):* In the French version, strike out line 15 and substitute the following:

"(3) Sous réserve de l'article 40, le défaut"

15. *Page 31, Subclause 44(2):* In the French version, strike out lines 25 to 35 and substitute the following:

"44. (2) L'acquéreur ou le courtier, avisé de la détention d'une valeur mobilière pour le compte d'un tiers, de son inscription au nom d'un représentant ou de son endossement par ce dernier, n'est ni tenu de s'enquérir de la régularité du transfert ni réputé connaître l'existence d'une opposition; cependant l'acheteur qui sait que le représentant agit en violation de son mandat, notamment en utilisant la contrepartie ou en effectuant l'opération, à des fins personnelles, est réputé avisé de l'existence d'une opposition."

16. *Page 32, Subclause 46(3):* In the French version, strike out lines 30 to 32 and substitute the following:

"reur, est chargé de livrer une valeur mobilière pour le compte d'une autre personne ou en recouvrement d'une"

17. *Page 33, Subclause 48(1):* In the French version, strike out line 18 and substitute the following:

"plus en cette qualité ou son successeur;"

18. *Page 33, Subclause 48(2):* In the French version, strike out line 42 and substitute the following:

"ture aucune modification des circonstances"

19. *Page 35, Subclause 51(1):* In the French version, strike out line 3 and substitute the following:

"ment à l'émetteur ou à tout acquéreur, à l'ex-"

20. *Page 39, Subclause 60(3):* In the French version, strike out line 2 and substitute the following:

"raisonnables pour déterminer les personnes"

21. *Page 39, Subclause 60(6):* In the French version, strike out line 20 and substitute the following:

"(6) L'émetteur n'est réputé connaître le con-"

22. *Page 40, Subclause 61(2):* In the French version, strike out line 9 and substitute the following:

"*a*) signification de l'ordonnance d'un tribunal; ou"

23. *Page 40, Subclause 61(3):* In the French version, strike out line 27 and substitute the following:

"sonne désignée comme tel n'est pas tenu"

24. *Page 41, Subclause 63(2):* In the French version, strike out line 43 and substitute the following:

"*b*) lui fournir un cautionnement suffisant; et"

25. *Page 44, Subclause 68(1):* In the French version, strike out line 13 and substitute the following:

"faite en vertu de la *Loi sur la preuve au Canada* et visée au paragraphe (4), une liste"

26. *Page 45, Clause 70:* In the French version, strike out line 31 and substitute the following:

"*a*) en une déclaration faite en vertu de la *Loi sur la preuve au Canada* ou un cer-"

27. *Page 47, Clause 75:* In the French version, strike out lines 10 and 11 and substitute the following:

"bonne foi, fait état de déclarations faites en vertu de la *Loi sur la preuve au Canada*, de certificats, d'opinions ou de rapports"

28. *Page 48, New Clause 80.1:* Add, immediately after Clause 80, the following clause:

"80.1 A receiver or receiver-manager appointed under an instrument shall act in accordance with that instrument and any direction of a court made under section 82."

29. *Page 48, Clause 82:* In the French version, strike out line 30 and substitute the following:

"pertinentes, et d'entériner les actes du"

30. *Page 54, Subclause 93(4):* In the French version, strike out lines 31 to 34 and substitute the following:

"(4) La société ou la personne agissant en son nom n'engagent pas leur responsabilité en diffusant la déclaration faite par un administrateur en confor-"

31. *Page 55, Subclause 94(4):* In the French version, strike out line 24 and substitute the following:

"de la catégorie ayant le droit exclusif de le faire."

32. *Page 57, Subclause 97(9):* In the French version, strike out line 9 and substitute the following:

"les participants de communiquer oralement entre eux;"

33. *Page 58, Subclause 101(1):* In the French version, strike out line 16 and substitute the following:

"l'apport en numéraire qu'elle aurait dû rece-"

34. *Page 59, Subclause 101(6):* In the French version, strike out line 16 and substitute the following:

"numéraire que la société aurait dû recevoir."

35. *Page 59, Subclause 102(1):* In the French version, strike out lines 21 to 26 and substitute the following:

"102. (1)Les administrateurs, durant leur mandat, sont conjointement et solidairement responsables envers les employés des dettes résultant de l'exécution par ceux-ci de services au profit de la société, jusqu'à concurrence de six mois de salaire."

36. *Page 65, Subclause 107(4):* Strike out lines 22 to 31 and substitute the following:

"liability incurred by him

(a) in his capacity as a director or officer of the corporation, except where the liability relates to his failure to act honestly and in good faith with a view to the best interests of the corporation; or

(b) in his capacity as a director or officer of another body corporate where he acts or acted in that capacity at the corporation's request, except where the liability relates to his failure to act honestly and in good faith with a view to the best interests of the body corporate."

37. *Page 66, New Subclause 109(3):* Add to Clause 109 the following subclause:

"(3) The articles or by-laws of a corporation may authorize indirect voting at any meeting of members and, where the articles or by-laws authorize such voting the members may vote through a representative of any subdivision of members of the corporation notwithstanding that the members of the subdivision do not constitute a separate class."

38. *Page 68, Subclause 117(2):* Strike out lines 18 to 27 and substitute the following:

"(2) Notwithstanding subsection (1), the members of a corporation may, by ordinary resolution, authorize a meeting of members to be held outside Canada."

39. *Page 73, Subclause 123(1):* In the French version, strike out line 6 and substitute the following:

"*b*) à défaut de fixation d'une date de référence,"

40. *Page 73, Subclause 123(3):* In the French version, strike out line 33 and substitute the following:

"néa (1)*b*) les personnes y inscrites."

41. *Page 74, Subclause 124(1):* Strike out line 1 and substitute the following:

"meeting of members, irrespective of the number of persons actually present at the meeting if the members entitled,"

42. *Page 74, Subclause 124(4):* In the French version, strike out line 14 and substitute the following:

"d'une seule catégorie ou par son fondé de"

43. *Page 83, Subclause 142(1):* Strike out lines 20 to 26 and substitute the following:

"142. (1) Not less than twenty-one days before each annual meeting of members or forthwith after the signing of a resolution under paragraph 127(1)(b) in lieu of an annual meeting,

(a) a charitable corporation, or

(b) a membership corporation that

(i) receives or has within the five-year period preceding the date of the documents referred to in section 137 received any grant of money or property from a government or agency thereof, or

(ii) solicits or has within the five-year period preceding the date of the documents referred to in section 137 solicited money or property from the public,

shall send a copy of the documents referred to in section 137 to the Director."

44. *Page 92, Subclause 157(1):* Strike out lines 16 and 17 and substitute the following:

"an amendment referred to in paragraphs (a), (b) and (e), entitled to vote separately as a class"

45. *Page 94, Subclause 162(1):* In the French version, strike out line 2 and substitute the following:

"société mère et ses filiales, peuvent fusionner"

46. *Page 94, Subclause 163(1):* In the French version, strike out line 9 and substitute the following:

"qui énonce les modalités de la fusion et notamment:"

47. *Page 96, Subclause 165(2):* In the French version, strike out line 15 and substitute the following:

"(2) Plusieurs filiales dont est entièrement pro-"

48. *Page 96, Subclause 166(2):* In the French version, strike out lines 38 to 40 and substitute the following:

"déclaration faite en vertu de la *Loi sur la preuve au Canada* de l'un des administrateurs ou dirigeants de chaque société établissant, à la satisfaction du Directeur, l'exis-"

49. *Page 97, Subclause 166(2):* In the French version, strike out lines 11 and 12 and substitute the following:

"fusionnantes, ayant reçu un avis adéquant ne s'opposent pas à la fusion,"

50. *Page 98, Clause 167:* In the French version, strike out lines 5 to 8 and substitute the following:

"*e*) la société issue de la fusion remplace toute société fusionnante dans les poursuites civiles, criminelles ou administratives engagées par ou contre celle-ci;"

51. *Page 98, Subclause 168(1):* In the French version, strike out line 19 and substitute the following:

"ment peut, si la loi sous le régime de laquelle elle est constituée le permet et"

52. *Page 100, Subclause 169(6):* In the French version, strike out the marginal note and substitute the following:

"Changement de régime"

53. *Page 103, Subclause 170(10):* In the French version, strike out line 8 and substitute the following:

"tions visées au paragraphe (3), si les sociétai-"

54. *Page 104, Subclause 171(7):* In the French version, strike out line 28 and substitute the following:

"vingt jours de la réception de l'avis prévu au paragraphe (6)"

55. *Page 106, Subclause 171(15):* Strike out line 16 and substitute the following:

"approved by the resolution is effective or within such further period as a court may allow, apply"

56. *Page 109, Subclause 173(4):* Add to subclause 173(4), immediately after line 41, the following:

"(a.1) an order appointing counsel, at the expense of the corporation, to represent the interests of the members;"

[Senator Hayden.]

57. *Page 111, Clause 177:* Strike out lines 15 to 18 and substitute the following:

"(2) Notwithstanding subsection (1), the Director may, in respect of a district, issue a certificate of incorporation in accordance with section 234 in respect of a corporation with a name containing the words "chambre de commerce" notwithstanding the existence, in respect of that district, of a corporation with a name containing the words "board of trade" or "chamber of commerce".

(3) Notwithstanding subsection (1), the Director may issue a certificate of incorporation in accordance with section 234 in respect of a corporation that is not subject to this Part with a name containing the words "board of trade" or "chamber of commerce" where

(a) the activities of the corporation are not restricted to a district; and

(b) the Director has reasonable grounds to believe that the activities of the corporation are not inconsistent with the activities of a board of trade or chamber of commerce that is subject to this Part."

58. *Page 111, Subclause 178(2):* Strike out line 33 and substitute the following:

"proposed corporation, which support shall be evidenced by a petition in prescribed form signed by not less than thirty inhabitants of the area;"

59. *Page 111, Clause 179:* Strike out lines 41 to 44 and substitute the following:

"179. Section 171 does not apply to members of a membership corporation that is a board of trade or a chamber of commerce."

60. *Page 112, Clause 183:* Add to Clause 183, immediately after line 43, the following new Subclause:

"(2.1) A corporation that has property or liabilities or both may be dissolved by special resolution of the members or, where it has more than one class of members, by special resolution of the members of each class whether or not they are otherwise entitled to vote, if

(a) by the special resolution or resolutions the members authorize the directors to cause the corporation to distribute its property and discharge its liabilities or to do both; and

(b) the corporation has distributed its property and discharged its liabilities or has done both before it sends articles of dissolution to the Director pursuant to subsection (3)."

61. *Page 125, Subclause 198(6):* In the French version, strike out lines 10 to 21 and substitute the following:

"(6) Si les statuts

a) d'une société de bienfaisance, ou

b) d'une société mutuelle assimilée à une société de bienfaisance en vertu du paragraphe 2(9),

n'ont pas prévu les modalités de la répartition de ses biens à sa liquidation, le liquidateur doit sous réserve du paragraphe (7), transférer le reliquat des biens visés au paragraphe (3) à une ou plusieurs sociétés de bienfaisance exerçant au Canada les mêmes activités ou des activités similaires."

62. *Page 126, Subclause 200(3):* In the French version, strike out line 25 and substitute the following:

"figurant sur la dernière liste enregistrée"

63. *Page 130, Clause 205:* Add to Clause 205, immediately after line 6, the following subclause:

"(1.1) In addition to the powers set out in the order appointing him, an inspector appointed to investigate a corporation may furnish to, or exchange information and otherwise cooperate with, any public official in Canada or elsewhere who is authorized to exercise investigatory powers and who is investigating, in respect of the corporation, any allegation of improper conduct that is the same as or similar to the conduct described in subsection 203(2)."

64. *Page 131, Subclause 212(2):* In the French version strike out line 34 and substitute the following:

"n'ont pas agi avec diligence au cours des procédures;"

65. *Page 133, Subclause 214 (3):* In the French version, strike out line 30 and substitute the following:

"à l'article 137, ou de rendre compte en telle"

66. *Page 134, Subclause 215(1):* In the French version, strike out lines 31 and 32 and substitute the following:

"approuvé—ou peuvent approuver—la prétendue inexécution d'obligations envers la"

67. *Page 136, Clause 219:* In the French version, strike out line 27 and substitute the following:

"nom de la société ou de refuser de le réserver, de l'accepter, de le modifier ou de l'annuler en vertu de"

68. *Page 140, Subclause 230(3):* Strike out line 38 and substitute the following:

"proof that the person in whose name the security is registered is owner of"

69. *Page 141, Subclause 232(2):* In the French version, strike out line 14 and substitute the following:

"tion faite en vertu de la *Loi sur la*"

70. *Page 143, Clause 236:* In the French version, strike out line 26 and substitute the following:

"les affidavits ou déclarations faites en vertu de la *Loi sur la preuve au Canada*."

71. *Page 145, Subclause 240(3):* Strike out lines 19 to 23 and substitute the following:

"any change of a nature referred to in subsection 157(1) that affects a class of membership interests, unless

(a) the charter of the body corporate otherwise provides in respect of an amendment of the nature referred to in paragraph 157(1)(a), (b), or (e); or

(b) the holders of the class of membership interests approve the change in accordance with section 157."

72. *Page 145, Subclause 240(4):* Strike out lines 25 and 26 and substitute the following:

"directors of the body corporate incorporated or continued by or under an Act of Parliament other than this Act may, notwithstanding any provision in any other Act of Parliament or any provision in the charter of the body corporate, apply"

73. *Page 145, Subclause 240(6):* In the French version, strike out lines 37 and 38 and substitute the following:

"(6) Les personnes morales régies par les Parties II ou III de la *Loi sur les corporations cana-*"

Respectfully submitted,

Salter A. Hayden,
Chairman.

● (1410)

The Hon. the Speaker: When shall this report be taken into consideration?

Senator Hayden moved that the report be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

ECONOMIC COUNCIL OF CANADA

LETTER FROM PRIME MINISTER—QUESTION

Senator Flynn: Honourable senators, I wonder if the Leader of the Government could tell me the date of the Prime Minister's letter to the Chairman of the Economic Council of Canada and, if it is relevant in view of that date, whether any reply has been received from the council?

Senator Perrault: Honourable senators, when I tabled the document I inadvertently did not take specific note of the date of the letter. However, that information is easily obtainable.

Senator Flynn: There is no reply as yet?

Senator Perrault: I have no information with respect to a reply, honourable senators.

[*Later:*]

Senator Perrault: Honourable senators, I should like to repeat the date given in the document tabled a few moments ago. The date of the copies of the letter from the Prime Minister to the Chairman of the Economic Council of Canada, is March 15, 1978. It requested that the council—and I repeat this for the benefit of the Leader of the Opposition—take on certain responsibilities for analysis of inflation and productivity developments in the period after April 14, 1978.

I shall determine whether or not a reply has been received as yet.

Senator Flynn: I am quite sure no reply has been sent to the Prime Minister. The question is too involved for an early reply.

MIDDLE EAST

PARTICIPATION OF CANADA IN UNITED NATIONS PEACEKEEPING FORCE IN SOUTHERN LEBANON—QUESTION

Senator Olson: Honourable senators, I wonder if I could ask the Leader of the Government in the Senate whether Canada has been asked by the United Nations to provide troops for the proposed peacekeeping force in Southern Lebanon?

Senator Perrault: Honourable senators, it is my understanding that there has been communication between and among nations of the United Nations and Canada with respect to Canadian participation in and deployment of existent Canadian troops in such a peace force. Honourable senators are aware, of course, that Canada has established an unrivalled reputation in the world for activities of this nature, and it would be most remarkable if Canada were not at some point contacted.

Senator Olson: A supplementary question. Has Canada given a reply to the request?

Senator Perrault: Honourable senators, while I do not have the specific memorandum to that effect on my desk, it is my understanding—which I shall hopefully check out further this afternoon—that a positive response has been given by Canada. I will seek later this afternoon to provide the chamber with more specific information on this matter.

Senator Flynn: May we infer from this answer that Canada is in agreement with the resolution passed by the Security Council?

Senator Perrault: I would hesitate to comment on a question which has as high a degree of sensitivity as this question. Consequently, I would appreciate an opportunity to contact our officials in the office of the Secretary of State for External Affairs for further information and determine whether or not some official statement may be made available at this time.

Senator Olson: While the Leader of the Government is seeking that information, I wonder whether he could determine the number of troops involved in the request and whether or not Canada has given a commitment as to the size of the force.

Senator Perrault: That inquiry will get under way immediately. Hopefully more complete information can be provided later this day.

NATIONAL DEFENCE

USE OF CFB SUMMERSIDE, PRINCE EDWARD ISLAND—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 7—**By Senator Phillips:**

1. In view of the fact the Long Range Patrol Aircraft are to be stationed at CFB Greenwood, N.S., has the government found an alternative use for CFB Summerside, P.E.I.?

2. If so, does this include a facility for the overhaul and repair of helicopters?

(*Answered by Senator Perrault on March 14, as follows:*)

1. The Department of National Defence is currently examining a number of options for activities at CFB Summerside following introduction of the new Long Range Patrol Aircraft. Regardless of the ultimate configuration of the base resulting from these studies, Search and Rescue activities will be retained there and the base personnel establishment will remain at approximately its present size.

2. A facility for the repair and overhaul of helicopters is not among the options being studied; however, CFB Summerside will be capable of carrying out first and second line maintenance on its aircraft establishment, part of which will be helicopters.

COMPENSATION FOR FORMER PRISONERS OF WAR ACT

THIRD READING

Hon. Charles McElman moved the third reading of Bill C-27, to amend the Compensation for Former Prisoners of War Act.

Senator Flynn: Honourable senators, I am wondering whether the sponsor of the bill is in a position to tell me whether the committee took into consideration the representations made by the national president of the Polish Combatants Association in Canada and the national president of the Canadian Polish Congress regarding this bill. I was not present at the committee meeting when the bill was being considered, and I am wondering whether these representations were considered in any way.

Senator McElman: Honourable senators, very able representatives of both the Royal Air Forces Escaping Society and the Polish veterans groups were present during the committee hearing. The Minister of Veterans Affairs was present at the same time. We heard from all witnesses and then had our question-and-answer session.

The minister and his officials displayed sympathy for the representations made. It, of course, was not possible to adopt any amendments in committee that would meet the wishes of these groups. Those who appeared before the committee seemed quite satisfied that they had had a good hearing and that their representations had reached directly the minister involved.

● (1420)

Senator Flynn: Did the minister undertake to do anything about it?

Senator McElman: The minister did not undertake to make any amendments at this stage, nor in the immediate future, but he did show sympathy and indicated that he and his

department would give careful consideration to the representations made.

Senator Connolly (Ottawa West): Will the honourable senator permit a further question?

Was any information given as to the number of groups of servicemen of foreign armies who served with the Allied Forces during World War II, and as to the number of individuals in those groups who would be involved if this legislation were to apply to them?

Senator McElman: The evidence given was to the effect that former nationals of some 30 other countries would be involved, as with the Polish group.

As to the numbers from each of those countries and the number in total, it was not possible for the minister or the Chairman of the Canadian Pension Commission to give those figures to the committee. As a matter of fact, as I recall, it was said that it would be extremely difficult to come up with those figures.

Senator Connolly (Ottawa West): Was it suggested that some attempt might be made to do so by contacting those foreign national groups who are now Canadian citizens?

If I may couple that with a second question: I take it that in those discussions there were ex-servicemen who were in other forces of Her Majesty, namely, from other parts of the Commonwealth, who are not included in the total of 30 foreign groups.

Senator McElman: That does not include other Commonwealth countries, no. As to the numbers, it was indicated that, as in other questions of detail that were put to the witnesses, they would endeavour to determine what the figures were. I must say, in all fairness, that the indication we received was that the detail figures you speak of would be difficult to come by.

Senator Flynn: Was it agreed in committee that, on the whole, this bill is a very modest advance?

Senator McElman: I do not recall the word "modest" being used, Senator Flynn.

Senator Flynn: How would you yourself describe it?

Senator McElman: There seemed to be the general opinion that this was—-

Senator Flynn: Better than nothing?

Senator McElman: —that this was another admirable step forward in improving our veterans charter, which is in the foremost of all nations of the Western World.

Senator Forsey: Honourable senators, I wonder if I might ask Senator McElman one further question.

Did the witnesses from the Polish Canadian Congress, or Canadian Polish Congress, or whatever it is called, give any kind of estimate even of the number of people they thought might be involved from their own group?

Senator McElman: I believe there was an estimate. I cannot recall the figures that were used, but I believe there was an estimate. That, of course, would appear in the record of our committee hearing.

Motion agreed to and bill read third time and passed.

ELECTORAL BOUNDARIES READJUSTMENT ACT

BILL C-267 (PRINCE GEORGE-PEACE RIVER)—THIRD READING

Senator Macdonald moved the third reading of Bill C-267, respecting the Electoral Boundaries Readjustment Act (Prince George-Peace River).

Senator Flynn: Is it not going to be "on division"?

Senator Lafond: Naturellement.

Motion agreed to and bill read third time and passed, on division.

BILL C-358—(PONTIAC-GATINEAU-LABELLE) THIRD READING

Senator Côté moved the third reading of Bill C-358, respecting the Electoral Boundaries Readjustment Act.

Senator Flynn: On division.

Motion agreed to and bill read third time and passed, on division.

BILL C-412 (HUMBER-PORT-AU-PORT-ST. BARBE)—THIRD READING

Senator Macdonald moved the third reading of Bill C-412, respecting the Electoral Boundaries Readjustment Act.

Senator Flynn: On division.

Motion agreed to and bill read third time and passed, on division.

BILL C-414 (PRINCE EDWARD-HASTINGS)—THIRD READING

Senator Macdonald moved the third reading of Bill C-414, respecting the Electoral Boundaries Readjustment Act.

Senator Flynn: On division.

Motion agreed to and bill read third time and passed, on division.

• (1430)

[*Translation*]

BILL C-415 (SAINT-HENRI-WESTMOUNT)—THIRD READING

Senator Denis moved the third reading of Bill C-415, respecting the Electoral Boundaries Readjustment Act (Saint-Henri-Westmount).

Senator Lafond: On division.

Motion agreed to and bill read third time and passed, on division.

BILL C-417 (SAINTE-MARIE)—THIRD READING

Senator Côté moved the third reading of Bill C-417, respecting the Electoral Boundaries Readjustment Act (Sainte-Marie).

Senator Flynn: Unanimously.

Motion agreed to and bill read third time and passed.

BILL C-418 (HOCHELAGA-MAISONNEUVE)—THIRD READING

Senator Côté moved the third reading of Bill C-418, respecting the Electoral Boundaries Readjustment Act (Hochelaga-Maisonneuve).

Senator Flynn: On division.

Motion agreed to and bill read third time and passed, on division.

BILL C-423 (MÉGANTIC-COMPTON-STANSTEAD)—THIRD READING

Senator Denis moved the third reading of Bill C-423, respecting the Electoral Boundaries Readjustment Act (Mégantic-Compton-Stanstead).

Senator Flynn: On division.

Motion agreed to and bill read third time and passed, on division.

[*English*]

CANADA BUSINESS CORPORATIONS ACT

BILL TO AMEND—THIRD READING

Senator Hayden moved third reading of Bill S-2, to amend the Canada Business Corporations Act.

Senator Flynn: Honourable senators, I should like to place on record the fact that the Standing Senate Committee on Banking, Trade and Commerce has done excellent work on this bill. The committee received praise from the department, which, in itself, is something. I believe that the chairman of the committee and the members—I am a member but I do not attend as regularly as do others—deserve the thanks of both the Senate and the people of Canada.

Hon. Senators: Hear, hear.

Motion agreed to and bill read third time and passed.

APPROPRIATION BILL NO. 4, 1977-78

THIRD READING

Senator Molgat moved the third reading of Bill C-30, for granting to Her Majesty certain sums of money for the public service for the financial year ending March 31, 1978.

[*Translation*]

Hon. Jacques Flynn: Honourable senators, I will take only a few minutes of your time with respect to this bill. It was mentioned last Thursday that I intended to speak on second reading but what I have to say applies as well to the third reading.

I wanted to say about the total amount of government expenditures for the year ending at the end of next week that reaching the objective of $44,450 million—and we will know if it was reached only at the end of August—is something in itself.

Senator Everett said he was very pleased that the increase in government expenditures over the previous year—and I am not talking about the amount authorized in the supply bills, that is that the amount of $44.5 billion—is 10.2 per cent less than the growth of the gross national product. Of course, compared with previous years when in 1974-75, for example, we had an increase of 28.3 per cent, in 1975-76 we had an increase of 8.4 per cent and in 1976-77 it was about the same as this year. So I agree but I do not call that austerity. What they say is that it will not be higher than the comparable increase in the gross national product.

Honourable senators, I do not see why the government's target must always be to spend in about the same proportion as the gross national product increases. Why must government expenditures always increase in that proportion? I see no reason to it. Of course, if the government does not have the courage to cut the expenditures in existing programs, to terminate existing programs or not to enter into new programs that are not absolutely necessary, if only from a purely electoral standpoint we will always have that increase. So it is clear that the government is always trying to be omnipresent and the minimum it set for itself in the last few years is not to increase its expenditures more than the increase in the gross national product. So I do not think the government deserves to pat itself on the back about that. It might rather rap its own knuckles. That is all I wanted to say about the amount of the estimates.

Now, I would like to make a few comments about the bill itself.

I have had an opportunity to discuss this problem. I would like to draw your attention to subclause 3(2), which reads:

> The provisions of each item in the Schedules shall be deemed to have been enacted by Parliament on the 1st day of April, 1977.

That is to say almost one year ago, right? The provisions of each item in the schedule are retroactive.

Clause 4(1) reads as follows:

> Where an item in the Estimates referred to in section 2 purports to confer authority to enter into commitments up to an amount stated therein or increases the amount up to which commitments may be entered into under any other Act or where a commitment is to be entered into under subsection (2), the commitment may be entered into in accordance with the terms of such item . . .

It means that in fact Parliament abandons to the government any real control it could have over spending. In fact, we are telling the government: what you did until now was all right. So the government spends before it gets parliamentary approval. It is another case where the Auditor General was right to say that the government has lost control over government spendings. It is obvious here that the government can spend in excess of the approved budget and it just has to say to Parliament at the end of March, just before the end of the fiscal year: We need $1 billion or so, like in this case, but tell

us that what we have done so far since last April, since the beginning of the fiscal year, was correct.

That is the exact purport of this kind of bill which we get every year. So I suggest that some day the Senate Committee on National Finance should study the wording of such bills. I have asked for this in the past and again I suggest that we establish exactly what are the powers given to the government through that kind of bill. Of course it does not bother Senator Denis but that is another matter. According to him, we can give blank cheques if it is a Liberal government. But I am anxious to see what their attitude will be after the next election when, to restore public confidence, Canadians will have decided to elect another government.

In any event I say that this bill, honourable senators, asks you to forget all irregularities that might have occurred since last April 1; all commitments taken are to be approved retroactively. Is this parliamentary control over spending? I say no. I say it is a situation into which perhaps we should delve deeper at the Senate Committee on National Finance where we might establish the exact scope of those bills.

Senator Molgat: Honourable senators, I took note of the comments made by my honourable colleague, Senator Flynn. Concerning those last comments I have no ready answer to give him for the moment. If he so wishes, I would be prepared to propose the adjournment of the third reading to give him a more precise answer. If not, I think that the Senate Committee on National Finance could well study this proposal and inquire about its scope when it meets again. I think that if this meets with your approval, we could now proceed with the third reading.

Senator Flynn: Agreed.

Senator Molgat: With regard to government spending—and the comments made at the beginning—I think that the fact that the government has indeed managed to reduce substantially the increase—

Senator Flynn: The increase?

Senator Molgat: —the annual increase in spending, is already a big step.

Senator Flynn: It's better than nothing.

Senator Molgat: To jump to the conclusion that we must now have spendings which increase at the same rate as the gross national product, I do not think that it is quite the case. I do not think that each year the government has said that we are going to increase by such and such amount, but rather that we are not going to spend that amount. And already I think that this is a significant step for one must concede that the population increases and that there are programs which keep increasing quite naturally, and even if no new programs were launched there would still be an increase that cannot be altered.

• (1440)

So I think that what the government has done is certainly quite praiseworthy and indicates on its part a sense of financial responsibility which, short of deserving a pat on the back, as Senator Flynn put it, at least commands some congratulations.

Motion agreed to and bill read third time and passed.

[*English*]

MIDDLE EAST

PARTICIPATION OF CANADA IN UNITED NATIONS PEACEKEEPING FORCE IN SOUTHERN LEBANON—QUESTION ANSWERED

Senator Perrault: Honourable senators, since I must leave the chamber very shortly, may I have leave to make a statement on UN peacekeeping?

The Hon. the Speaker: Is leave granted?

Hon. Senators: Agreed.

Senator Perrault: Canada has not been officially asked to send any new troops. However, we have been asked to deploy some of those who are now in the Middle East, and this request is being studied.

Should we be asked for more troops, the request will be studied sympathetically, keeping in mind the qualifications put forward last Friday by the Honourable Secretary of State for External Affairs, that is, if we have the capability to perform the role we are asked to perform and provided the mandate is one we can accommodate. Consultations are now going on in New York, and the Government of Canada has indicated that it is prepared to assist in any way that may be possible.

I appreciate the indulgence of honourable senators in order to make that statement.

Senator Olson: When the request asks for troops which are already deployed in the Middle East, does that mean only those in the Egypt-Israel area, or does it include those in the Cyprus area?

Senator Perrault: I am simply not able to go beyond that statement at this time.

PRIVATE BILL

ROYAL CANADIAN LEGION—SECOND READING

The Senate resumed from Thursday, March 16, the debate on the motion of Senator Connolly (Ottawa West) for the second reading of Bill S-10, respecting the Royal Canadian Legion.

Hon. John M. Macdonald: Honourable senators, in his speech on second reading of Bill S-10, Senator John J. Connolly, the sponsor, gave a precise and interesting summary of the history of the Royal Canadian Legion. Of course, it would not be possible at this time to relate all of the good work done by that organization.

However, it is well known that the main field of its activity was in relation to war veterans and the dependants of war veterans. In this field alone it has more than justified its existence. It has been active in other fields as well, doing work not only for the benefit of veterans but for the benefit of all

Canadians. It has been, and is, actively involved in many works of national, provincial and community importance. Indeed, the purposes and aims of the Legion authorize it to engage in many activities apart from its work on behalf of the verterans of Canada's wars.

● (1450)

Since the bill before us proposes to amend one of these purposes, I should like to have all of them on the record. They are listed in section 4, chapter 84, Statutes of Canada, 1948, with some amendments. Since there are 22 of them, I would ask at this time for leave to have them inserted in my speech at this point.

Senator Connolly (Ottawa West): Are these simply the powers and purposes of the Legion that are to be listed?

Senator Macdonald: These are what are called the purposes and objects of the Legion. As amended up to date, it lists them all.

The Hon. the Speaker: Honourable senators, is it agreed?

Hon. Senators: Agreed.

[*Section 4, Chapter 84, Statutes of Canada, 1948, as amended—text follows.*]

The purposes and objects of the Legion shall be:

(a) to constitute an association of those who have served in His Majesty's navy, army, air force or any auxiliary force, which association shall be democratic and non-sectarian; and shall not be affiliated to or connected directly or indirectly with any political party or organization;

(b) to bring about the unity of all who have so served;

(c) to further among them the spirit of comradeship and mutual help, and the close and kindly ties of active service;

(d) to pass on to their families and descendants the traditions for which they stand;

(e) to perpetuate the memory and deeds of the fallen and to those who die in the future;

(f) to promote and care for memorials to their valour and sacrifice, to provide suitable burial, to keep an annual memorial day, to preserve the records and memories of their service and to see that such service shall not be forgotten by the nation;

(g) to ensure that proper attention shall be paid to the welfare of all who have served and the welfare of their dependents and to see to the maintenance and comfort of those who require special treatment, particularly the disabled, sick, aged and needy, and to promote the welfare of their dependents;

(h) to educate public opinion regarding national duties to the dead, the disabled and others who have served, and their dependents;

(i) to foster loyalty among the public and education in the principles of patriotism, duty and unstinted public service;

(j) to strive for peace, goodwill and friendship among all nations, at the same time advocating the maintenance by Canada of adequate and sufficient forces on land, sea and in the air for the defence of our country and for the discharge of those obligations which rest upon us by virtue of our partnership in the Commonwealth;

(k) to support suitable undertakings for the training, employment and settlement of ex-service men and women, and the education of their children;

(l) to preserve their statutory, acquired and legitimate rights, and those of their dependents and, in so doing, to offer the Legion's co-operation to those officially charged with the responsibility of administering such rights by federal or other governments;

(m) to assist comrades now serving, especially in connection with their return to civil life, and to safeguard the interests of their dependents whilst they are in service;

(n) to assist ex-service men to secure not less than the recognized standard rates of wages;

(o) to secure adequate pensions, allowances, grants and war gratuities for ex-service men and women, their dependents, and the widows, children and dependents of those who are dead, and to labour for honourable provision being made for those who, in declining years, are unable to support themselves;

(p) to co-operate with Commonwealth, Empire and Allied associations of similar aims and objects;

(q) to establish, organize and regulate provincial and local bodies, or commands and branches, in convenient centres throughout Canada and elsewhere;

(r) to establish, organize and regulate provincial and local bodies;

(s) to acquire, hold, sell or lease real and immovable personal and movable property;

(t) to raise and co-ordinate funds for assisting those mentioned in the preceding paragraphs, to provide for the administration of the Legion and its authorized provincial commands, branches and ladies' auxiliaries and to see that these and other funds raised for such purposes are applied to those purposes and no others;

(u) to act generally on behalf of all those who have served in His Majesty's forces;

(v) to encourage, promote, engage in or support all forms of national, provincial, municipal or community service, or any charitable or philanthropic purpose.

Senator Macdonald: Honourable senators, as time goes on it is natural that less time needs to be devoted to matters concerning the veterans and more time can be devoted to other Legion activities. As veteran membership is growing older and older members are dropping off, some change in membership is necessary, and indeed desirable, if the Legion is to continue

to be the vital force for good in the life of Canada that it has been up to now.

Some changes in membership have already taken place over the years. The sponsor of the bill mentioned the various types of associate membership that the Legion now has, which do not carry the right to vote or to hold office. There has been a widely supported proposal that sons and daughters of veterans, who are now admitted to associate membership, be admitted to full membership, and I personally think this is a normal development which deserves support.

When I first noticed that an amendment to the act of incorporation was to be introduced, I thought it was to accomplish that purpose—in other words, that it would give the sons and daughters of veterans full membership, which carries the right to vote and to hold office. Indeed, I got that impression from a statement by the Assistant Dominion Secretary, as reported by a Canadian Press despatch of March 10. The news item does not report the statement itself, but explains it. I will quote part of the report:

> The Royal Canadian Legion has been swamped by callers who wrongly think the Legion is opening its ranks to all civilians, Rodney Johnston, the Legion's assistant dominion secretary, said Thursday.
>
> Johnston said in a statement that the Legion now is seeking an amendment to its federal act of incorporation that would make it possible for sons and daughters of Legion members to become full members with the right to vote and hold office.
>
> If Parliament approves the change, it would be up to the Legion's annual convention to decide specifically what new groups of people will be allowed to join.

Further on, the report reads:

> Johnston said this change is intended to clear the way for sons and daughters to join. About 80,000 now are associate members without the right to vote or hold office.

I, at least, got the impression, as I expect many others did, that the amendments sought dealt only with associate membership of sons and daughters of veterans. However, Bill S-10 goes a great deal further than that. Section 4 of the original act of incorporation reads:

The purposes and objects of the Legion shall be:

> (a) to constitute an association of those who have served in His Majesty's navy, army, air force or any auxiliary force, which association shall be democratic and non-sectarian; and shall not be affiliated to or connected directly or indirectly with any political party or organization.

That is the paragraph which is to be amended. Bill S-10, makes a very important, and indeed far-reaching, change to that paragraph, because it provides:

> Paragraph 4(a) of chapter 84 of the Statutes of Canada, 1948 is repealed and the following substituted therefor:
>
> "(a) to constitute an association of those who have served in Her Majesty's navy, army, air force or any auxiliary force—

This is the amendment:

> —and of others who support the purposes and objects of the Legion—

I think the passing of this amendment would leave the door wide open for membership in this organization, so that it would be possible to change the very nature of the Legion.

Personally, I think it would have been better practice if this proposed amendment had been considered by the Dominion convention before Parliament was asked to pass it. That convention is to be held around the middle of June this year. It has been said that the convention will decide who of these associate members shall have full membership, and I have no doubt the convention will propose that sons and daughters shall be given full membership and no others. However, the possibility is there, and before this amendment is passed there are a couple of things I should like to know.

First, I should like to know whether the Dominion executive contacted the provincial commands, and, if so, whether the provincial commands contacted local branches so that they know what is being proposed. If they are not informed, delegates might go to the convention believing that the only amendment is one giving the sons and daughters of veterans full membership, not knowing that it is far wider than that. I hope that this bill will be referred to a committee, and that the Legion officers will appear and satisfy those who, like myself, are concerned about it, and who want to know that its passage, either in its present form or some amended form, is desirable.

I should perhaps mention, honourable senators, that in speaking this way I am speaking only for myself. I have not contacted any Legion members, or even my local branch. If I may interject a personal note, I have been a member of a local branch since 1945. While I have never held major office in any branch or done very much in my branch, I was a member of the executive of that branch from 1945 to 1961, when I came to the Senate. Ever since then that branch has honoured me by annually electing me its honorary president, an honour which I greatly appreciate.

Hon. Senators: Hear, hear.

Senator Macdonald: Honourable senators, I am sure that when this bill goes to committee we will have an opportunity to go into it more fully.

Hon. John J. Connolly: Honourable senators—

The Hon. the Speaker: Honourable senators, I wish to inform the Senate that if the Honourable Senator Connolly speaks now his speech will have the effect of closing the debate on the motion for second reading.

Senator Connolly (Ottawa West): Honourable senators—and Mr. Honorary President—what Senator Macdonald has said is very clear and helpful. I believe the answers to the questions he has posed can be given only in committee. The plain fact of the matter is that what we are considering in this

bill is a proposal to enlarge the membership of the Royal Canadian Legion, and the question is: How far should the door be opened; how wide should that enlargement be? Perhaps it might be helpful if I place on the record some information which was given to me this morning.

● (1500)

I am given to understand that at the Dominion convention in 1976 some branches, by resolution or other means, asked the convention to consider enlargement of the membership. I believe that at that time the advice given was that this could not be done without an amendment to the charter within the procedure which is now being followed. Later in 1976 the Dominion Executive Council met—I understand the provincial commands are fully represented on that council—and a motion was adopted unanimously to enlarge the membership in the terms of the amendment proposed in the legislation now before us. I am bound to say that the preamble to that motion seems to restrict the enlargement of membership to sons and daughters of veterans, but the motion itself which was put before the executive council was a broader motion and in the same terms as the amendment before us.

In 1977 another attempt was made to reinforce this position and, as a result, the legal advisers to the Royal Canadian Legion suggested that the amendment we are now asked to legislate be sought. At a meeting of, I believe, the provincial secretaries, there was some discussion with respect to this matter. At that time they considered the question raised by Senator Macdonald, as to whether the proposal should emanate from the Dominion convention or should come from the Dominion Command to Parliament first. I believe the conclusion reached was: "Let us not get into the business of the chicken and the egg, and which came first, but let us take the bull by the horns and go at it." That is a pretty badly mixed metaphor.

Senator Flynn: There is quite a difference.

Senator Connolly (Ottawa West): There is a slight difference, yes.

The question now is whether eligibility for membership should be as wide as is proposed in this amendment, or whether the widened eligibility should be restricted, as was mentioned by Senator Macdonald, to sons and daughters of veterans. I may say that the provision allowing children of veterans to become auxiliary members is clause 209(2) of the by-laws of the Legion. However, these people, of whom there are a great many, are classified simply as auxiliary members, and they can neither vote nor hold office. While all that was desired at first was that sons and daughters of veterans be allowed to become full-fledged ordinary members, I believe the legal advice was, "It will probably not be long before the eligibility for membership will have to be widened still further, which will mean going back to Parliament again; therefore, why not take advantage of this opportunity to enlarge our present application to Parliament so that we will not have to go back a second time, or even more often."

[Senator Connolly (Ottawa West).]

I believe there is some merit in this, because the Dominion Command and the provincial commands, and even the branches themselves, have the authority to restrict membership to whatever categories they wish. It seems clear, assuming they have the powers proposed here, that if the Legion wishes to restrict it by by-law to sons and daughters of veterans as ordinary members that is their privilege and option. The option is one that may also be enjoyed by the branches. I see some merit in this, and also in the idea that they should not be required to come back to Parliament five or ten years from now saying they need more members still and wish to enlarge the eligibility for membership further.

However, honourable senators, I believe that Senator Macdonald's proposal that this bill be referred to a committee for a full airing of this proposition is a wise one, and I certainly support it.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Connolly (Ottawa West): I move that the bill be referred to the Standing Committee on Health, Welfare and Science.

Senator Flynn: Honourable senators, Senator Forsey would not dare say this, but he came to me after Senator Connolly's reference to the chicken and the egg, and taking the bull by the horns, and said that the bill should be referred to the Standing Senate Committee on Agriculture.

Senator Connolly (Ottawa West): I'd be afraid they might lay an egg!

Motion agreed to.

[*Translation*]

DISTINGUISHED VISITORS IN GALLERY

LES DAMES HÉLÈNE DE CHAMPLAIN OF OTTAWA REGION

The Hon. the Speaker: Honourable senators, I should like to direct your attention to the presence of a group of active members of the sociocultural movement, Les Dames Hélène de Champlain, of the Ottawa region, to whom I extend the heartiest welcome.

[*English*]

APPROPRIATION BILL NO. 1, 1978-79

SECOND READING

Hon. Gildas L. Molgat moved the second reading of Bill C-31, for granting to Her Majesty certain sums of money for the public service for the financial year ending March 31, 1979.

He said: Honourable senators, the main estimates for the year 1978-79, on which Bill C-31 is based, were tabled in the Senate and referred to the Standing Senate Committee on National Finance on February 23 last. The committee com-

menced its discussion of those estimates on March 14, and continued it on March 16. Provision has been made for further meetings of the committee.

The 1978-79 estimates total $48,250 million, consisting of budgetary expenditures of $46,476 million and net non-budgetary expenditures of $1,774 million. The bill now before us is the interim supply bill for the 1978-79 fiscal year, and will release a portion of these estimates to provide for all necessary requirements of the Government of Canada to June 30, 1978. The total expenditure proposed by Bill C-31 is $5,657,022,492.

• (1510)

Generally, the bill would release three-twelfths of the amounts contained in the votes of these estimates. However, there are additional proportions provided for the following items which cannot be accommodated within the general provision of three-twelfths. These additional proportions are required due to the seasonal nature of some programs, the need to pay certain grants, contributions and other costs early in the fiscal year, or to finance certain operations pending the receipt of revenue later in the fiscal year.

An additional eight-twelfths of the total of the amounts in the said estimates are required for:

Loans to Atomic Energy of Canada Limited to finance the purchase of the Port Hawkesbury heavy water plant (Energy, Mines and Resources).

Advances to the Passport Office (External Affairs).

Loans to the governments of the Northwest and Yukon Territories for making loans to municipalities for capital projects (Indian Affairs and Northern Development).

Payments to the Great Lakes Pilotage Authority Ltd. (Transport).

Federal Labour Intensive Projects (Treasury Board).

Payments to OPCAN (Treasury Board).

Home Insulation Program (Urban Affairs).

An additional six-twelfths of the total of the amounts in the said estimates are required for:

Payments to the Canadian Broadcasting Corporation for operating and capital expenditures associated with the 1978 Commonwealth Games (Secretary of State).

Summer student, youth employment and other employment initiatives (Treasury Board).

An additional five-twelfths of the total of the amount in the said estimates are required for:

Government contingencies (Treasury Board).

An additional four-twelfths of the total of the amount in the said estimates are required for:

Grants to municipalities (Finance).

An additional three-twelfths of the total of the amounts in the said estimates are required for:

Operating expenditures associated with the experimental communications satellite (Communications).

Various grants and contributions (Secretary of State).

An additional two-twelfths of the total of the amounts in the said estimates are required for:

Payments to refiners and other importers of crude oil and petroleum products (Energy, Mines and Resources).

Capital expenditures for the purchase of a chancery site in Washington, U.S.A. (External Affairs).

An additional one-twelfth of the total of the amounts in the said estimates is required for:

Operating expenditures of Uranium Canada Limited (Energy, Mines and Resources).

Program expenditures associated with the Inter-American Development Bank meeting to be held in Vancouver in April (Finance).

Operating funds for Social Assistance Programs (Indian Affairs and Northern Development).

Grant to the Institute for Research on Public Policy (Privy Council).

Program expenditures made prior to the collection of associated revenues (Supply and Services, and Transport).

Those provide for all of the proportions to be released under this interim supply bill.

Clause 5 of the bill would grant further borrowing authority of $5 billion for financing, not only the ordinary Canadian dollar operations of the government, but also foreign currency borrowing which may be undertaken from time to time.

Those are the main purposes of Bill C-31, and if honourable senators require any further information, I shall endeavour to provide it.

[*Translation*]

Senator Flynn: Before moving that the debate be adjourned, I would like to ask Senator Molgat a question about the terms used in clause 2.

I note that the bill asks for three-twelfths of the budget, or $5.188 billion. When the honourable senator explained the other items, he said "an additional amount representing eight-twelfths of, or six-twelfths of, of five-twelfths of." However, this is not what the bill says, since it says "eight-twelfths", "three-twelfths" and then "eight-twelfths". This would lead us to believe that the bill asks for only eight-twelfths. Otherwise, it should say "additionally, eight-twelfths", which in fact makes eleven-twelfths of schedule A, nine-twelfths of schedule B and eight-twelfths of schedule C. The bill is drafted in a strange way. I wonder if the mover of the bill has considered this matter. There does not seem to be any agreement. When he explains it, it is easy to understand, but when we read the bill, it is not so clear.

Senator Molgat: To reply to Senator Flynn, if I understand the bill, it in fact provides for three-twelfths of the total estimates.

Senator Flynn: Agreed.

Senator Molgat: This includes everything. In addition to these amounts—

Senator Flynn: No, the bill does not say so. This is what the bill does not say.

Senator Molgat: I think that when we read it, it is easy to understand. If we say three-twelfths of the total, we have a certain amount, which represents, I believe, $5 million and some—

Senator Flynn: Five million.

Senator Molgat: Then, if we add the other amounts, it is very obvious that these are added to the total amount of three-twelfths. However, I shall be happy to examine the text of the bill.

Senator Flynn: No, I do not think it is clear. However, on behalf of Senator Grosart, I move that this debate be adjourned.

[*English*]

Senator Buckwold: I have a question, the answer to which I do not think would be readily available. I should like to ask Senator Molgat whether he can provide statistics as to the percentage of the gross national product being taken by the federal government and, in addition, the percentages taken by provincial and municipal governments over the past five years?

I ask this question because there has been a great deal of comment on the amount of the gross national product that is spent by government. I should like to have specified the percentages that are spent by each level of government, because normally the figure is given in total. I should like to see an historic development indicating what share is going to what government. I have a feeling that the federal government will not look so bad in comparison to some of the other governments.

Senator Molgat: Honourable senators, at the moment it is impossible to provide the information in so far as the provincial governments and municipalities are concerned. Information as to the federal government's share of taxation was provided by the minister when he appeared before the National Finance Committee. I also believe it was given in the Senate last week. Certainly it is a figure that is readily available.

It was the subject of a brief discussion earlier by the Honourable Leader of the Opposition, who indicated that the federal government is now maintaining its annual growth at the same rate as the growth of the GNP. That was certainly the objective of the federal government, and it has been achieved. Further information will be sought with respect to the other levels of governments. I presume this information is available within government services, but I do not have it at hand.

Senator Buckwold: Does that mean you can obtain it?

Senator Molgat: Yes, I will endeavour to obtain that information.

On motion of Senator Flynn, for Senator Grosart, debate adjourned.

[Senator Molgat.]

• (1520)

CANADA ELECTIONS ACT
ELECTION EXPENSES ACT
NORTHWEST TERRITORIES ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. Paul Lucier moved the second reading of Bill C-33, to amend the Canada Elections Act, the Election Expenses Act and the Northwest Territories Act in respect of territorial elections.

He said: Honourable senators, I am very happy to be able to rise today to move the second reading of Bill C-33, to amend the Canada Elections Act, the Election Expenses Act, and the Northwest Territories Act in respect of territorial elections.

The intention of the bill is to effectively transfer the legislative and administrative responsibilities for the conduct of council elections in the Yukon and the Northwest Territories to the two councils, the commissioners, and their staffs. Honourable senators are no doubt aware that the Chief Electoral Officer of Canada is currently responsible for the conduct of territorial council elections pursuant to the provisions of the Canada Election Act. The Chief Electoral Officer and his staff have done a fine job over the years in carrying out this responsibility, and I know that he is prepared to continue this function if called upon to do so by the commissioners.

The bill itself consists of three parts. The first three clauses would amend the Canada Elections Act by repealing and replacing section 112 for the Northwest Territories and section 113 for the Yukon, and by repealing section 115, which is spent.

The effect of these revisions is twofold. First, they would remove the overriding provision that territorial council elections must be conducted in accordance with terms and conditions provided by the Canada Elections Act, and would allow future elections to be held under comprehensive territorial elections legislation. Secondly, these changes would authorize the Chief Electoral Officer to enter into agreements with the commissioners to conduct future council elections in accordance with territorial ordinances or, alternatively, they would allow territorial authorities to administer these elections completely without federal direction.

It is intended that these changes will come into force on a date to be set by proclamation and, in consultation with the commissioners, comprehensive territorial elections ordinances will be proclaimed on the same day.

The bill would also amend the Northwest Territories Act to provide the Commissioner in Council of the Northwest Territories with the legislative authority required to enact comprehensive elections legislation. The Yukon Council already has this power pursuant to section 14 of the Yukon Act, but the Northwest Territories Council does not. This change would come into force on royal assent.

The remaining clauses would repeal certain sections of the Election Expenses Act and provide transitional conditions for

the coming into force of the amendments to the Canada Elections Act.

The commissioners and the councils of the two territories have been consulted about the proposed elections transfer, and all are in agreement. The Chief Electoral Officer is in full agreement also, and his officials worked closely with those of the Department of Indian Affairs and Northern Development to develop the proposal. The Yukon Council recently enacted a comprehensive elections ordinance which will be proclaimed on the same day that the revised section 113 of the Canada Elections Act is brought into effect.

Commissioner Pearson and his Executive Committee would like to be able to conduct the next territorial election, which is due in the fall, in accordance with the new legislation. In the Northwest Territories, similar legislation will be presented to council at its next session in May, if the amendments to the Northwest Territories Act can be enacted prior to then. The next election in the Northwest Territories is expected in the spring of 1979.

Honourable senators, I have drawn your attention to these details to enable you to understand the need for quick passage of this bill. Once the legislation is in place, work will still be required by officials in both territories before the necessary administrative arrangements can be completed for the upcoming elections. I trust I have the support of honourable senators for this proposal.

This bill received the unanimous consent of all parties in the other place and was given first, second and third readings on the same day. I do not believe it requires being sent to committee, and I commend it to honourable senators.

On motion of Senator Flynn, for Senator Grosart, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Tuesday, March 21, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

OFFICIAL LANGUAGES

REPORT OF COMMISSIONER TABLED

The Hon. the Speaker: Honourable senators, I have the honour to table the Report of the Commissioner of Official Languages, for the calendar year 1977, pursuant to section 34(2) of the Official Languages Act, Chapter O-2, R.S.C., 1970.

DOCUMENTS TABLED

Senator Perrault tabled:

Nominal Roll of the Queen's Silver Jubilee Medal recipients (Volumes 1 to 5), dated March 1978.

BANKRUPTCY BILL, 1978

FIRST READING

Senator Perrault presented Bill S-11, respecting bankruptcy and insolvency.

Bill read first time.

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

Senator Perrault moved that the bill be placed on the Orders of the Day for second reading on Tuesday, April 4, 1978.

Motion agreed to.

QUEEN'S PRIVY COUNCIL FOR CANADA

INSTRUMENT OF ADVICE FOR SUMMONING A PERSON—QUESTION ON THE ORDER PAPER

Senator Forsey: Honourable senators, I wonder if I might ask the Leader of the Government when I might expect an answer to the question I placed on the order paper on March 2?

Senator Perrault: Honourable senators, an inquiry will go forward this day to ascertain the reason for the delay in providing a reply to the honourable senator's question.

THE ECONOMY

MEETING BETWEEN AMERICAN AND CANADIAN TREASURY OFFICIALS—QUESTION ANSWERED

Senator Perrault: Honourable senators, on March 9 the Honourable Senator Olson asked a question with respect to discussions between United States treasury officials and Canadian treasury officials. At that time he asked for a report to this house about those meetings and other matters relating to the relative values of the Canadian dollar and the United States dollar.

The purpose of the meeting on March 9 between the Minister of Finance and Messrs. Blumenthal, Secretary of the U.S. Treasury, and Schultze, Chairman of the Council of Economic Advisers, was to exchange views on the current economic situation. It was intended as a follow-up to the visit of Vice-President Mondale here in January.

Both sides offered their assessment of the economic situation in their own countries—including growth, inflation, and the exchange rate, as well as the world economy generally. Under the latter heading the "state of play" in the multilateral trade negotiations in Geneva was reviewed. A few matters of bilateral interest were also touched on, including U.S. policies on steel and tax deductibility of convention expenses.

There is no report as such on the meeting. Its purpose was not to negotiate or reach agreement on specific issues.

As to the specific question on the Canadian dollar, there were no agreements reached on joint actions. Both sides expressed satisfaction with existing channels of co-operation in this area. Mr. Blumenthal also assured Mr. Chrétien that rumours about the possible re-imposition of an interest equalization tax or import surcharges were unfounded.

Honourable senators, under separate cover I am forwarding to Senator Olson further detailed information with respect to his question, which information is too lengthy to be read at this time.

CANADA NON-PROFIT CORPORATIONS BILL

REPORT OF COMMITTEE ADOPTED

On the Order:

Consideration of the Report of the Standing Senate Committee on Banking, Trade and Commerce on the Bill S-3, intituled: "An Act respecting Canadian non-profit corporations".—(*Honourable Senator Hayden*).

Senator McElman: Honourable senators, with leave of the Senate and in view of special circumstances, I would ask that Order No. 4 be proceeded with as the first order of the day.

The Hon. the Speaker: Is it agreed honourable senators?

Hon. Senators: Agreed.

Hon. Salter A. Hayden moved the adoption of the report.

He said: Honourable senators, I should indicate to you just what Bill S-3 comprises. Bill S-3, as appears from the title, deals with the basic legislation in respect of non-profit corporations. When the Canada Business Corporations Act was enacted in 1975, it omitted to deal with non-profit corporations. This was intentional inasmuch as it was indicated at that time that the government intended to introduce a separate bill to deal with non-profit corporations. This bill came to us in November of 1977.

I should point out that included within the description of non-profit corporations would be such corporations as boards of trade, chambers of commerce, charitable foundations, and charitable organizations or corporations and others operating in the non-profit field, including those which are membership corporations. In this bill different treatment is given to various groups of these corporations, and I propose to deal with what I regard as the most important.

● (1410)

I should point out that in the report which was presented the other day there were 73 amendments proposed, of which 51 related to the French text. The need for that number arose from the fact that the basic concept of Bill S-3, dealing with non-profit corporations, goes back, so far as procedures and administrative functions are concerned, to the Canada Business Corporations Act, and it was proposed to incorporate many of those provisions into the governing provisions administratively and as to the proceedings in different circumstances under Bill S-3.

Since Bill S-3 had been introduced in the Senate after Bill S-2, which was under consideration, and since many amendments were incorporated in Bill S-2, which this chamber dealt with about a week ago on the report from the committee, it became necessary, in order to parallel the procedures in Bill S-3 with the procedures in the Canada Business Corporations Act, to provide amendments in the French text as against what was in the bill in the translation of the text at the time Bill S-3 was being considered by us. For all these reasons we have as many as 51 amendments to the French text.

There were 22 other amendments made, some of them arising for the same reason, and because of changes in approach to various subject matters, which I will indicate briefly in a moment, it became necessary to change the text of the English version in relation to some items to conform to the views of the committee, and also to conform to acceptance of those views by the departmental officers who were appearing before us. Of those 22, I would say that six, or possibly seven, are of considerable importance, and I now propose to deal briefly with those that I regard as being of material importance.

The first one relates to a submission made to your committee by the Canadian Red Cross Society. Our method of dealing with it was to make a provision for indirect voting by members of the corporation. In this case indirect voting meant to legitimate expressly the indirect voting structures such as exist in the case of the Red Cross Society. Since this is an important organization, I think I should take a moment or two to indicate exactly how the Red Cross Society functions.

The Red Cross Society, with its functions, its purpose, its national scope and the quality of the work which it does as a charitable organization, is well known to you. The society is made up of a large number of local branches varying in size from two to three members to something the size of the Toronto central branch, which has a large membership and 60 to 70 full-time employees. It is the branches which deliver Red Cross services to the public, and it is the branches which raise most of the money outside of government funding.

Branches are divided into divisions, which follow provincial boundaries in the main, and the divisions come together to form the national Red Cross Society. The only corporation is the Canadian Red Cross Society. There are no separately incorporated divisions or branches. It is this fact which constitutes the problem in Bill S-3.

The active volunteers under the various service programs, and contributors and those who serve as volunteers in the administration of branch, divisional and national programs—whether contributing money or services—like to think of themselves as being members of the Red Cross Society.

There was a problem in Bill S-3 with respect to the basic voting structure, which involves indirect voting. It has been estimated that the Red Cross Society has as many as 80,000 of these persons described as members, and the society feels that if it were to be charged with the responsibility of notifying all these persons, providing accommodation and paying all the expenses involved, it might cost them as much as $300,000. They felt that if this voting could be left unchanged they could spend the $300,000 much more usefully in pursuing their objectives.

To understand what is meant by indirect voting and indirect structures for voting purposes, let me explain that the members of each branch elect the members of the branch executive. Then, depending on the provincial divisions, all the branches—or some of them in rotation—are represented on the divisional membership by their executives, and by whoever is delegated from the branch to go to the divisional meetings. Then the divisional members of each division elect representatives to the central council, and these constitute the majority of the central council.

● (1420)

The meeting of the central council, so constituted, is the annual meeting of the Canadian Red Cross Society. The membership of the central council is 75 persons. The branches and divisions know that they have no legal status or entity, but that does not prevent them from meeting and serving the public, nor from electing the central council. The corporation records show only the members of the central council as members of the corporation.

Provision has been made to permit so-called "indirect voting" by adding subclause (3) to clause 109 of the bill, whether

or not the members are divided into classes of voting and non-voting members. Bill S-3 did not provide for such a method of voting, and the manner in which the Red Cross Society's branches and divisions act and vote to constitute the central council, plus the fact that the persons making up such branches and divisions describe themselves as members, perhaps loosely, seemed to raise a problem with clause 109. If the persons in these two categories are to be classed as members, the cost of notices and other expenses would be prohibitive, and would serve no useful purpose, as the system of election to the corporate entity—that is, the central council, which is the governing body of the Red Cross Society—is well established and supported, and it functions satisfactorily.

In those circumstances, the amendment made to clause 109 of Bill S-3 provides for this indirect method of voting, and in its term represents the indirect method of voting heretofore practised in the operations of the Canadian Red Cross Society. In view of the importance of this organization it was decided that this method be established, not only as a matter of desirability but of necessity, in order to eliminate expense and make more money available for the objectives of the organization.

The departmental officers who appeared before the committee agreed to accept the request of the Red Cross Society representatives who appeared before the committee. It was quite obvious to those officials from the department that the membership of the committee was going to provide for that kind of indirect voting, in any event.

The next item deals with meetings of members in Canada, and this involved amending clause 117 of the bill. I am referring to amendment number 38, and page 68 of the bill. What spurred action on this point was a feeling that the government of Canada should be consistent in its urging or encouraging foreign non-profit organizations to meet in Canada. As you know, there has been quite a discussion and a great deal of agitation on this subject. The newspapers have appeared to devote some space to criticizing our neighbour to the south because of the non-deductibility of convention expenses. To be consistent in respect of annual meetings, it was felt that there should be a specific provision in connection with meetings outside Canada. The provisions in the bill are not, in any sense, satisfactory in this respect, and would have made for considerable difficulty in respect of providing the necessary authority to hold a meeting outside Canada.

The next item deals with the question of disclosure of financial information. This caused quite a discussion, because there are charitable organizations or corporations, and there are membership corporations. Charitable organizations or corporations are required to file certain information with the income tax department, indicating the source of their funds and the expenditure of those funds, and they are also required to satisfy the income tax department that at least 90 per cent of the income received in this fashion has been expended for charitable purposes, in order to be tax exempt.

The department proposed an amendment requiring charitable organizations which receive grants from the government or government agencies, or which solicit funds for charitable purposes, to observe the financial disclosure requirements so that the public knows about the receipt and disbursement of such money. This amendment appears in clause 142 of the bill, and it proposes that any membership corporation which receives grants from the government or an agency of government, or which solicits funds within certain periods of time, shall disclose the receipt and expenditure of those moneys.

This might, of necessity, include boards of trade and chambers of commerce. Witnesses from these organizations appeared before us, and were very much concerned about clause 171 of the bill, under which provision was made for the right of dissent by a member. Attached to that was the provision that a member who dissented against management would be entitled to have an evaluation of the assets and would be entitled to demand his distributive share.

• (1430)

The boards of trade and chambers of commerce were opposed to this on the basis of what these organizations do. They provide services, and the member pays for those services. He receives the services, and therefore his right of dissent should not extend so far as to enable him to say, as I described it in committee, "I don't like the decision you have made on this point and I want to take my marbles and go back home". The proposed amendment is that the right to dissent in this fashion, with the consequences of such dissension, does not attach to the operations of boards of trade and chambers of commerce. In other words, they are exempt.

Hospitals are charitable organizations. As a matter of fact, I am identified, as president, with a hospital which falls into that category. The hospital can receive donations. It can receive public moneys and give receipts therefor, which entitles the donors to deduct such contribution for tax purposes.

It was felt that such hospitals, as charitable organizations, should have the obligation to make disclosure of the receipt and expenditure of those moneys because of the element of tax exemption, and that element of tax exemption brings into play the public interest. Tax is not being levied in relation to certain payments that are made to certain organizations in those circumstances. Therefore, we have another category of charitable corporation, namely, hospitals. Charitable foundations also come within this category.

It is true that I have considerably shortened my explanation of these charitable foundations, and in summary I will say that the right to dissent is not taken away from a member. A member may dissent from a decision of management. When the bill was presented in the Senate and dealt with in committee it included the right to demand valuation for assets and to take a distributive share of those assets and retire from the organization. That right does not attach to members of boards of trade and chambers of commerce.

The right to dissent which has not been disturbed is the right to dissent or object in the ordinary way to decisions of the management of a board of trade or a chamber of commerce, or the right to dissent in relation to decisions by

management in reference to anything that is dealt with in the operations and the functioning of a non-profit organization.

I hope that I have made the distinction clear. The peculiar type of dissent which entitles one to demand one's marbles and go home is not effective with regard to boards of trade and chambers of commerce. That item in the bill therefore disappears. But the basic element of a member's disagreeing with a decision of management still exists, and whatever remedies that a minority member can invoke would be available to him in questioning those decisions.

I should point out also that there is provision in the bill under which, in the event of the liquidation or dissolution of a non-profit corporation—if it is a charitable organization and there is liquidation or dissolution, and there is provision in the charter or articles of incorporation providing for such liquidation or dissolution—the distribution of assets may be made to like charities which heretofore have enjoyed the benefits while such a charitable organization was operating. The bill goes on to provide that if there is no such provision, an application to the courts may be made by a liquidator, if there is one, or otherwise by resolution of the members. In law this is called the application of the cyprès doctrine. That is, the court, with the assistance of the liquidator or others who are concerned with the distribution of the assets, will determine what are like charities to those that were served during the operation of the organization, and those are the ones which will benefit from the distribution of assets.

The bill provides in relation to membership companies, where there is liquidation or dissolution, unless there are specific provisions in the articles of association or in the charter provisions in the articles of association or in the charter providing for that situation, and how the distribution shall be made, that the distribution shall be determined pro rata to the membership of the organization existing at that time.

Those are the principal and important purposes that I have selected from the bill and developed today. I should point out that there is the requirement that the government, as stated in committee by the departmental officers, is anxious to tidy or adjust the situation in relation to non-profit corporations, because up to the present time we have non-profit corporations which are incorporated by special act. We have a general purpose act called the Boards of Trade Act, and groups of people can form a board of trade or a chamber of commerce under the provisions of that act.

● (1440)

Under the Canada Business Corporations Act, non-profit corporations are provided for in Part II, and the administrative purposes are in Part I. We were told in committee by the departmental officers that the correlation of Part I and Part II is not clear and that this has always presented confusion and difficulty. Therefore, there is provision in this bill under which existing non-profit organizations have five years within which they may continue under Bill S-2 after it becomes law. If they do not continue within that length of time, then they are dissolved.

That may seem to be a hardship, but we were told that the Department of Consumer and Corporate Affairs, when it is sending out notices to non-profit corporations each year, attaches a statement which indicates that the charter is dissolved under the Non-Profit Corporations Act of such and such a date. This procedure is repeated each year. In order to appear to be less harsh, even if a dissolution has taken place by failure of the corporation to act to continue, there is a provision in the bill—and therefore it will be in the Act—under which the charter may be revived. That is the last grasp which is made available, and if that does not work, that is the end of the road for the particular non-profit corporation.

Those are the items I intended to speak to you today about, and I feel that they can be regarded as being of major importance.

The representations made to us by the departmental officers were based on the state of the law which had its foundations many years ago. The first chamber of commerce incorporated in Canada was in Halifax, almost 100 years ago. The origins of the Toronto Board of Trade, which was incorporated by a special act, must go back to about 1870 or 1875. Therefore, in the opinion of the department, it is about time that all these procedures and administrative practices be brought up to date and put into one statute without working any hardship on the people who may be affected.

In committee we felt that the procedures amended at our suggestion were fair and adequate. We also felt that the procedures for continuing a corporation after a dissent interval were proper in the circumstances.

It seems to me that we desire one law of general application, and this will be the legislation which results from the enactment of Bill S-2 into law. This is all I have to tell you today. I can tell you that I have not omitted to deal with anything that seemed to me to be of material consideration.

Senator Beaubien: Honourable senators, Senator Hayden's lucid explanation of a difficult and intricate bill, and his ability to go through the whole bill without one note, emphasizes the fact that we are exceedingly fortunate to have him as Chairman of our Standing Committee on Banking, Trade and Commerce.

Hon. Senators: Hear, hear.

Senator Hicks: Honourable senators, I listened carefully to Senator Hayden's explanation. However, so that I can be absolutely sure, I will ask him if he might make a further comment or two on this point. Am I correct in my understanding that at the end of five years all non-profit corporations incorporated by other acts of Parliament will be brought under this legislation? I am particularly concerned because some of my colleagues in the Association of Universities and Colleges of Canada have raised questions as to how this is going to affect their corporate status.

Senator Hayden: My answer is that it may. The reason I say "it may" is this: a non-profit corporation incorporated by special act may apply to the Governor in Council to be continued under that special act, but the catch in that is the

statement made to us in committee that such an effort would not secure the sympathy or support of the department, perhaps not even the government.

It was pointed out in committee, however, that such a corporation seeking the consent of the Governor in Council to carry on under its original act would have to be completely satisfied with the terms of its special act. If it wanted any amendments, it would have to come under this bill when it becomes law. It was indicated pretty clearly to us that the co-operation necessary to assist in really all accounts, dividing some of the force and effect of this bill, might not be generously given.

Senator Connolly (Ottawa West): I wish to ask Senator Hayden a question about his explanation, and I apologize for doing so because he explained the amendments very clearly. While members of boards of trade and chambers of commerce would not be entitled to their distributive share of the assets on dissent, what about the situation in respect of other charitable organizations, for example, a hospital? I imagine a hospital is a case of a corporation that has not got membership. I am not clear in my own mind—and I really forget the discussion in the committee on that point—but I would take it that a member of a hospital organization would not, under this bill, have the right to dissent and to demand his distributive share of the assets.

● (1450)

Senator Hayden: I should point out to my friend that the right to dissent in the bill, under clause 171, is limited to membership non-profit corporations.

Senator Flynn: You could add also that there are no hospitals incorporated under the federal law.

Senator Connolly (Ottawa West): That was mentioned in committee as well.

Motion agreed to and report adopted.

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

Senator Hayden moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

APPROPRIATION BILL NO. 1, 1978-79

SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Molgat for second reading of Bill C-31, for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1979.

Hon. Allister Grosart: Honourable senators, we are dealing with this bill under somewhat unusual circumstances. Normally we expect a report on the main estimates from the Standing Senate Committee on National Finance, which we do not have before us, for the very good reason that the committee is still considering the main estimates, as are committees in the other place. We also do not have before us the usual rather full explanation of the intention of this bill, and as a result there seemed to be some confusion when the bill was introduced on second reading last night. This, I think, is due to the wording of the bill.

The question was asked, of course, whether the total requirements included the additional twelfths asked under certain subsections of clause 2. The answer is a rather interesting one. It was not given last night, but it is roughly this. The total expenditure requirements to be authorized by this bill amount to $5,657,022,492, and the general statement is that interim supply—because this is an interim supply bill—asks for three-twelfths of all estimates and other proportions of other estimates. Even adding on the other proportions, which gives us the total of $5,657,022,492, this is far from being three-twelfths of the main estimates, which are $48 billion. The explanation of that is that the three-twelfths deals only with the non-statutory items, which in the total budget amount to $20 billion, which is 42.6 per cent of the total budget, so that we are dealing with a request for three-twelfths plus some additional twelfths in specific cases of the $20 billion, which is 42 per cent of the total budget.

We are dealing now with the main estimates, because the bill before us makes a very definite reference to the main estimates in the preamble:

> Whereas it appears by message from His Excellency, the Right Honourable Jules Léger, Governor General of Canada, and the estimates accompanying the said message.

We therefore normally deal with the main estimates at the time we deal with the first interim supply bill. For that reason I have a few comments that may be of interest to honourable senators on these main estimates.

These estimates are put before us now in a form that is not traditional, and as far as I can see the purpose is, of course, to support the intended policy of the government stated prior to the 1976-77 estimates, that the government would undertake immediately a restraint program, and the objects of that restraint program were suggested as being a policy that the increase in government expenditure from year to year would not exceed the increase in the GNP. This was a policy that had been urged on the government for a good many years by the Senate Finance Committee, in fact going back to the days, I recall, when the late Senator Leonard was the chairman.

For many years the government paid no attention to that. The increases, as honourable senators will remember, leading up to the present, ran in this order: in 1973-74 the total estimates were $24 billion; in the next year $31 billion; in the next year $37 billion; in the next year $41 billion; in the next year $44 billion; and this year $48 billion. The general policy of restricting increases in federal spending intentions to the increase in the GNP has been more or less adhered to in the last two years. It has taken considerable manipulation of the figures, of course, to reach this conclusion and put it down in terms of a bill such as the one before us.

When I spoke on Appropriation Bill No. 4 for the last fiscal year, I said I was inclined to disagree with the statement in the report of the committee that the year-to-year figures were comparable. I am still of the same view, that they are not comparable, because there has been a decision, perhaps a wise one, to make certain bookkeeping, if you like, adjustments in the figures to reach this total.

In introducing the bill, the sponsor (Senator Molgat) referred to the breakdown between budgetary and non-budgetary, which he gave as $48.2 billion, consisting of budgetary of $46.4 billion and *net* non-budgetary expenses of $1,774 million. In the past it has not been usual to use that word "net," and it is part of the manipulation of the figures that I spoke of, because what has happened in this case—there are other cases, but this illustrates the point I am making—is that non-budgetary spending intentions are clearly shown as $1,774 million, as stated by the sponsor of the bill. The fact of the matter is that the actual spending on that item will be $2.256 billion. In other words, the actual spending, the money the government will spend in that non-budgetary item, will be $482 million more.

How do they arrive at that figure? The key is the word "net," because there will be loan repayments during the year of that $482 million. These are netted out, so we have a transfer from the revenue side to the spending side in an attempt to justify this total increased figure. This, of course, in accounting terms, is absurd. I say this because you could net out everything. The government could net out all its revenues against its expenditures, item after item, and then they could come before us and say, "The only thing we are really spending is the deficit"—as large as it is. The same principle could be applied, and the government could come back and say to us, "We are spending nothing but the deficit."

• (1500)

There are other instances of the same kind throughout. I am only mentioning these to show that the figures are not comparable, and that the 9.2 per cent increase in expenditures may not be, and almost certainly is not, realistic. To take one item as an example, the Canada Council expenditures this year will show as being $20 million less than they would have been if the Canada Council had not sold off certain assets. Obviously we could do this with almost every department of government. We could sell off some assets and net them against the spending intentions, and wind up with a budget half this size.

Another example is the Export Development Corporation in the amount of $365 million. The Export Development Corporation was previously funded by government so the funding would show in the estimates we have before us as a non-budgetary spending intention on the part of the government. The Export Development Corporation was persuaded, I presume, to borrow money from the private sector so it is not now borrowing from the government. The same principle applies. You could do that with every single non-budgetary expenditure which is a loan, investment or advance. The CMHC is in much the same category. It decided recently to sell off many of its loans for a total, I think, of about $473 million. This again will not show in the expenditure accounts in this area that I am discussing.

I point that out, honourable senators, because I think it is important that we are aware that the silver lining indicated in the clouds by the estimates and the government statements about the estimates is a little grey; it is not all that silver. Personally, I regret the fact that the government is using these devices. Whatever expenditures we are going to be required to make this year, they should not be offset by loss of revenue or, as in another outstanding case, by transfers to the provinces, but I will not go into that at the moment. They should not be offset by losses on the revenue side. This makes no sense in any system of accounting that I have ever heard of. Nor is there much sense in selling off assets to net them against expenditures, because if you are going to spend money then you are going to spend it, and obviously it has to come from somewhere. If it is coming from normal revenue sources, that is fine, but if you are selling off assets or transferring obligations from the federal government to the provinces, or transferring obligations from the public to the private sector, you should not claim that that money is not part of, and should not be taken into consideration in estimating, the total expenditures.

It is the very principle of net voting which the government itself in a recent report has condemned—this type of presentation of the figures which is not full disclosure. Yet the government is carrying it on here. It is prohibited now all over except in a few isolated cases which are being phased out, and it is prohibited in respect of payments from the private sector, so it is about time it was prohibited in terms of interdepartmental, inter-crown agency or inter-consolidated revenue fund payments.

Honourable senators will be interested to know where the increases are. An almost 10 per cent increase to $44 billion is a substantial amount of money. I should say again that the $48 billion figure for 1978-79 in itself cannot be taken just as it stands. The government has—and I commend them for it—added an amount of $1.550 billion as an estimate of what may be required in supplementary estimates. That is normal. But then for the first time, certainly in the last two or three years, the government estimates the normal lapse. There has always been a lapse ever since there has been a budget—that is, authorizations that cannot be carried forward, and departments that slipped up and did not spend all the money they were authorized to spend. For the first time in recent years we are taking this into account in the statement of government spending intentions, and in this case this is $1 billion. I have no doubt it will be reached, but again this illustrates these matters I am raising and makes these figures absolutely non-comparative beyond two years ago. I hope that Statistics Canada will in due course revise the total tables of federal government spending to reflect these matters that I am raising at this particular time.

The main increases this year show 48 per cent of budgetary increases in what is called the functional classification as health and welfare expenditures. Honourable senators are aware that government breaks down some of its expenditures

into 11 main functional categories. One of these is Health and Welfare, which accounts for 48 per cent of the total increase from year to year.

The increase in the public debt accounts for 20 per cent of the total increase. Perhaps this is a warning to government that continued large scale deficit financing is not postponing the evil day. The evil day is here, and each year, if we add to that public debt, we add to the next year's expenditures. Educational assistance above the secondary school level accounts for another 7 per cent. Those are the major items there.

On the objects—that is the classification of expenditures by objects—honourable senators will be interested to know that crown corporation deficits account for $737 million in the year's budget. The increased expenditures on the Unemployment Insurance Commission account will add $387 million. That is due, of course, to the decision of the government some years ago to make up the deficit in the fund over the actuarial basis at which it was sustained for many years. The cost of that fund this year will be approximately $3 billion.

• (1510)

Of that horrendous total of $737 million of deficits of crown corporations, honourable senators will be interested to know that the CBC deficit alone amounts to $522 million. Elsewhere in the estimates we find we are advancing further money to the CBC. The situation today is that the government is lending the CBC money to pay interest on the money the CBC owes to the government. It seems to me it is time for something to be done about that situation. It can be corrected, even if it means wiping out those debts that are obviously non-recoverable. We should stop carrying them as assets on the books of Canada. They are not assets; they are liabilities.

As I said at the outset, we are not at this time approving the main estimates or the government's spending intentions for the year. That, presumably, will be the function of the Senate when it receives the report of the National Finance Committee on its examination of the main estimates which, I presume, will take place after the election!

Hon. Gildas L. Molgat: Honourable senators—

The Hon. the Speaker: I wish to inform the Senate that if the Honourable Senator Molgat speaks now, his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator Molgat: Honourable senators, if I may, I shall go back to the debate of yesterday to answer a specific question asked by Senator Buckwold. I must admit that I did not reply accurately when I said the figures were not available, because, if fact, they are available. The answer is that they are in the book. Had I opened the book at the right page, I would have been able to reply at that time.

In this respect, I refer to the extra book tabled by the minister at the time of the tabling of the estimates and entitled *Federal Expenditure Plan: How your tax dollar is spent, 1978-79*. I commend that book to members of the Senate and to the Canadian public. It is a very informative book.

[Senator Grosart.]

At page 69 we find the information Senator Buckwold was asking for—that is, the expenditures of the various levels of government expressed as percentages of the gross national product. There are tables on page 68 outlining the expenditures for the federal government, the provincial governments, and local governments, and if we turn to page 69 we find that, including transfer payments to persons—and these are sizeable amounts—the share of the GNP taken by the federal government increased from 13.3 per cent in 1967 to 15.7 per cent in 1976. If you exclude the transfers to persons, the federal share was 8.9 per cent in 1967, and 9.7 per cent in 1976. Certainly this is a more moderate increase than that indicated by some people when they talk of federal government expenditures.

The provincial share of the GNP similarly increased in that period, but to a much greater extent. It went from 7.9 per cent in 1967 to 11.6 per cent in 1976. This represents a much larger percentage of increase and, obviously a much larger number of points.

The local governments' increase was smaller than this. Their share went from 8 per cent in 1967 to 8.1 per cent in 1976.

I should now like to turn to Senator Grosart's comments. As he indicated, we have not completed the study of the estimates in committee. We will have that discussion in the next few weeks. I agree with him when he says that that time has not yet come, but it will, and the comments he has made today will be considered then. When the report of the committee is presented there will be an opportunity for a complete discussion of the estimates. It is for that reason I rise now to close the debate, and not because I think Senator Grosart's comments should not be answered.

When Senator Grosart speaks of confusion in the bill, I cannot agree with him. I have read it carefully, and it seems to be fairly straightforward. First of all, clause 2 lists the full amount to be appropriated, and the full amount is $5,657,022,-492. That is stated in the opening words of clause 2, which then proceeds to enumerate the amounts which make it up in paragraphs (a) to (h). It is clear that all those are in addition; that they are not separate items. It is three-twelfths of the total to begin with, and then all of the other amounts in addition. However, if it is possible to make it clearer, I think we should do so. Again, this is something we can take up when we have a full discussion of the estimates. I have mentioned this to the departmental officials. If there is a way of making it clearer, I am sure it will be done and should be done.

Senator Grosart mentioned the presentation of the estimates. I shall not go into it right now, but it seems to me that when we were discussing this in committee, officials from Treasury Board were more than co-operative in giving us information and assisting us in any way that they could. I commend them for that, but I agree with Senator Grosart when he says that the finances of the country should be explained as clearly as possible to the people who pay the taxes.

There has been an attempt to do that. The Treasury Board has gone out of its way to accommodate us whenever it could.

One example that stands out in my mind is that the Treasury Board explained very clearly in committee the carryover of $1 billion, or, shall I say, the amount left unspent at the end of the year.

● (1520)

Senator Grosart, in his comments this afternoon, seemed to intimate that this was miscalculation—a failure on the part of the departments to do their job, or a miscalculation on the part of Treasury Board, or somebody. It was explained very carefully in committee that if you say to a department, "You are allowed to spend $1 million between March 31 this year and the end of the next fiscal period, and that is all you can spend; you cannot go over that amount," then quite obviously they have to hedge. They have to make sure that they do not have an overrun, and in order to guarantee no overrun they will, in some cases, have an underrun. It is not as if one is working on a plus or minus; one is working on an absolute top limit. One cannot go above that amount. A prudent manager, if that is his absolute top limit, must protect himself by ensuring that he is below it.

Senator Flynn: With supplementary estimates, you can do whatever you want.

Senator Grosart: What you are saying is not so.

Senator Molgat: Inevitably, one will end up by having some underruns. One cannot have that absolute top limit without having some underruns. It seems to me that that was explained in committee. Therefore, the $1 billion referred to is not due to sloppy business, and not due to mismanagement, but the rules that we ourselves impose on departments.

I could go on, honourable senators. There are a number of other points which Senator Grosart wanted to put on the record—and legitimately so. Having sat as a member of the opposition in another place, I quite understand that technique; but, on the other hand—

Senator Flynn: It is a necessity.

Senator Langlois: A necessary technique.

Senator Molgat: That may be so. But having said that, when we reach the committee stage, we can obtain a much fuller explanation of some of the other points, and have an extended debate when the report of the committee is presented.

Senator Grosart: Honourable senators, because I have been misunderstood, I am sure I am entitled to say that I did not use the word "sloppy" or any word of similar connotation in respect to lapsing funds. I made no criticism of them whatsoever. The honourable senator is obviously not familiar with the situation, if he gained that impression. It was not criticism. I merely drew attention to the fact that this lapsing anticipation is now being carried into the estimates. I did not go beyond that. I am sure that had the honourable senator been more familiar with the estimates, he would not have taken that meaning from what I said.

Secondly, the suggestion that I rose to respond to some sort of technique because I happen to be in opposition is, I am sure, due to a misunderstanding. I have always taken the attitude in committee, and in the chamber, that it is the function of the Senate to try to improve a bill, regardless of which side of the chamber the suggestion for improvement comes from. I do not think a debate such as this is helped by a suggestion that the main reason for a senator's rising to make suggestions for improving a bill is that he happens to be in opposition.

Senator Molgat: Honourable senators, I quite understand that my honourable colleague might not like some of the terms I have used. May I ask him to explain why he started off his comments by referring to "confusion" in the bill? I see no confusion in the bill. The only possible confusion—

Senator Flynn: That is your problem.

Senator Molgat: —is the confusion in my honourable friend's mind. Can he tell us what confusion there is in the bill, which, to me, is very clear?

Senator Grosart: I presume the honourable senator is again asking me a question, and again I have to question his hearing. I said there was confusion in the debate last night, and it might have arisen from the wording of the bill. That is very different from saying there is confusion in the bill. I referred to the fact that the word "additional" is not written into the subclauses once, but I am sure that when that is brought to the attention of the officials it will be. These twelfths are in addition; so that when we are asked by subclause 2(b), for example, to vote eight-twelfths of the total of the amounts of the several items in the said estimates set forth in schedule A, it is not eight-twelfths but eleven-twelfths that will be voted. That is an important consideration that the Senate will want to look at—that in this case we are voting eleven-twelfths of supply.

Senator Molgat: Honourable senators, if I may rise on a point of order, we are voting three-twelfths of the total. Under paragraphs (b) to (h) very clearly further twelfths—

Senator Grosart: It does not say further twelfths.

Senator Molgat: That is clearly identified to anyone who can read English.

Senator Grosart: The honourable senator says it is clearly identified. The fact of the matter is that when he was asked the question last night he did not have the faintest idea.

Motion agreed to and bill read second time.

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

Senator Molgat moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

The Senate adjourned during pleasure.

At 8 p.m. the sitting was resumed.

CANADA ELECTIONS ACT
ELECTION EXPENSES ACT
NORTHWEST TERRITORIES ACT

BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Lucier for the second reading of Bill C-33, to amend the Canada Elections Act, the Election Expenses Act and the Northwest Territories Act in respect of territorial elections.

Hon. Allister Grosart: Honourable senators, I thank Senator Lucier for his explanation of the bill. The passage of this bill in the House of Commons probably set a world record in that place, because there was agreement on the part of all parties and it went through second reading to committee and was given third reading in less than ten minutes. The total record of the Committee of the Whole in the House of Commons is three lines. As I say, it is a remarkable bill.

On the other hand, for a number of reasons, I have some doubts as to whether it would be appropriate for the Senate to pass it with such expedition. In the first place, in the Senate we are all conscious of the fact that one of the important reforms of the Senate in the last few years is in the area of this bill, which refers to the Yukon and to the Northwest Territories. The main purpose of the bill is to add one more step to the long, slow, but steady march of those two very important parts of Canada towards responsible government at much the same level as those of the ten provinces.

I say it is a long and slow march for many reasons. At the present time both the Yukon and the Northwest Territories have their own legislative councils. Indeed, it was just two years ago that we were able to join with the Northwest Territories in celebrating the first sitting of a wholly elected legislature in the Northwest Territories. It is a matter of pride to all senators that in the last few years we have added to our numbers two very distinguished senators, one representing the Yukon and the other representing the Northwest Territories. I refer to the Honourable Paul Lucier and to the Honourable Willie Adams.

The subject matter of the bill deals with a part of Canada which too often tends to be forgotten. As a matter of fact, an indication of what can happen is that in the *Canada Year Book* for the current year, which has just been published and has just been delivered, in the listing of honourable senators in this chamber, neither of those distinguished senators is named. It is true that the date given is as of January 1, 1977, but at that time we already had here one senator from that part of Canada and the other was on the way.

Something we often forget is that that part of our country comprises 40 per cent of the whole area of Canada. If you put the Yukon and the Northwest Territories together you are talking about 40 per cent of the total area of Canada.

It is the traditional role of the Senate, a role I am afraid often neglected, to concern itself particularly with the problems of minority areas and minority peoples in Canada. Although we are dealing here with, as I have said, 40 per cent of the land area of Canada, we are concerned with perhaps not more than 65,000 Canadians; but they are becoming increasingly important in the cultural, the economic and the social development of our country.

The long march to a level of self-government that would be satisfactory to the people of both the Yukon and Northwest Territories has been slow. There has been a degree of self-government given to these territories, but the main exclusion is the control of their own resources. I am quite sure that particularly those senators who represent the newer provinces of Canada in the development of our Confederation will realize the importance of that exclusion. The reason given in official documents is that these resources are widely scattered and that the population is thin. One doubts that that is the real reason. The real reason is that these resources are of tremendous value to Canada and we are still, in my view, at a level of the old mercantile thinking: that we should be careful about giving people control over tremendous resources. That, of course, was the basis of the whole mercantile theory in history; it is why colonies in the south revolted and why our newer provinces in Canada, particularly in the west, insisted that the essence for self-government was control of their own resources. But we still deny this to the people of these two parts of Canada.

I am not saying that this cannot be rationalized. There is a degree to which it can. Moreover, there is a considerable level of lack of control of their own finances. Perhaps that remains understandable so long as it is necessary for the federal government to support their financial position by direct contributions.

The history of the development of this long, slow march towards self-government is interesting. The Yukon won its right to representation in the House of Commons in, I think, 1902. The Northwest Territories was considerably later, first of all in 1953 for one member and in 1977 for a second member. It is interesting, I believe, that the first bill that was introduced to provide for an additional senator from the Northwest Territories was introduced in the Senate, and honourable senators will not mind my saying it was introduced by the official opposition.

• (2010)

Senator Flynn: It was introduced by you.

Senator Grosart: The bill itself is simple, as has been explained. I mentioned that it is one more step in the long march toward self-government. It provides, particularly, that the Legislative Council of the Northwest Territories will now have control of its own elections. The bill also refers to the Yukon situation, which is quite different, because in the Yukon that authority has been in place for a number of years. The bill purports to amend both the Canada Elections Act and the Election Expenses Act, as well as the Northwest Territories Act, to provide for the utilization of the services of the Chief Electoral Officer in connection with elections for the Council of the Northwest Territories and the Council of the Yukon Territory. It is, however, another small step toward the objective of self-determination in both these important areas of Canada, because in the case of the Northwest Territories the

people of the Territories asked for it. They wanted to control their own machinery, and when this bill is passed, they will have that right. As I say, it is a simple bill. It does not involve very much, but it is one more historical step toward the objective of full provincial self-government in these important parts of Canada.

Hon. Senators: Hear, hear.

Motion agreed to and bill read second time.

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

Senator Perrault moved that the bill be placed on the Orders of the Day for third reading at the next sitting of the Senate.

Motion agreed to.

TRANSFER OF OFFENDERS BILL

SECOND READING

Hon. Carl Goldenberg moved the second reading of Bill C-21, to implement treaties on the transfer of persons found guilty of criminal offences.

He said: Honourable senators, I am pleased to have the opportunity of moving second reading of Bill C-21 because in my opinion it is essentially a humanitarian measure. I am confident that it will commend itself to all honourable senators, as it commended itself, like the bill on which Senator Grosart just spoke, to the members of all parties in the other place, where the spokesmen for both the official opposition and the New Democratic Party urged its speedy passage.

The bill is designed to enable Canada to implement treaties which have been entered into with the United States and with Mexico allowing persons under sentence for criminal offences to be returned to the country of which they are citizens to serve their sentences. It applies to persons under sentence of imprisonment or who are on parole or probation. With respect to parole, it will be of some interest to honourable senators to note that the bill gives effect to a specific recommendation of the Standing Senate Committee on Legal and Constitutional Affairs in its report on parole in 1973, which reads as follows:

> Canadian governments should consider the possibility of agreements with foreign governments on exchange of parole supervision.

This bill, I repeat, gives effect to what the committee recommended almost five years ago.

Honourable senators, I wish to emphasize at the outset that this bill is not concerned with extradition or expulsion of foreign nationals. An important condition set out in the treaties is that no transfer may take place except with the consent of the person under sentence, of the authorities of the country in which he is held, and of the authorities of the country to which he wishes to return. In no circumstances will a person be transferred without his consent. I should point out further that the bill does not provide for an exchange of prisoners, for example, on a one-to-one basis. It is a transfer regardless of the difference in numbers affected in each country.

The provisions of the bill, while they deal with the transfer from Canada of a foreign offender who desires to return to his own country, deal in the main with the transfer to Canada of a person convicted in another country. The intent is that the offender on his return shall be treated in the same fashion as if he had been convicted and sentenced in a Canadian court. In serving the sentence in Canada the offender will be credited toward completion of his sentence with all time that stood to his credit in the foreign state at the time of his transfer. Moreover, he will also be eligible to earn remission at the same rate as a Canadian offender newly committed upon a sentence of imprisonment.

Implementing provisions of the treaties, the bill provides that a conviction and sentence abroad will not be subject to review in the Canadian courts when a Canadian offender is returned to this country. The United States and Mexico are, of course, similarly committed with respect to a Canadian conviction or sentence when one of their nationals is returned to them under the treaty.

The bill has been developed after consultation with the provinces, because it is they who will be charged with responsibility for the custody of a Canadian who is returned under the treaty and whose sentence was for less than two years. That falls within provincial jurisdiction. Accordingly, in these cases the consent of the provincial authorities is required before the federal authorities can agree to a transfer.

● (2020)

The bill seeks to deal with the difficult problem of establishing the length of time that a person returned to Canada while under incarceration must serve before parole is granted. In ordinary cases the National Parole Board will set an eligibility date, which is, as far as possible, the date at which the person would have had been eligible if the conviction and sentence had taken place in Canada.

This is not, however, a practical rule where a Canadian has been convicted of murder abroad. In Canada, as honourable senators know, a conviction of first degree murder renders the offender ineligible for parole for 25 years. In the case of second degree murder, the period of ineligibility is from 10 to 25 years, depending upon the decision of the court after ascertaining the views of the jurors. This is subject to the further complication that a person convicted of murder in Canada may apply to a judge after 15 years for a reduction in the period during which he is ineligible for parole when he was sentenced.

It will be at once apparent that these complexities of Canadian law cannot be made applicable without modification to foreign sentences of life imprisonment imposed for the offence of murder. In the result, a compromise has been reached in the bill whereby the Canadian offender is, in these circumstances, eligible for parole after ten years. However, the bill provides, by way of exception, that if the documents furnished by the foreign state show that the murder should be

treated as first degree murder, the person transferred is not eligible for parole until 15 years from the date of his conviction. It does not mean that he will automatically get parole, but he will not be eligible for 15 years.

With respect to day parole and temporary absence, the bill, in clause 10, imposes the same restrictions as are found in the Criminal Code.

Let me say a word about persons who return to Canada on parole or probation. Those on parole will be subject to the jurisdiction of the National Parole Board and will have to abide by the conditions imposed by the board. They will be subject to the same supervision as inmates paroled from Canadian institutions, and if the National Parole Board finds it necessary to revoke their parole they may be re-imprisoned, but, of course, in a Canadian institution, in the same way as if the original offence had taken place in Canada.

Those on probation will be bound to abide by the conditions of the probation order imposed in the foreign country, although a Canadian court will have power to change those conditions on application from the person involved or from a representative of the Crown. A breach of the conditions of probation will constitute a further offence, but for obvious reasons will not attract a liability to be sentenced for the offence committed abroad.

The bill makes special provision for juveniles, so that provincial authorities will be able to deal with them by placing them in institutions suitable for their age. A safeguard has been included to ensure that the transfer to a juvenile institution will not result in holding a youthful offender longer than he would be required to serve under his original sentence.

That is a broad summary of the bill. Honourable senators will perhaps be interested in the number of persons who may now be affected by the measure. I am advised that definite figures are not available, since we have no precise information about the length of time that some of the Canadians in the United States must serve on their sentences. This is important, because a person undergoing imprisonment is not eligible for transfer unless at the time of his application at least six months remain to served.

I have, however, been furnished with an estimate that of the Canadians imprisoned in the United States approximately one-third have such a short period of time left to serve that they will not come within the conditions prescribed by the treaty. With this caveat, I am told that the latest returns from the United States show that there are 126 Canadians in federal institutions and 92 in state institutions. Canadians in Mexico who are under sentence total eight. We have knowledge of only one Mexican serving a sentence in Canada, but there are 229 Americans reported as being held in provincial institutions and 172 in penitentiaries in Canada.

I might say that the figures I have just given to you are more recent than those that were available during the debate in the other place. The figures show that there now are a fair number of Canadians who may benefit from the treaties that have been negotiated. In the long run, however, it will not be only Canadians in the United States and in Mexico who may benefit. The legislation is drafted so that it can apply to similar treaties that may be entered into with other countries, and I am informed that preliminary negotiations have already begun officially with certain European countries.

Honourable senators, it has been said that incarceration in a foreign land increases the pain of imprisonment far in excess of the punishment intended by the courts which imposed sentence. The bill before us gives recognition to this painful fact. I believe it deserves the support of all of us.

Hon. John M. Macdonald: Honourable senators, I rise for but a few moments to support the speech made by Senator Goldenberg, and perhaps to bring to his attention a few matters that I do not quite understand.

As he said, this bill has to be passed before the treaty can be ratified, so it would be beside the point to say whether or not the treaty should have been made in the first place. We have it, and to ratify it we must pass the legislation, so I say let us pass it and get on with it. Senator Goldenberg fully explained the purport of the legislation, so there is no need for me to go over it again.

I was especially impressed with the fact that all concerned must agree. The person convicted in a foreign land must make an application to be transferred to Canada; the foreign government must agree; the Canadian government must agree, and the province must agree if he is to be imprisoned in a provincial institution.

One provision in the bill that struck me is that if a person has been sentenced to more than two years he must serve his remaining time in a federal penitentiary in Canada. It seems to me that in the event a returned convict has less than a year to run on his sentence, he should be able to serve that in a provincial institution.

● (2030)

I am also wondering how the mechanics of this will work, given the various state jurisdictions in the United States. Will all such transfers be channelled through the Canadian embassy, or some other such federal institution, in Washington?

There was some criticism in the other place about the fact that a Canadian convicted in a foreign country might not have enjoyed some of the safeguards which exist in Canada in terms of his prosecution, such as the safeguards built into our laws on evidence, and so forth. It may even be that in some foreign countries he would not be entitled to counsel.

Mention was also made of the fact that such individuals could have been subject to a considerable period of time in custody before coming to trial, or even before being charged. Perhaps the sponsor of the bill could inform us as to whether there is a substantial number of people in that category.

In his remarks on closing the debate on the motion for second reading, I would ask the sponsor of the bill to direct his attention to clauses 14 and 18. Specifically, in the event that a Canadian national imprisoned in Mexico is returned to Canada to serve his sentence, does the foreign jurisdiction

retain any authority over that individual? Would the foreign jurisdiction be able to revoke that individual's parole, for example, or issue a pardon? From reading of those two clauses, it is my impression that the foreign jurisdiction would retain some authority over the prisoner transferred to a Canadian institution.

The only other matter I wish to bring to the attention of the Senate relates to the figure given by the sponsor of the bill as to the number of Canadians who are imprisoned, for example, in the United States vis-à-vis the number of United States nationals imprisoned in Canada. In the event that a goodly number of Canadian nationals serving sentences in the various states of the United States apply for transfer to Canada, and are, in fact, accepted for transfer here, and, at the same time, very few of the United States nationals serving prison terms in Canada apply for transfer to United States, we could end up bearing the expense of maintaining the United States nationals and our own nationals. I am wondering whether there is any provision in this legislation for a sharing of expenses in that eventuality.

It is my view that by referring this bill to committee we shall learn nothing more than what its sponsor has already told us. That being so, I am quite satisfied that it not be referred to committee.

Senator Denis: Honourable senators, I wonder if I might put a question to Senator Goldenberg.

He mentioned that a Canadian national imprisoned in a foreign country who is transferred to Canada would retain the privileges he had in the jurisdiction in which he was originally confined to jail. As I understand it, if he had been entitled to three days remission for each month of sentence, he would retain that privilege or advantage on being transferred to a Canadian institution.

In the event that an individual sentenced in Canada for a similar crime would be entitled to remission of more than three days for each month of sentence, would the remission awarded the transferred prisoner be governed by the regulations of the foreign jurisdiction or would he benefit from the greater number of days allowed under the Canadian regulations?

Senator Goldenberg: As far as remission is concerned, he would be governed by Canadian law. The transferred prisoner is to be treated as though he had been convicted and sentenced in Canada.

Senator Fournier (de Lanaudière): What happens in the event that the prisoner refuses the transfer?

Senator Goldenberg: A prisoner cannot be transferred against his will. The prisoner must apply for the transfer.

Dealing with the points raised by Senator Macdonald, specifically his point as to whether or not the returning state retains the right to pardon, I will read from Article IV, section 1 of the treaty with the United States, which says:

> The Sending State shall, in addition, retain a power to pardon the Offender and the Receiving State shall, upon being advised of such pardon, release the Offender.

That confirms Senator Macdonald's impression.

Senator Macdonald also asked why an offender with one year or less to serve on his sentence should not be confined to a provincial institution.

This law endeavours to treat the persons affected as though they had been convicted and sentenced in a Canadian court, in which event they would be confined to a penitentiary. I think there is a further consideration, and that is that if they are brought back and confined in a provincial institution, the province in question would have to bear the cost, and I do not think that is something the provinces would be enthusiastic about.

I have nothing further to add, except to say that if there are any figures that Senator Macdonald wishes to have, I would be glad to try to get them for him.

Senator Macdonald: May I ask one further question with respect to clause 14 of the bill? In the event that the person transferred to Canada is granted parole by the National Parole Board in Canada, can the foreign jurisdiction revoke that parole?

Senator Goldenberg: I do not know if this answers Senator Macdonald's question entirely, but I should like to read to him a note that I have on clause 14 of the bill. It is headed "Counting Time on Revocation," and reads as follows:

> The amendment to the Parole Act that enabled a person to count time spent on parole toward completion of a sentence when his parole was revoked was proclaimed effective October 15, 1977.

That, by the way, explains the date in that clause. It continues:

> Clause 14 will enable Canadian offenders transferred to Canada, while on parole, to enjoy the same benefits of the revised legislation. The Canadian who was on parole in a foreign country, who was transferred to Canada on parole, and whose parole was later revoked may count his time on parole after October 14, 1977, up until the time he is transferred to Canada. In respect of time after transfer to Canada, he would be entitled to "street" time since clause 4 has equated his finding and sentence to those of a Canadian finding and sentence.

Senator Macdonald: A transferred prisoner granted parole by the foreign state comes under the jurisdiction of the National Parole Board on being transferred to Canada. I am wondering whether the foreign country still has sufficient jusrisdiction to revoke that parole while that person is in Canada.

● (2040)

Senator Goldenberg: I will not say that I have a definite answer, but I believe that it does not retain that jurisdiction.

Senator Macdonald: On the matter of the actual mechanics of this thing, how would it operate? Would it be similar to our system? Here it would have to be done through the Minister of Justice, but who would approve the transfer in the United States?

Senator Goldenberg: Is Senator Macdonald asking who would approve a transfer requested by an offender?

Senator Macdonald: Yes, in the United States.

Senator Goldenberg: Somewhere in the treaty it is provided that each country designates an authority to deal with the application of the treaty.

Senator Beaubien: Senator Goldenberg, if a man commits armed robbery while out on parole and his parole is revoked because of that, would it make any difference?

Senator Goldenberg: Would it make any difference to what?

Senator Macdonald: Obviously, he would be charged with armed robbery again.

Senator Beaubien: He would?

Senator Goldenberg: Well, of course, he would be charged with the offence he has committed. I am glad that Senator Beaubien approves.

Senator Macdonald: Do you have any information concerning persons who are held for considerable periods of time in jail without being brought to trial, say, in Mexico? Long periods of time may elapse before they are brought to trial, or even before they are charged. Do you have any information on that?

Senator Goldenberg: I think Senator Macdonald and I have been reading the same newspapers recently. The definition of "offender" in clause 2 says:

> "Canadian offender" means a Canadian citizen, within the meaning of the Citizenship Act, irrespective of age, who has been found guilty of an offence—

I would say that a Canadian who is held for a year or two without trial would not be covered.

Senator Macdonald: Thank you.

Motion agreed to and bill read second time.

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

Senator Goldenberg moved that the bill be placed on the Orders of the Day for third reading at the next sitting of the Senate.

Motion agreed to.

NATIONAL UNITY

MAGAZINE ARTICLE—DEBATE CONCLUDED

On the Order:

> Resuming the debate on the inquiry of the Honourable Senator Forsey calling the attention of the Senate to a most mischievous article by June Callwood in the January number of *L'actualité*.—(*Honourable Senator Langlois*).

Senator McElman: Honourable senators, this inquiry has been on the order paper for some time. Senator Langlois has been holding it in his name in the event that other senators might wish to speak to it. Since no other senators wishes to do so, I suggest that this inquiry be considered as having been debated.

The Hon. the Speaker: Is it agreed?

Hon. Senators: Agreed.

THE SENATE

NUMBER OF VACANCIES—DEBATE CONCLUDED

On the Order:

> Resuming the debate on the inquiry of the Honourable Senator Forsey calling the attention of the Senate to the large number of vacancies in the Senate.—(*Honourable Senator Langlois*).

Senator McElman: Honourable senators, this inquiry has been on the order paper for some time for the same reason I just gave with respect to the previous one. Therefore, as no other senator wishes to speak to it, I suggest that it be considered as having been debated.

The Hon. the Speaker: Is it agreed?

Hon. Senators: Agreed.

CANADIAN BROADCASTING CORPORATION

DOCUMENTARY PROGRAM "DUPLESSIS"—INQUIRY STANDS UNTIL LATER THIS DAY

On the inquiry of Senator Desruisseaux:

> That he will call the attention of the Senate to the Radio Canada seven episode program entitled "Duplessis".

Senator Desruisseaux: Honourable senators, I believe Senator Thompson is prepared to make his speech on the Helsinki Conference on Security and Co-operation in Europe, and I am prepared to yield to him now. I am at the disposition of the Whip so far as my own remarks are concerned. It was suggested that I might deliver them later. I have no objection to that.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

CONFERENCE ON SECURITY AND CO-OPERATION IN EUROPE

VISIT BY PARLIAMENTARY DELEGATION TO BELGRADE, YUGOSLAVIA—DEBATE ADJOURNED

Hon. Andrew Thompson rose pursuant to notice of Monday, March 20, 1978:

> That he will call the attention of the Senate to his recent visit to the Helsinki Conference on Security and Co-operation in Europe.

He said: Honourable senators, I should like to thank Senator Desruisseaux for his courtesy and kindness in allowing me to speak at this time.

I wish to report on the final languishing week of the Belgrade Conference. Two years ago the political leaders of 35 nations signed the Helsinki Accord declaring their determination to act in accordance with its provisions. The Belgrade review, as I think all senators know, was to assess how much had been implemented.

I have always had a strong skepticism about the Helsinki Declaration. I have been concerned that is aroused expectations that would not be fulfilled. The trial of the signatories of Charter 77 in Prague and the imprisonment of members of the Helsinki monitoring groups in the Soviet Union seemed to provide more dark shadows than rays of hope on the advancement of human rights.

Certainly, on the eve of my departure for Belgrade the reports from Senator Bosa and Senator Yuzyk, most recently back, could not evoke wild enthusiasm. They reported that the conference was not able to produce a substantive, meaningful final statement. In fact, after six expensive dreary months of diplomatic labour, they were reporting that the 400 delegates of 35 nations meeting in Belgrade could produce only a bland, face-saving, four-page formula. Indeed, because of the conference's rule of consensus or unanimity, the Soviet delegation could and did successfully insist that the words "human rights" not be mentioned in the final document.

Yet I do not consider the Belgrade meeting a fiasco. Prior to leaving I had had a briefing by that crisp, competent, External Affairs representative, Mr. Chistoff. I had listened to him and Senator Yuzyk, who were reporting to a NATO parliamentary session. With them I had also talked to a group of Canadians of Baltic background, who, incidentally, were in Ottawa to attend their annual Baltic festival on Parliament Hill.

Several months before that, I had attended a meeting of the parliamentary Helsinki group at which representatives of the Canadian eastern European groups had presented briefs. I am stating this background because some European delegates at Belgrade were genuinely puzzled at our concerns over human rights, family reunification, visas, et cetera, in east European homelands. They were not aware that one-third of the Canadian people came from those homelands.

I had read the briefs presented by communities of East European Canadians, and so had, I am sure, most of the other 18 parliamentarians who participated at Belgrade. Certainly, the members of the Canadian diplomatic delegation, led by Ambassador Delworth, were thoroughly informed about them. And the Honourable Norman Cafik, representing the Minister of External Affairs at the closing, was fully up-to-date on them. I was with the minister at all the informal meetings which Ambassador Delworth arranged with other delegates.

● (2050)

The documented facts in those briefs were the basis for Mr. Cafik's discussions with the Soviet ambassador, a breakfast meeting with the Czechoslovakian ambassador, and our talk with the representative of the Holy See about the persecution of the church in the Baltic States and the Soviet Union.

It should not be necessary to stress that the stand taken by Mr. Cafik and the Canadian delegation did not represent only the Liberal government's policies on human rights. All political parties in Canada are united and consistent on that issue. And certainly in my period in public life, Canadian spokesmen—whether Prime Ministers or Ministers of External Affairs—have spoken out with the solid support of all parties. I bluntly deplore those who would diminish Canada's stand on human rights and fundamental freedoms to narrow partisan division. No Canadian public figure backs down on human rights.

The Honourable Don Jamieson at a meeting of the External Affairs and National Defence Committee on March 3, 1977, said that the Canadian government will take a direct approach in protecting human rights, but this does not mean going public on all occasions; it depends on what is the more effective means. He wants results rather than polemic. He further stated that public pressure, in general, is more useful in respect of dissidents than family reunification. In family reunification cases, it is more useful to take direct and somewhat unpublicized diplomatic initiatives. He said that the Belgrade meeting will not resolve the whole question of human rights, but it will certainly be a useful forum for highlighting them as they relate to those countries that are signatories to the Helsinki Pact. But he emphasized that there must be initiatives in other fora as well.

The review of implementation was carried on from October to December. Discussions relating to security and economic matters were largely free of controversy. However, as anticipated, the discussion of human rights and humanitarian questions saw some heated exchanges. Ambassador Delworth presented our criticisms about the human rights situation in Eastern Europe with force and blunt fact.

There were some 100 proposals tabled. Canada co-sponsored nine proposals, six of which related to humanitarian questions, including respect for human rights; the role of the individual, institutions and organizations in the implementation of the final act; the elimination of some of the administrative barriers to human contacts, especially regarding family visits and family reunification; and the freer flow of information and ideas. The seventh proposal related to confidence-building measures; the eighth aimed at a convention on terrorism; and the ninth contained our draft of the concluding document.

By mutual agreement within the western caucus, the main western economic and related proposals on science and technology were put forward by the delegations representing the European Economic Community. Although Canada did not co-sponsor them, it supported them and their aims which were, essentially, to reduce the barriers to freer access to relevant information, and to freer contacts between businessmen and between scientists and others involved in the activities covered by this part of the Final Act.

Like other western governments, Canada is disappointed that it was not possible to get a meaningful, substantive concluding document at Belgrade.

The reality of the situation at Belgrade was that no document which referred to human rights and humanitarian questions could achieve a consensus in view of the position adopted by the Eastern European delegations on this matter during the discussions. Rather than agreeing to a selectively substantive and therefore unbalanced document that would not deal with the humanitarian dimension of the Final Act, but would deal only with other matters, Canada and its friends proposed that the concluding document which had to be produced before the meeting could come to a formal end should be short and factual. However, Canada's approval of the document does not indicate that we have abandoned our commitment to humanitarian issues or the various ideas that we put forward in order to achieve progress in implementation. Indeed, it indicated our intention to hold governments to their Final Act commitments, and to pursue our ideas in the interval between Belgrade and the next conference, in two years, which will be held in Madrid.

Although the Belgrade meeting did not end with the kind of document we would have liked to see, I and many others were not entirely surprised. However, I do not think that the West should despair. Some positive things have resulted so far, particularly in the area of family reunification and family visits. And at Belgrade the Canadian team managed to have a sufficiently good discussion of the progress made in implementing the Final Act that the Eastern Europeans can be in no doubt about how we expect the undertaking in the Final Act to be fulfilled.

The Belgrade meeting also helped to establish that human rights and human contacts are legitimate subjects for discussion in this multilateral forum, contrary to what the Eastern Europeans have argued. The Belgrade meeting should, therefore, not be written off as a failure. The Helsinki Final Act remains in effect as our standard of conduct, and the Conference on Security and Co-operation in Europe process continues. The important thing now is to see how we can encourage the East Europeans to improve their performance after Belgrade.

I know it is customary to express appreciation to the host country. My words of appreciation are not motivated by custom, but by feelings of genuine gratitude for their patient and generous hospitality. Like many Canadians, I have always wanted to visit Yugoslavia with its magnificent scenery and proud diversified people. There are 100,000 citizens of Canada of Yugoslavian background, and among them I have close friends. I have always admired the determined and successful efforts of the people of Yugoslavia to maintain their independence and political integrity. Despite a limited knowledge of international affairs, I cannot help but appreciate the important and constructive role which Yugoslavia plays in the neutral and non-aligned grouping of nations. They are a hospitable, warm people.

Ambassador MacLellan arranged for the minister and myself to have lunch at the embassy with Mr. Mihailo Javorski, President of the Committee for Foreign Affairs of the

[Senator Thompson.]

National Assembly, and Mr. Bozidar Crnjak of the Federal Secretariat for Foreign Affairs. It was most informative.

Yugoslavia is a diversified land of exciting change. Mr. Javorski, as has Mr. Kardej, expressed in his recent book the view that the essentially western liberal idea of pluralism is compatible with both the Marxist idea of public ownership of the means of production, and with the Leninist one-party political system. Mr. Javorski described their efforts to try to create a combination of political and industrial democracy with an egalitarian framework. I have some doubts that the factory manager, operating the individual enterprise—or BOAL, as they call it—who is usually appointed for four years, is not dependent on the party's good will. He has to sign obligatory planning agreements from central party authorities. But I still sensed an independence, which I know would not be permitted in the Soviet Union.

● (2100)

I talked to many people. A very able hotel manager operates with, I sensed, wide discretion; artists and professional persons such as doctors, with whom I talked, function without severe ideological interference. I went to both Orthodox and Catholic churches, to markets, the opera, to a wonderful military exhibit, and met many Yugoslavs. But one point I should like to make is that at times, as a Canadian, I was embarrassed because I found I was having to defend the reputation of other Canadians whom I respect deeply. I refer to the 100,000 Canadians of Yugoslav background.

Within Canada there is a miniscule minority of citizens from the provinces of Yugoslavia who consider abuse can achieve their goals of historical allegiances. It is hard for me to explain why at the Yugoslav Consulate in Toronto we have to maintain, and have done for many years, protective police. I abhor those few Canadians of Yugoslav background living in our free country who profane freedom by exploiting it, as did the Nazis. I know that in Yugoslavia there are not yet all the freedoms that we so deeply hold dear. I have read Djilas' book *The New Class*, and others. It is to those few Canadians of Yugoslav background that I say, "Don't give the opportunity to a Yugoslav official in his own country to reproach a Canadian by calling us 'the unperfect society'."

In connection with the conference, I started on a skeptical note. That was before I arrived in Belgrade. I was encouraged by the steady work carried out by Ambassador Delworth and his delegation. It will be a long, long road. Our refugees—many of us know them here—from Communist régimes who now reside in Canada understand, perhaps more than I do, that "communism with a humane face" is not going to happen overnight. In meeting delegates from east and west at Belgrade I discovered from all of them, after the long months of discussions, that they had a longing to see their families. Surely, also, they must all understand our Canadian concern to provide that same freedom of reunification to our citizens with separated families in Eastern Europe. What is the alternative, I ask myself, to negotiating and reviewing in order to ease the harsh restrictions on freedom? I leave that question with the critics of the conference.

Let me end with the concluding paragraph of the Canadian statement by the Honourable Norman Cafik, who said:

> I would ask whether, a decade ago, anyone would have even envisaged that meetings such as Belgrade would ever have taken place.
>
> Can anyone have doubts as to the value of nations of differing ideologies sitting down together and freely and frankly discussing their mutual concerns?
>
> Belgrade is a significant and positive step forward. As long as this process of dialogue continues, we need not be discouraged.

Senator Marchand: Honourable senators, it was not my intention to speak on this subject tonight, but I think it is my duty to say at least what I think about the whole conference.

I have followed what happened after the Helsinki Conference. If you are optimistic, I, unfortunately, am pessimistic about what happened in Belgrade. I think that the Helsinki Conference was used by the USSR to attain certain international political aims, which they did attain, and now they are no longer interested in the subject we are interested in, which is really related to human values.

On motion of Senator Macdonald, for Senator Yuzyk, debate adjourned.

CANADIAN BROADCASTING CORPORATION

DOCUMENTARY PROGRAM "DUPLESSIS"

Hon. Paul Desruisseaux rose pursuant to notice of Monday, March 20, 1978:

> That he will call the attention of the Senate to the Radio Canada seven episode program entitled "Duplessis".

He said: Honourable senators, with your permission may I now proceed with my inquiry?

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

• (2110)

[*Translation*]

Senator Desruisseaux: Once again, Radio Canada relates in its programs historical facts reported as genuine but which not only distort the truth but cause prejudices to the reputation of honest citizens. Let me quote from an editorial which appeared in *La Tribune* of last Friday, March 17:

> The sixth part of the historical saga produced by Marc Blandford and written by Denys Arcand is nothing but a gross, contemptuous and erroneous caricature of His Excellency Georges Cabana, the former Archbishop of Sherbrooke. And through the character of Archbishop Cabana, the entire population of this region today resents this offending, gratuitous and useless gesture made Wednesday evening before an audience which, according to polls, exceeds one million viewers.
>
> Viewers are warned at the outset that the facts reported are authentic but that they have been dramatized. To dramatize facts is one thing but that does not mean making things up, lying or insulting people. Wednesday night, one man, Archbishop Cabana, was ridiculed for quite some time in a series supposedly dedicated to Maurice Duplessis. In reading on this page the comments of the former pastor of the diocese of Sherbrooke, readers will understand how the author and the producer of this series did not report history but only told petty stories. But how can the story of Maurice Duplessis, of the foundation of the University of Sherbrooke and the history of Quebec be served by including in this episode references to campaigns by Archbishop Cabana? Why describe him as a man who would have let even the premier of the province treat him as the last of the last?
>
> But those who have known Archbishop Cabana are perfectly aware that he was no puppet in the hands of Mr. Duplessis. Even Mr. Duplessis was too much of a gentleman to ignore off-handedly a bishop who was fighting with eminent citizens of Sherbrooke for the establishment of the university.

And I was one of them.

> If the state television network still believes in respect for individuals and history it will apologize to the wronged prelate and the people.

Following that editorial the same newspaper published a letter from His Excellency Mgr. Jean-Marie Fortier, the Archbishop of Sherbrooke, and I wish to quote a passage for the record.

> I must unfortunately deplore the clearly hostile attitude towards the clergy in Quebec which seems to be an underlying theme of the series. Under the pretext of historical accuracy, it presents a caricature either through the various characters depicted or through a highly conscious selection of facts illustrating that administration.
>
> Thus it gave no recognition to the Asbestos strike and the well known commitment of several members of the clergy in support of the miners. Cardinal Villeneuve has been depicted as a clever opportunist. The representation of Archbishop Cabana, who is still living, has been done in such a mean way that it denies the real historical role of the Archbishop of Sherbrooke. His efforts have been completely distorted. No mention has been made of the joint efforts towards the creation of the University of Sherbrooke which have been extremely beneficial to the Eastern Townships and with which were closely associated the Hon. J. S. Bourque, who has been completely ridiculed in the sixth program of the series, as well as some other personalities of the area. This program is also offensive to the residents of the Eastern Townships who made every sacrifice to establish that university of which they are proud.

The origin of that university is related to the obscure influence of an ambiguous character, a nun with a strange behaviour certainly exceedingly rare at that time.

In short, the injustice towards Archbishop Cabana is such that I think that Radio-Canada should make a public apology. I would certainly come out of it taller in the eyes of the public and particularly of the people who knew the former archbishop of Sherbrooke well and appreciated at their true value many of his initiatives.

By insulting and mendaciously reporting as they did the Duplessis series on the French television network of CBC, author Denys Arcand and producer Marc Blandford did not concern themselves at all with the truthfulness of their story or the historical facts that Radio Canada at the beginning of every Duplessis program stated to be authentically true. They rather relied on dishonest inventions and fictions of untrue facts—in the sixth episode, for example—to irresponsibly tarnish the reputation of people who contributed to our advancement and development when several of the people falsely insulted are still living among us.

Radio Canada, author Arcand and producer Blandford are also insulting all those in their audience who knew the people whom they claim to have historically described and portrayed.

I personally knew Premier Duplessis very well and most of the people who were in the public eye and who were referred to in the Duplessis series.

I must say that the interpretations that were made of those people were false, erroneous, unjust, mendacious, quite disgraceful and, I believe, disgusting at certain times even if the cast was made up of excellent artists who succeeded in amusing the viewers who had not known the people being portrayed.

In fairness, I must say here that Duplessis, for whom I did not have much esteem, being a Liberal, and whom I did not appreciate much politically either, was a lot more honourable, more intelligent, more gracious and also more honest than Radio Canada, the author and the producer showed him to be under the label of "historically authentic".

Archbishop Georges Cabana, whom I knew and held in high esteem for his vitality and intelligent and very useful accomplishments for our fellow countrymen, was not by any standard the overly devout, selfish, insignificant man that Radio Canada showed us as being "historically authentic".

In fact and in fairness, he was the shrewd instigator, the practical builder and the very soul of the foundation and the first developments of the University of Sherbrooke which has not stopped rendering tremendous services to the Eastern Townships and the whole province of Quebec. Contrary to the image given by the CBC of the Archbishop of Sherbrooke, the latter has always surrounded himself with first rate assistants. I can testify that they became his loyal, faithful and devoted friends. He was not at all the colourless character depicted on this program.

With this "Duplessis" program, CBC has lost a fine opportunity to prove equal to the task and to pay a well-deserved public tribute to some distinguished characters of our history.

[Senator Desruisseaux.]

Mr. J. S. Bourque, whom the CBC depicts as a spineless minister, an incompetent and a ninny, was actually one of the ablest businessman in Sherbrooke, a man noted for his civic virtues and his success in business long before he entered politics. He was chosen president of the Sherbrooke Liberal Association. He showed remarkable strength of character, and much to my regret at that time, since I was a Liberal, we could not prevent him from joining the Union Nationale, then at its beginnings.

• (2120)

In the opinion of those who knew him and of the voters who assessed him, he deserved his several re-elections. The governments of the day entrusted him with several of the major portfolios.

The personality and the story itself of "Duplessis" shown to the TV viewers of the French state-owned network were false, historically deficient and mostly slanderous. It is an insult to the intelligence of the TV viewers who are quite familiar with this period of our history, with the public figures as well as those who worked with them to promote our development.

Premier Duplessis would never have treated the archbishop of Sherbrooke in the manner shown by the CBC in the sixth part of "Duplessis."

Cardinal Villeneuve was never the complete opportunist, the vile and despicable schemer portrayed by the CBC which termed such description as strictly authentic.

Mr. J. S. Bourque was portrayed by the CBC in a slanderous manner which brings disgrace upon his memory and his family. This holds true for most of the historical figures depicted in such a spurious and tactless way by the CBC.

With the "Duplessis" series, the CBC loses all credibility, despite its cast of excellent actors who succeeded in making the viewers laugh because they did not know the figures portrayed.

It is not the first time that the CBC manages to run down French Canadians who were prominent in their day.

We cannot allow our state-owned network to go on fooling so deliberately our French-speaking viewers by damaging wantonly and falsely at every turn the reputation and good name of fellow citizens who distinguished themselves in their public life.

Radio Canada in my view has and has always had a duty, since its inception as a crown agency and corporation, to check the truth and authenticity of historical data it is using, especially when it shows the assertion "historically authentic" at the beginning of each program in its "Duplessis" series.

How come then it must on so many occasions, and this is not the first time, stoop so low once more as to falsely and maliciously tarnish the reputation or good name of well-known personalities to whom we owe much of our cultural, social and even economic progress?

Some Hon. Senators: Hear, hear!

Senator Desruisseaux: Is that the purpose for which we have bestowed billions of dollars onto Radio Canada since its inception as a crown agency and corporation?

Radio Canada failed in its duty, because as a crown corporation it must always and in all circumstances ensure that the historical data it is using are true and genuine.

Radio Canada, the writer and the producer of the "Duplessis" series have a duty, because of their blunders, to recognize honestly before their viewers their malicious and unexcusable slanders affecting innocent people, and to put before the general public the necessary corrections.

I feel Radio Canada has an obligation to do that. It should not skimp it if it has any sense of responsibility, if it wants to restore some credibility. This crown corporation is daily deserving closer scrutiny from this Parliament. No practical purposes have been served by the "Duplessis" series. It only succeeded in pulling down everything that was in authority in Quebec, in falsely insulting the people in authority during that period of our history.

We should not tolerate here such historical falsehoods, even though they may come from our own government TV network.

I feel we have a duty to point out significant corrections that are needed on historical facts that were declared to be genuinely historical at the beginning of each program in the "Duplessis" series.

Such, honourable senators, was the purpose of my remarks.

Hon. Jean Marchand: Honourable senators, if you have no objection, I would like to make a few comments. If you do, I could wait until tomorrow.

Some Hon. Senators: Go ahead.

Senator Marchand: Honourable senators, about the events or the program mentioned by our colleague, Senator Desruisseaux—at least those who know me will understand—I have been involved personally in those events, be it the asbestos strike, or the textile strike, or relations with bishops and, of course, relations with the Duplessis government and his ministers; indeed, that was all my life or at least a good part of it.

I agree with Senator Desruisseaux on one thing: the formula endorsed by Radio-Canada. I believe it is wrong because it is a hodgepodge of what may be true, or partially true, historical facts and others which are nothing more than theatrical effects, if you wish, and which have to do with drama and not history.

A hodgepodge indeed! And it is exactly the same phenomenon with another very successful play in the province of Quebec called "Charbonneau et le chef". Having been one of those who negotiated with Bishop Charbonneau, when I see the play I do not recognize myself at all. This is also true of some events mentioned in the program "Duplessis".

Now, I think it is important to discuss this subject in the Senate even if it may seem a little parochial, but I do not think so because you now have an entire generation of young people who have not lived through that period and who have not been taught any history whatsoever. I am not saying that they have been taught an irresponsible sort of history. No, history has not been taught at all. I noticed at one time that even university students knew nothing about very important events in our history such as, for instance, Bill No. 5 which was introduced in 1949, and which reflected Duplessis thought. To several people, Bill No. 5 is an abstract concept. This is the only bill I know of in Quebec, and perhaps in Canada, which has been opposed unanimously, by everybody, employers, workers, unions, bishops, everyone. There was only one person apart from Duplessis who agreed with Bill No. 5, and that was Mr. Asselin of the Legislative Council who more or less understood its scope. Mr. Barette learned that very morning that he was the sponsor of this bill but he had not even had the time to read it.

In any case, I simply want to say that under this formula, and Senator Desruisseaux is right, this program has at present a considerable influence in Quebec. It fails, not because of the facts which it mentions but rather because of those it does not mention. The problem is that the program depicts incidents which can be explained only to the extent where one knows the other events which it fails to report; that is to say, it does not throw light on that whole period, which was vital for Quebec and, do not forget, for all Canada, because November 15, 1976 cannot be understood unless one knows what happened between 1945 and 1960. That is why I feel that in trying to cover that period as it is being covered, one is doing a disservice to the country, to the province and naturally also to truth itself.

As for Archbishop Cabana, our colleague, Senator Desruisseaux, defended him well. Many others were mixed up in those events. There was Monsignor Charbonneau, and Monsignor Desranleau, also of Sherbrooke. There was also Monsignor Courchêsnes of Rimouski. There were also two ministers who went to the Vatican, and also Monsignor Antonioti here in Ottawa. In a word, it is all of Quebec's history, a history which had considerable influence on the social, political and even religious orientation of Quebec.

So, that Radio Canada should adopt that formula, you know, half fiction, half history, to represent the whole period I agree that could be shocking to my colleague from Sherbrooke, Senator Desruisseaux, although not me. Of course, I would not want to describe to you the image Mr. Duplessis has left with me. I doubt that this is the right place to do so. But I shall do it sometime, because I too knew Mr. Duplessis well, in every respect and in everyone of his moods.

So, in any event, what I feel is serious, and where I agree we should protest, is that by using a formula like this one Radio Canada is, in fact, distorting our history significantly. I think the formula should be changed, even though the people find the program very funny.

In the play "Charbonneau et le chef", they made the character of Monsignor Charbonneau walk across the stage the way the former Mayor of Montreal, Médéric Martin, would have; I'm sorry, but Monsignor Charbonneau was not the same build as the Mayor. I knew him. He talked very seldom and was extremely severe in his gestures and ways. We must not forget that Monsignor Charbonneau was not born in

Quebec. Many events occurred in Quebec which he did not see or understand. However, he knew Montreal. He decided one day to collect funds at the church door and Monsignor Roy, the Cardinal of Quebec supported him.

That was an historical moment. I think one cannot deal with the history of Quebec without referring to that period. I do not understand why CBC used only part of the whole thing, which gives a distorted account of the history of that period. So, to this extent, I think my colleague from Sherbrooke, the Honourable Senator Desruisseaux, has every right to protest. There are some points I would be willing to discuss with him about things which happened or did not happen. However, I think the subject was important enough to be discussed here, in the Senate, tonight.

• (2130)

[*English*]

The Hon. the Speaker: As no other senator wishes to participate in this debate, this inquiry is considered as having been debated.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, March 22, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

ROYAL ASSENT

NOTICE

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

RIDEAU HALL
OTTAWA
GOVERNMENT HOUSE

March 22, 1978

Madam,

I have the honour to inform you that the Honourable Louis-Philippe Pigeon, Puisne Judge of the Supreme Court of Canada, in his capacity as Deputy Governor General, will proceed to the Senate Chamber to-day, the 22nd day of March, at 5.45 p.m. for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Madam,
Your obedient servant,
Edmond Joly de Lotbinière
Administrative Secretary to the
Governor General

The Honourable
The Speaker of the Senate,
Ottawa.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Central Mortgage and Housing Corporation, together with a statement of accounts certified by the Auditors, for the year ended December 31, 1977, pursuant to section 33 of the Central Mortgage and Housing Corporation Act, Chapter C-16, and sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Copies of Report of the Joint Public Service Commission and the Department of Manpower and Immigration Study Team entitled "Employment of Physically and Mentally Handicapped People in the Federal Public Service", dated April 6, 1977.

Report of the Canadian Transport Commission for the year ended December 31, 1977, pursuant to section 28(2) of the National Transportation Act, Chapter N-17, R.S.C., 1970.

Report of exemptions authorized by the Minister of Transport under section 134 of the Canada Shipping Act in cases where no master or officer was available with required certificate and experience, for the year ended December 31, 1977, pursuant to section 134(2) of the said Act, Chapter S-9, R.S.C., 1970.

Copies of a Draft on the Natural Gas Throughput Agreement, issued by the Minister of Indian Affairs and Northern Development.

Report of the Ministry of State for Science and Technology for the fiscal year ended March 31, 1977, pursuant to section 22 of the Ministries and Ministers of State Act, Part IV of Chapter 42, Statutes of Canada, 1970-71-72.

Document entitled "Government Plans for Increasing Opportunities for Employment of the Physically and Mentally Handicapped in the Federal Public Service", dated March 21, 1978, issued by the President of the Treasury Board.

Report by the Tariff Board respecting Glass Fibres and Filament, Reference No. 151 (English and French texts), together with a copy of the transcript of evidence presented at public hearings (English text) pursuant to section 6 of the Tariff Board Act, Chapter T-1, R.S.C., 1970.

Report of the Superintendent of Insurance for Canada, Volume III, Annual Statements of Life Insurance and Fraternal Benefit Societies, for the year ended December 31, 1976, pursuant to section 8 of the Department of Insurance Act, Chapter I-17, R.S.C., 1970.

Report by the Tariff Board respecting Fresh and Processed Fruits and Vegetables, Volume 1, Part III, Commodity Reports: Fresh Fruits, Reference No. 152, pursuant to section 6 of the Tariff Board Act, Chapter T-1, R.S.C., 1970.

Report on the administration of the Public Service Superannuation Act, Parts I and II, for the fiscal year ended March 31, 1977, pursuant to sections 36 and 49 of the said Act, Chapter P-36, R.S.C., 1970.

Report on the administration of the Supplementary Retirement Benefits Act for the fiscal year ended March 31, 1977, pursuant to section 11 of the said Act, Chapter 43 (1st Supplement), R.S.C., 1970.

PRIVATE BILL

MARRIAGE LAW EXEMPTION (LUCIEN ROCH JOSEPH MORIN AND MARIE ROSE HÉLÈNE MORIN)—REPORT OF COMMITTEE PRESENTED AND ADOPTED

Senator Goldenberg, Chairman of the Standing Senate Committee on Legal and Constitutional Affairs, presented the following report:

Wednesday, March 22, 1978

The Standing Senate Committee on Legal and Constitutional Affairs to which was referred Bill S-7, intituled "An Act to provide an exception from the public general law relating to marriage in the case of Lucien Roch Joseph Morin and Marie Rose Hélène Morin" has, in obedience to the order of reference of February 8, 1978, examined the said bill and now reports as follows:

Your committee recommends that the bill be not proceeded with further in the Senate for the following reasons:

Under the public general law in Canada, parties may not marry if they are related to each other within one of the prohibited degrees of consanguinity or affinity. The evidence presented in committee revealed that there is no relationship of consanguinity between the petitioners, nor is there any other relationship between them that is of a kind prohibited by the public general law of Canada.

Your committee is of the opinion that

(a) article 125 of the Civil Code of the Province of Quebec, which prohibits marriage between brother and sister, did not, as it existed prior to Confederation, prohibit marriage between two persons who are brother and sister through adoption;

(b) the said article 125, as it existed prior to Confederation, remains the source of the present law in the Province of Quebec since it has not been repealed or altered by the Parliament of Canada pursuant to section 129 of the *British North America Act*; and

(c) the Adoption Act of Quebec cannot have the effect of amending article 125 of the Civil Code so as to alter the law respecting the degrees of relationship within which persons may not marry since parliament has exclusive legislative authority in relation to "Marriage and Divorce" under section 91(26) of the *British North America Act*.

Your committee has, therefore, concluded that since there is no impediment to the proposed marriage of the petitioners, the private bill they have requested is unnecessary.

Your committee recommends that the parliamentary fee of $200 paid under Rule 90 and the sum of $450 deposited with the Clerk of the Senate to cover the costs of the translation and printing of the bill be refunded to the petitioners.

Respectfully submitted,

H. Carl Goldenberg,
Chairman.

[Senator Perrault.]

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Goldenberg: With leave, now.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

The Hon. the Speaker: It is moved by the Honourable Senator Goldenberg, seconded by the Honourable Senator Molgat, that this report be now adopted. Is it your pleasure, honourable senators, to adopt the motion?

Senator Goldenberg: Honourable senators, I do not think any explanation is necessary.

Senator Grosart: Honourable senators, I would suggest that the chairman of the committee might wish to give an explanation, as this is a unique case and one which, to some extent, may be regarded as making law.

Senator Goldenberg: Honourable senators, I shall be glad to do so. The reason why the committee decided that this bill should not be proceeded with is easily explained. The bill is based on an interpretation of article 125 of the Civil Code of the province of Quebec to the effect that since that article prohibits marriage between brother and sister, legitimate or natural, it also prohibits marriage between brother and sister by adoption.

After careful study and hearing expert witnesses, the committee decided that this was not a correct interpretation of that article of the Civil Code. When the article was adopted there was no law governing adoption in Quebec, and therefore the article has the same effect in this respect as before Confederation. It could only be changed or repealed by the Parliament of Canada, which alone has exclusive jurisdiction over marriage and divorce under the British North America Act.

It has not been changed; it has not been repealed with respect to marriage, and therefore the article is in effect as it has been since the years before Confederation, before there was any law governing adoption.

In the circumstances the committee came to the conclusion that adoption in itself does not create an impediment to the marriage of the petitioners.

I might add that considering that the committee concluded that the bill was based on an interpretation which was not correct, and considering further the financial circumstances of the petitioners, the committee thought it only equitable that the costs involved should be refunded to them. That is the concluding part of our recommendation.

• (1410)

Senator Grosart: Would the honourable senator make a distinction between the decision regarding this particular bill and one or two others in the same general category which were referred to his committee, and in respect of which the report of the committee differed from the report in this case?

Senator Goldenberg: The distinction is very clear, Senator Grosart. In this case the relationship is that of a brother and an adopted sister. There is no consanguinity between them. In the other two cases there were blood relationships between the parties, and the general public law prohibits marriage within certain degrees of consanguinity. Marriage in those cases can only be permitted by a law of exception. That was why in those two cases we recommended that the bills be passed.

In this case we do not think it necessary because there is no consanguinity between the parties. If I may be permitted, I should add that some years ago the Province of Quebec established a commission to revise the Civil Code. That commission reported and specifically recommended that the law provide that marriage between parties related by adoption in the collateral line be permitted.

[*Translation*]

Senator Deschatelets: Honourable senators, as I was the sponsor of this bill, may I make a few brief comments concerning the report which has just been tabled by the chairman of the committee, the Honourable Senator Goldenberg?

I am not a member of this committee but I did attend all meetings. So I want to commend the remarkable job done by the members of the committee and by its chairman, Senator Goldenberg, who did not hesitate to seek evidence from experts who could cast some light on the problem we had to solve in order to go to the roots of the problem in a very complex study.

I must confirm what Senator Goldenberg said. I do not think we have had in the past a case like this in Parliament. There was unanimity on one very precise point. I think that is where we can find the basis for the report we have now before us. The fact is that under neither the Quebec Civil Code nor under the Adoption Act is there an explicit impediment to the parties getting married.

I must add that the chairman of the committee thought it wise to communicate with the ecclesiastical authorities of the diocese of Amos to inform them that the report of the committee clears the way for them to proceed with the marriage of the parties concerned.

So I think that all those who are concerned or who have been concerned in this bill will be very pleased about the decision we have made in this regard.

[*English*]

I understand there will be a refund of fees to the petitioners. As a personal favour, would the chairman of the committee see to it that that refund is not the responsibility of the sponsor?

[*Translation*]

Senator Goldenberg: I am going to add one word. I think that when we distributed copies of this report it had just been written and the French translation was not ready, but you will have it within an hour.

[*English*]

Motion agreed to and report adopted.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, April 4, 1978, at 8 o'clock in the evening.

Honourable senators, I should like, before the question is put, to give you a brief run-down of what we can expect to have before us when the Senate resumes after the Easter adjournment. I shall deal with the committees first, as a number of meetings have already been set down for the week of our return.

The Standing Senate Committee on Foreign Affairs has scheduled a meeting for 2 p.m. on Monday, April 3, to continue consideration of its draft report on Canada-United States relations.

The Joint Committee on Regulations and other Statutory Instruments will meet on Tuesday, April 4, at 2 p.m.

On Wednesday, April 5, there will be a meeting of the Subcommittee of the Health, Welfare and Science Committee on Childhood Experiences at 4 p.m., or when the Senate rises on that day.

The Joint Committee on Regulations and other Statutory Instruments will hold another meeting on Thursday, April 6, at 11 a.m.

In addition to the foregoing, I have been informed that tentative arrangements have been worked out for a meeting of the Special Committee of the Senate on a Northern Gas Pipeline for the afternoon of Tuesday, April 4. However, nothing has been finalized, and as soon as a decision is reached the notice will be sent out.

The Standing Senate Committee on Agriculture will hold a meeting that week on the subject matter of Bill C-29, an act to amend the Farm Credit Act, but as yet the date and time have not been fixed.

There will, of course, be additions to this list, and one of them could possibly be a meeting of the Standing Senate Committee on Transport and Communications to further consider Bill C-2, an act respecting the administration and development of certain fishing and recreational harbours in Canada. However, the meeting of this committee will depend on the arrangements to be made for the attendance of the minister. I understand that at present the minister is away from the capital and that these arrangements will not likely be concluded before some time next week, when the notices will be sent to honourable senators.

On Tuesday evening when we return, Senator Hayden will move second reading of Bill S-11, an act respecting bankruptcy and insolvency, and Senator Lang will call the attention of the Senate to the nineteenth meeting of the Canada-United States Inter-Parliamentary Group, held in New Orleans, Louisiana, in February.

I believe we can also look forward to receiving a number of bills from the other place during the week of our return.

Senator Flynn: Honourable senators, I would assume from the statement made by the deputy leader that the pipeline bill will not reach us today, and that we are not expected to pass it in a few minutes before six o'clock. Consequently, there is no fear or possibility of dissolution before April 4, the date in the adjournment motion.

● (1420)

Senator Laird: No comment.

Senator Perrault: The universe will unfold.

Senator Flynn: I hope it will, as it should.

Motion agreed to.

FARM CREDIT ACT

AGRICULTURE COMMITTEE AUTHORIZED TO STUDY AMENDING LEGISLATION IN ADVANCE

Senator Argue, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

> That the Standing Senate Committee on Agriculture be authorized to examine and report upon the subject matter of the Bill C-29, intituled: "An Act to amend the Farm Credit Act," in advance of the said bill coming before the Senate, or any matter relating thereto.

He said: Honourable senators, this bill is an amendment to the Farm Credit Act and contains some important provisions. The Farm Credit Act is far-reaching and is of great importance to the agricultural community of this country. In these uncertain times to which the Leader of the Opposition made some reference, it would seem to us to be a wise move for the committee to have the opportunity to examine the bill so that if we do feel that certain changes should be made we might be in a position to make recommendations and leave sufficient time to have them considered.

Senator Flynn: Honourable senators, I should like to know what stage this bill has reached in the other place. When is it likely to come to us? Also, when does the committee intend to sit? We have just had an interesting experience in connection with the pipeline bill. We have sat in advance of the bill's coming over, but just in advance is too late, because we cannot do anything that is practical with these references of the subject matter of a bill to committee. If it is to be useful, it must be done long in advance so that our recommendations, if any, go to the other place and to the government before the legislation passes second reading and the committee stage in the other place. That is why I should like the chairman of the committee to explain if this can be done with regard to this bill. I can understand the urgency. All the bills you can pass before the election—that's the attitude.

Senator Argue: In answer to the question asked by the Leader of the Opposition, the bill has just been introduced in the other place. It is now at second reading stage and I take it there is considerable debate remaining, so that we have whatever time there may be. Of course, we cannot judge what time will elapse between the beginning of the debate on second

[Senator Langlois.]

reading and the passage of the bill. Therefore we are in at an early stage.

Senator Flynn: When do you intend to meet?

Senator Argue: Early next week.

Senator Flynn: Do you mean the week following Easter?

Senator Argue: No, when we come back.

Senator Flynn: That is in two weeks.

Senator Argue: That is right.

Senator Flynn: Thank you.

Motion agreed to.

[*Translation*]

CANADIAN BROADCASTING CORPORATION

DOCUMENTARY PROGRAM "DUPLESSIS"—INQUIRY

Senator Molgat: Honourable senators, I wish to direct a question to the Leader of the Government.

Yesterday evening we heard speeches from Senator Desruisseaux and Senator Marchand on a matter involving the CBC. I feel this is an important matter which should be brought to the attention of the head of the Canadian Broadcasting Corporation.

Will the Leader of the Government deem it necessary to send copies of these speeches to the head of the CBC?

[*English*]

Senator Perrault: I am prepared to give a commitment to send a copy of yesterday's *Hansard*, along with a covering letter, to the head of the corporation.

AGRICULTURE

ESTABLISHMENT OF EXPERIMENTAL FARM IN KENT COUNTY, NEW BRUNSWICK

Hon. Hervé J. Michaud: Honourable senators, I should like to request leave to speak briefly on a matter which I believe will be of considerable interest, and which is most timely.

The Hon. the Speaker: Is leave granted, honourable senators?

Senator Grosart: What is the subject?

Senator Michaud: It has to do with new initiatives taken by the Government of Canada and the Government of New Brunswick regarding agricultural production and development.

Hon. Senators: Agreed.

Senator Michaud: Honourable senators, you will recall that the Standing Senate Committee on Agriculture published a report on September 29, 1976, entitled "Kent County Can be Saved: An inquiry into the Agricultural Potential of Eastern New Brunswick."

Today I am pleased to report that a number of our recommendations have been accepted by the ministers responsible for agriculture and for regional development.

Today in Fredericton, the Honourable Marcel Lessard, Federal Minister of the Department of Regional Economic Expansion, the Honourable Eugene Whelan, Federal Minister of Agriculture, the Honourable Richard Hatfield, Premier of New Brunswick, and the Honourable Malcolm MacLeod, Minister of Agriculture for the Province of New Brunswick, signed a new subsidiary agreement for agriculture under the general Development Agreement.

Honourable senators will appreciate why I am anxious to refer to that aspect of the agreement first which has to do with agriculture. I shall read from the communiqué itself in that respect. It reads as follows:

> Fredericton, March 22, 1978—Agriculture Minister Eugene Whelan today announced that a new experimental farm will be established in Kent County, in eastern New Brunswick.

Hon. Senators: Hear, hear.

Senator Michaud: The communiqué continues:

> Designed specifically to serve the agricultural needs of this area, the farm will be used to carry out research on existing crops—with emphasis on fruits and vegetables—as well as investigations into new crops that can be used as livestock feed.
>
> "We will initiate a research and development program at the farm during the current growing season, "Mr. Whelan said. "At the same time, permanent field, office and laboratory facilities will be established."

Senator Flynn: What does "current season" mean?

Senator Michaud: It means the current growing season.

Senator Flynn: Oh! It does not mean the electioneering season?

Senator Michaud: No. I should like to continue reading the communiqué:

> Scientific and technical staff at the experimental farm, which will be a substation to the Agriculture Canada Research Station here, will concentrate their efforts on the solution of local production problems as well as developing and demonstrating new technology which will enhance the agricultural impact of producers located in this area of New Brunswick.
>
> "The decision to establish this experimental farm is consistent with current development policies and programs of the federal government, in co-operation with the Province of New Brunswick," Mr. Whelan said.
>
> The federal government this year completes a first phase of joint development initiatives with the province which has been effective in halting the decline of the agricultural sector. Next month, the federal government—through collaborative efforts of Agriculture Canada, the Department of Regional and Economic Expansion with the province—will begin a second phase of development aimed at achieving real growth in agriculture.
>
> "A significant portion of the total development opportunity has been identified in eastern New Brunswick," Mr. Whelan said. "It's essential that sound production technology be in place and readily accessible in the region for this development potential to be realized."

● (1430)

It is a fair but general conclusion, based on the information that we have about the complete agreement, that many of the problems, objectives, and solutions found, identified and recommended by our Agriculture Committee have been accepted as the basis for this multimillion dollar initiative. Recognizing, of course, that while the committee concerned itself with the very severe situation in eastern New Brunswick, the new agreement is concerned with the whole province.

I should like to make particular mention of several of our recommendations. The committee recommended that an educational facility be established in the province to provide agricultural training at the diploma level in the French language. The agreement provides for the establishment of a federal-provincial task force to review this proposal, which has been accepted in principle by the provincial government.

The committee made many recommendations concerning the development of markets and the establishment of storage and processing facilities. The agreement provides for the expenditure of $10,570,000 for these purposes over the next five years, some of which, I am certain, will be spent in eastern New Brunswick.

The committee identified the agricultural potential of Kent County as being primarily in vegetables, small fruits and beef production and, to a lesser degree, in sheep, potatoes, poultry, et cetera. The agreement signed today has as its emphasis three major commodity groups, being potatoes, fruits and vegetables, and livestock and livestock feed.

[*Translation*]

The implementation of these various recommendations is not the only result of the study the Senate Committee on Agriculture carried out on this subject. As I often indicated during our discussions, the University of Moncton is now offering the first three years of a course in agronomy, the last two years of which can be completed at Laval University. The agreement between these two universities is the result of discussions which were organized by our committee and which were held in this very building on December 4, 1973, with all the interested parties present. Six students completed their course at Laval University last year, and ten more are expected to do so at the end of the current academic year in a few days. The universities of Moncton and Laval deserve our congratulations for implementing this program which will ensure that New Brunswick will possess from now on in both languages the necessary knowledge and expertise in the area of agriculture. The Secretary of State Department also deserves our congratulations for the important financial support it has provided to the students taking part in this academic program.

[*English*]

Through research and demonstration, the physical and human resources can be developed, and, if I may say it, "Kent County Can be Saved," "Sauvons le Comté de Kent."

Senator Perrault: Honourable senators, it seems to me it is worth commenting at this point that there is no doubt in this chamber that the efforts of certain honourable senators have brought about the momentous and important decision taken in respect of the province of New Brunswick today. I cite particularly the efforts of Senator Michaud, who has fought unceasingly, both here in the Senate and previously as a member of the other place, to bring about this development in his home province, and also the Chairman of the Agriculture Committee, Senator Hazen Argue.

The report, "Kent County Can be Saved," is one of the great achievements of the Senate in recent years, and for that reason I think it is worthwhile bringing this decision to the attention of the Senate.

Too often there is criticism of the Senate. Of course, honourable senators are inured to the criticism that the Senate is a rubber stamp and fails to initiate important actions on behalf of the Canadian people. In the event that honourable senators have not been keeping count of the number of amendments made to bills that have come before us from the House of Commons, the total is now over 100 for this session, and that is in addition to a number of very important reports which have been produced by Senate committees. I point that out as another example of the great value of the Senate to the people of Canada.

Again, congratulations certainly should go forward to those who kept up the pressure and who did the work to persuade the Minister of Agriculture to take this important decision today.

Senator Flynn: Honourable senators, I have no difficulty in sharing the views expressed by the Leader of the Government with regard to the work done by Senator Michaud and the other members of the Agriculture Committee, and even to the most worthy work of Senator Argue. However, I suggest that this is a matter which should be dealt with at the proper time in our order of business.

The Leader of the Government, by his remarks, has given us the opportunity to continue this debate until 6 o'clock, if we wish, thereby delaying the passage of certain bills which are up today for third reading and which the government wishes to have passed.

Had we proceeded in the proper order, those bills on the order paper for third reading would have received third reading, following which Senator Michaud could have brought this very important matter to our attention. But the Leader of the Government, having commented on the immense role of the Senate, has provided us with the subject matter of a debate that could last for at least three days had we the desire to underline even a small part of the worthy contribution the Senate makes to the legislative process in Canada.

The Leader of the Government, by virtue of his remarks, has provided the opportunity to initiate such a debate, although it is not my intention to do so.

At the same time, I could criticize the conduct of the Liberal majority in the Senate and the timing of this decision from the point of view of the government. As I say, it is not my intention to do so, but I could initiate a rather lengthy debate on the basis of Senator Michaud's inquiry—and it was an inquiry—and the kind of endorsement given to his remarks by the Leader of the Government. Instead, I merely say to the Leader of the Government that he should instruct his troops to make that kind of announcement, that type of election speech, at the appropriate place in our order of business.

I am not being critical. I do not want to take anything away from the merits of the decision which Senator Michaud has drawn to our attention, but I could not help but make those few observations in view of the type of endorsement given to his remarks by the Leader of the Government.

Senator McElman: Honourable senators, I might say at this point to the Leader of the Opposition and to the Senate itself that perhaps the insertion of this item at this stage in our order of business could be attributed to the inexperience and naivete of the Acting Whip on this side. I am sure that if our Whip were here this would not have happened. However—

• (1440)

Senator Flynn: If you stop there, you are going to get absolution.

Senator McElman: However, while I am on my feet, I hope the Honourable Senator Flynn will permit me to say how happy I am not only for New Brunswick—although, of course, I am very happy for New Brunswick—but also for Senator Michaud who has devoted 20 years of his life to this effort and now sees it coming to fruition.

Hon. Senators: Hear, hear.

Senator Argue: Honourable senators, it seemed to me that this was an appropriate way to bring this item before the Senate. It was done with leave. After all, this is the day the announcement was made and so it seems timely.

Senator Flynn: I said "later this day," just trying to be a little more subtle.

Senator Argue: In any event, since the Leader of the Opposition has raised the point, Senator Michaud gave great leadership in this field and in the work which has resulted in the announcement made today. But we should not forget either that this is a joint effort between the Government of Canada and the Government of New Brunswick, and that our committee is composed of members from both sides of this house. A few months ago Senator Yuzyk and I went to Fredericton, and there we met with the Premier of New Brunswick, the Honourable Richard Hatfield, and the Minister of Agriculture of that province, the Honourable Malcolm MacLeod, on this very point. I think this is an example of the Senate at its best, and an example of federal-provincial co-operation at its best. This is a wonderful day for the Senate, and it is particularly a

wonderful day for Senator Michaud. Today is Senator Michaud's day, and I congratulate him.

Hon. Senators: Hear, hear.

Senator Flynn: What I said was obviously too subtle for Senator Argue to understand.

CANADA NON-PROFIT CORPORATIONS BILL

THIRD READING

Senator McElman moved the third reading of Bill S-3, respecting Canadian non-profit corporations.

Motion agreed to and bill read third time and passed.

APPROPRIATION BILL NO. 1, 1978-79

THIRD READING

Senator Molgat moved the third reading of Bill C-31, for granting to Her Majesty certain sums of money for the public service for the financial year ending March 31, 1979.

Motion agreed to and bill read third time and passed.

CANADA ELECTIONS ACT
ELECTION EXPENSES ACT
NORTHWEST TERRITORIES ACT

BILL TO AMEND—THIRD READING

Senator Lucier moved the third reading of Bill C-33, to amend the Canada Elections Act, the Election Expenses Act and the Northwest Territories Act in respect of territorial elections.

He said: Honourable senators, in moving third reading of this bill, I should like to thank Senator Grosart for the fine contribution he made to the debate yesterday, and also to congratulate him on his understanding of the situation north of the 60th parallel.

Motion agreed to and bill read third time and passed.

TRANSFER OF OFFENDERS BILL

THIRD READING

Senator Goldenberg moved the third reading of Bill C-21, to implement treaties on the transfer of persons found guilty of criminal offences.

Motion agreed to and bill read third time and passed.

The Senate adjourned during pleasure.

At 5.45 p.m. the sitting was resumed.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Louis-Philippe Pigeon, Puisne Judge of the Supreme Court of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned, and being come with their Speaker, the Honourable the Deputy Governor General was pleased to give the Royal Assent to the following bills:

An Act to amend the Canada Elections Act, the Election Expenses Act and the Northwest Territories Act in respect of territorial elections.

An Act to implement treaties on the transfer of persons found guilty of criminal offences.

An Act to amend the Bank Act and the Quebec Savings Banks Act.

An Act to amend the Compensation for Former Prisoners of War Act.

An Act respecting the Electoral Boundaries Readjustment Act (Hochelaga—Maisonneuve).

An Act respecting the Electoral Boundaries Readjustment Act (Humber—Port-au-Port—St. Barbe).

An Act respecting the Electoral Boundaries Readjustment Act (Mégantic—Compton—Stanstead).

An Act respecting the Electoral Boundaries Readjustment Act (Pontiac—Gatineau—Labelle).

An Act respecting the Electoral Boundaries Readjustment Act (Prince Edward—Hastings).

An Act respecting the Electoral Boundaries Readjustment Act (Prince George—Peace River).

An Act respecting the Electoral Boundaries Readjustment Act (Saint-Henri—Westmount).

An Act respecting the Electoral Boundaries Readjustment Act (Sainte-Marie).

An Act to provide an exception from the public general law relating to marriage in the case of James Richard Borden and Judy Ann Borden.

An Act to provide an exception from the public general law relating to marriage in the case of François Eugène Arthur Waddell and Marie Anne Marguerite Benoît.

The Honourable James Jerome, Speaker of the House of Commons, then addressed the Honourable the Deputy of His Excellency the Governor General as follows:

May it please Your Honour:

The Commons of Canada have voted certain supplies required to enable the Government to defray the expenses of the public service.

In the name of the Commons, I present to Your Honour the following bills:

An Act for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1978.

An Act for granting to Her Majesty certain sums of money for the public service for the financial year ending the 31st March, 1979.

To which bills I humbly request Your Honour's assent.

The Honourable the Deputy of His Excellency the Governor General was pleased to give the Royal Assent to the said bills.

The House of Commons withdrew.

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

The sitting of the Senate was resumed.

The Senate adjourned until Tuesday, April 4, 1978, at 8 p.m.

THE SENATE

Tuesday, April 4, 1978

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

Prayers.

NEW SENATORS

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that the Clerk has received certificates from the Registrar General of Canada showing that the following persons, respectively, have been summoned to the Senate:

Duff Roblin, P.C.
Joseph-Philippe Guay, P.C.
Stanley Haidasz, P.C.
Mrs. Florence Bayard Bird
Philip Derek Lewis, Esquire
Jack Marshall, Esquire
Miss Margaret Jean Anderson

NEW SENATORS INTRODUCED

The Hon. the Speaker having informed the Senate that there were senators without, waiting to be introduced:

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

Hon. Duff Roblin, P.C., of Winnipeg, Manitoba, introduced between Hon. Jacques Flynn, P.C., and Hon. Paul Yuzyk.

Hon. Joseph-Philippe Guay, P.C., of St. Boniface, Manitoba, introduced between Hon. Raymond J. Perrault, P.C., and Hon. Gildas L. Molgat.

Hon. Stanley Haidasz, P.C., of Toronto, Ontario, introduced between Hon. Raymond J. Perrault, P.C., and Hon. Andrew Thompson.

Hon. Florence Bayard Bird, of Ottawa, Ontario, introduced between Hon. Raymond J. Perrault, P.C., and Hon. H. Carl Goldenberg.

Hon. Philip Derek Lewis, of St. John's, Newfoundland, introduced between Hon. Raymond J. Perrault, P.C., and Hon. William J. Petten.

Hon. Jack Marshall, of Corner Brook, Newfoundland, introduced between Hon. Jacques Flynn, P.C., and Hon. John M. Macdonald.

Hon. Margaret Jean Anderson, Newcastle, New Brunswick, introduced between Hon. Raymond J. Perrault, P.C., and Hon. Charles McElman.

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

Senator Perrault: Honourable senators, I know that all honourable senators will wish to join with me in extending a very warm welcome to those who have joined our ranks tonight. The great diversity of talents, the great range of abilities represented in this group, will without question enable the Senate to make an even more important contribution to the progress of this nation. We certainly welcome each one of our new colleagues, regardless of party.

Hon. Senators: Hear, hear.

[*Translation*]

Senator Flynn: Honourable senators, I have no hesitation in joining the government leader in welcoming our new colleagues.

As Senator Perrault pointed out, we can expect from our new senators a diversity of talents, new contributions of all kinds, but I would like to say in particular that as far as the opposition is concerned we are very pleased to see that our ranks are reinforced. It is not that we feel inferior but sometimes the number is fairly important because if we are not here, we are not here, but when there can be at least one of us, we can face seven Liberals.

[*English*]

Senator Perrault: Honourable senators, it is good to note that the Leader of the Opposition is in such good spirits this evening.

THE HONOURABLE JAMES DUGGAN

TRIBUTES ON RESIGNATION FROM SENATE

Hon. Raymond J. Perrault: Honourable senators, it is fitting that we pay tribute to Senator James Duggan, who retired from this chamber at the end of February.

Senator Duggan made a valuable contribution to this house for over 12 years and brought to our proceedings a deep concern for the less fortunate members of Canadian society.

Senator Duggan was a railwayman who started work as a telegraph operator with the Reid Newfoundland Company at the age of 17. He was station agent, train dispatcher, and all the while was actively involved with the trade union movement in Newfoundland. He served many years as Chairman of the Newfoundland Legislation Committee of the International

Railway Brotherhoods and as a member of the Newfoundland Labour Relations Board.

He had not enjoyed good health in recent years, but despite this he maintained an active interest in the work of the Senate. We will miss his presence and we wish him well in his retirement.

Hon. Jacques Flynn: Honourable senators, I join with the Leader of the Government in extending to Senator James Duggan our very best wishes for a lengthy, fruitful and well-deserved retirement. Senator Duggan served his province well in this chamber, and he was especially effective in championing the cause of labour. The good senator had been a veritable tower of strength and responsibility in the trade union movement in Newfoundland before being appointed to this chamber. He knew and understood the worker and had the enviable ability of being able to express simply and forcibly the worker's goals, aspirations and fears.

We wish him well and we wish him restored health and happy years in his retirement.

Hon. William J. Petten: Honourable senators, I should like to associate myself with the remarks of my leader and the remarks of Senator Flynn in paying tribute to my friend and colleague Senator Duggan.

Senator Duggan was faithful in his attendance in this chamber until his health failed; he has always maintained an interest in the activities of the Senate. We shall miss him.

He has made a valuable contribution to the trade union movement in Newfoundland. He has been a faithful, conscientious servant of his community, his province and his country.

I am sure we all wish him and his charming wife Kathleen all that is good in his retirement.

THE LATE HONOURABLE JOHN EWASEW

TRIBUTES

Hon. Raymond J. Perrault: It is with deep regret that honourable senators will have learned of the untimely death of our colleague Senator John Ewasew, Q.C., nine days ago.

Although Senator Ewasew had been with us for less than two years, he impressed the Senate with the vigour of his opinions and a determination to be a working member of this house. This capacity for hard work marked his whole life. He was born in Grenfell, a small town in Saskatchewan, 56 years ago. The son of Ukrainian immigrants, he knew the despair the depression brought to the prairies. He left home and rode freight trains through the Rockies in search of work.

He later served in World War II and returned home in 1945 to finish high school in Moose Jaw. He gained his Bachelor of Arts at Regina College and then went to McGill University where he studied law and graduated in 1950. He became a partner in the law firm of Howard, McDougal, Ewasew, Graham and Stocks and was appointed Queen's Counsel in 1965.

The late Senator Ewasew was active in the community, particularly in veterans affairs. In 1967 he received the Centennial Medal for his services on behalf of veterans, and he was awarded the Amity Medal by the American Legion for his work in international veterans affairs. He was active in politics in Montreal. He was president of the Notre Dame de Grace Liberal Association and president of the Town of Mount Royal Liberal Association.

Senator Ewasew's death is a real loss to this chamber. Here was a man who knew both western and eastern Canada. Here was a man who knew both hardship and prosperity. His knowledge and background would have served the Senate and Canada well, and our sympathy goes out to his wife Jeanne and his three children.

• (2010)

[*Translation*]

Hon. Jacques Flynn: Honourable senators, like all of you, the death of our colleague, John Ewasew, fills me with sadness. Last fall he attended a few sittings against his doctor's advice. He undoubtedly felt he was very ill, but he wanted to see us again.

Senator Ewasew sat among us for 15 or 16 months only, as the government leader mentioned. He was appointed a senator in December 1976, but even in so short a stay among us he asserted his strong personality. He was outspoken, a free thinker and he showed it on many occasions in his criticism of the government, even by supporting positions adopted by the opposition. He was a fine man who had the ability to contribute greatly to the work of the Senate. His untimely death leaves the Senate with a great loss.

In the name of the opposition, I wish to express to his widow and to all his relatives our deep regrets and our very sincere condolences.

[*English*]

Hon. Paul Yuzyk: Honourable senators, the scythe of death mowed down Senator John Ewasew in the prime of his life, aged 56. His career in the Senate was meteoric. He was with us in this chamber for a little over a year. During that brief time he spoke on several occasions, participating in debates and raising issues for the consideration of this house.

The late senator was a likeable person with a friendly disposition. Sincere in his approach to problems and people, he nevertheless was fearless in defending a matter of importance or in presenting a case. Senator Ewasew showed great promise in the work of Parliament, and we can only regret that his life was snuffed out by cancer.

Among his senatorial duties he considered it important to participate in community and national endeavours. He was intensely active in his support of the Liberal Party and in participating in election campaigns. Once in the Senate he was very conscious of his origin and felt that he should become more closely involved with the Ukrainian Canadian group. Accordingly, he spoke at banquets and conventions of the leading Ukrainian organizations in Montreal, Toronto, Winnipeg and Edmonton, always speaking some Ukrainian and sometimes French. Having served in the Canadian military forces during the last war, he was proud of being Canadian

and equally proud of the contributions that Ukrainians were making in all spheres of Canadian life. Having lived and worked for over 30 years among French Canadians, from whom he gained his wife, he staunchly defended their interests and maintained that Canadian unity could best be furthered by the implementation of a dynamic multicultural policy.

To his wife Jeanne; to his children, Diane, John-Pierre and Joane; to his elderly mother who survives him; to his brothers, Leo and Walter, both doctors, and to all the mourning relatives, I should like to express heartfelt condolences. May John Ewasew's memory inspire his fellow countrymen to serve Canada as faithfully as he did.

[*Translation*]

Hon. Paul C. Lafond: Honourable senators, John Ewasew was one of my close friends for about 12 years.

[*English*]

Senator Ewasew was a big, blustery man. When we first came to know each other, in the course of his political duties, at one point he called me at my office in Ottawa to inquire about a few matters. My reply at that time had to be negative. Two and a half hours later, I heard a loud voice outside my office saying, "Where is Paul Lafond?" And suddenly there he was in front of my desk. We became friends.

Early last December, when the provisional committee on national unity met in Quebec City, John Ewasew had recently come out of hospital, confident of his convalescence, and we spent three days together exchanging memories and tall stories. Our wives were there, too. He was anxious to get back to work with us. Our selection committee had appointed him to the Standing Joint Committee on Regulations and other Statutory Instruments, and he had an extreme interest in the question of freedom of information. Though he was about to take off for five or six weeks down south, to resume his convalescence, I discussed this matter with him and helped him arrange to get the necessary background documents. Then he was in for a few hours in early February, and that was it.

Senator Ewasew, a child of the depression, as was said before, was a good soldier, a good lawyer, a good husband and father, and, had Providence permitted, would have been a very good senator.

All in all, he was a good man.

PRINTING OF PARLIAMENT

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Paproski had been substituted for that of Mr. Marshall on the list of members appointed to serve on the Standing Joint Committee on the Printing of Parliament.

CAPE BRETON DEVELOPMENT CORPORATION ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-38, to amend the Cape Breton Development Corporation Act.

Bill read first time.

Senator Perrault moved that the bill be placed on the Orders of the Day for second reading on Thursday next, April 6.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Order of the Administrator under the Anti-Inflation Act. pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada 1974-75-76, respecting compensation plan between the Hardisty Nursing Home Ltd., Edmonton, Alberta, and the group of its nurses represented by the Alberta Association of Registered Nurses. Order dated March 16, 1978.

Copies of Draft of the Dempster Link Agreement, issued by the Minister of Indian Affairs and Northern Development.

Report on operations under the Bretton Woods Agreements Act and the International Development Association Act for the year end December 31, 1977, pursuant to section 7 of the first-mentioned Act, Chapter B-9, and section 5 of the latter Act, Chapter I-21, R.S.C., 1970.

Report on the Administration of the Members of Parliament Retiring Allowances Act for the fiscal year ended March 31, 1977, pursuant to section 35 of the said Act, Chapter 25, (1st Supplement), R.S.C., 1970.

Report of the Anti-dumping Tribunal for the year ended December 31, 1977, pursuant to section 32 of the Anti-dumping Act, Chapter A-15, R.S.C., 1970.

Capital and Operating Budgets of the Canadian National Railways for the year ending December 31, 1978, pursuant to section 37(2) of the Canadian National Railways Act, Chapter C-10 and section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-797, dated March 16, 1978, approving same.

● (2020)

NATIONAL REVENUE

NOTICE OF QUESTION

Senator Flynn: Honourable senators, with the appointment to this chamber of Senator Guay we have now a member responsible for a department.

Hon. Senators: Hear, hear.

Senator Flynn: It has been a long time since this situation has existed in the Senate. I believe it goes back to when Senator McCutcheon was Minister of Trade and Commerce. I thought I would put a question to the new senator, who is still the Minister of National Revenue, but as I do not wish to spoil his evening I will ask him the question tomorrow.

Some Hon. Senators: Hear, hear.

Senator Perrault: Presumably he must take that as notice?

Senator Flynn: As a warning.

AGRICULTURE

WESTERN CANADIAN GRAIN STABILIZATION FUND

Senator Perrault: Honourable senators, on March 16 Senator Olson asked if he could have a reply spelling out in some detail what the intention of the minister responsible for the Wheat Board was in connection with interim payments under the Western Canadian Grain Stabilization Fund.

Of course, the government is very concerned about the needs of those in agriculture in this nation. I am happy to advise honourable senators that there will be a statement made tomorrow, Wednesday, at 2 o'clock in the afternoon, Winnipeg time, by the Honourable Otto Lang, the minister responsible for the Wheat Board. I am able to report that a copy of the press release will be available at 3 o'clock tomorrow afternoon in this chamber. I hope the information will be of real interest to all those associated with our grain farming community.

MIDDLE EAST

PARTICIPATION OF CANADA IN UNITED NATIONS PEACEKEEPING FORCE IN SOUTHERN LEBANON—QUESTION ANSWERED

Senator Perrault: Honourable senators, a question was asked by Senator Olson on March 20, 1978, with respect to Canada's contribution to the United Nations interim force in Lebanon.

May I say that I have received a report from the office of the Secretary of State for External Affairs, and I can say that when the Right Honourable the Prime Minister saw the Secretary General of the United Nations on March 21, the Prime Minister said that, if needed, Canada would offer a battalion of combat troops, but he said that our logistic capacity was limited and that the most we could do would be to give temporary help, drawing on resources in UNEF/UNDOF where over 1,000 Canadians are serving.

Mr. Waldheim preferred to request assistance from countries not now represented in Middle East peacekeeping, and has so far been promised contingents for UNIFIL from France, Norway, Nepal and Senegal, and is seeking a contribution from Latin America.

The Commander of the Canadian contingent in the Middle East has been authorized to provide temporary assistance in the establishment of UNIFIL, provided he can do this within his existing resources in the theatre without degrading his present operations or interfering unduly with his rotation plans. On this basis, he is providing two officers and 33 other ranks to UNIFIL, broken down as follows:

Advance Guard—seven men with the Swedish company in Lebanon; six men with the Iranian company, just inside Isreal on the Lebanese border;

UNIFIL Headquarters—a signals detachment of one officer and 17 men operating out of Naquora, Lebanon;

Beirut—a movement control detachment of one officer and three men assisting with reception and deployment arrangements at Beirut airport.

Apart from these personnel temporarily assigned to UNIFIL, Canadians have been assisting with the transport and supply of the Swedish and Iranian companies during their transfer from UNEF and UNDOF to Lebanon. We have had to decline a request to provide transport to assist the Norwegian battalion in its deployment within Lebanon, because the available Canadian resources have been fully taken up with the above commitments.

In addition to Canadians with UNIFIL, four Canadian officers are in Lebanon with the UN Truce Supervision Organization.

Honourable senators, I conclude this rather lengthy statement by stating that, concerning the events leading up to the present crisis, the Prime Minister sent a message of sympathy to the Prime Minister of Israel following the terrorist attack. No comparable message was sent concerning the Israeli action in Southern Lebanon. The Honourable the Secretary of State for External Affairs told the House on March 17, however, that Canada deplored the terrorist action which occurred in Israel and the retaliatory action which followed. He said these diminished the prospects of a peaceful settlement in the Middle East.

As honourable senators are aware, Mr. Jamieson announced on March 23 that Canada was contributing $1 million through the International Committee of the Red Cross for emergency relief to Lebanese civilians.

The statement has been a rather lengthy one, but there is a good deal of interest in this chamber concerning this matter.

Senator Olson: I should like to ask the Leader of the Government a supplementary question on that rather complete reply to my question about the Canadian contingent going into Southern Lebanon. Have all the parties, such as Lebanon, Israel, Syria, the P.L.O. and so on, who have a great interest in that area, given their assurance of co-operation with the UN force that is going in? I know some of them have, but the news reports to date have not given a complete resumé of assurances from all interested parties.

Senator Perrault: The situation there, of course, is very fluid at the present time. I must take that question as notice, and an endeavour will be made to provide further information tomorrow.

AGRICULTURE

GRAIN ELEVATOR FACILITIES AT PRINCE RUPERT—QUESTION ANSWERED

Senator Perrault: Honourable senators, before the Easter recess I committed myself to provide supplementary information for Senator Argue with respect to grain elevator facilities at Prince Rupert.

He had asked me if, when looking into the matter of possible construction of a large-capacity grain elevator at Prince Rupert, I would "ascertain whether or not there has been opposition from Pioneer Grain Company and/or the Saskatchewan Wheat Pool for such a facility." Then Senator Argue asked whether the Canadian Wheat Pool was pushing for this facility.

In reply I should like to report that there has been no formal opposition to the government's announcement concerning the development of the Port of Prince Rupert from either Pioneer Grain Company or Saskatchewan Wheat Pool, who are currently engaged in rebuilding and expanding their grain handling facilities in Vancouver. On the contrary, the announcement has generally been well received. The grain trade is being encouraged to build new grain terminal facilities in Prince Rupert to meet the grain export projection of the Canadian Wheat Board. Industry will judge the timing of new construction in Prince Rupert, and this will depend on commercial considerations. The National Harbours Board is responsible for the comprehensive planning and development of Prince Rupert. The board is prepared to offer fully serviced sites on a long-term lease to grain companies seriously interested in building ocean terminals on Ridley Island.

AIR TRANSPORT

CHARTER AIRLINES WITHIN CANADA

Senator Perrault: Honourable senators, I have a reply in response to an inquiry by the Honourable Senator Benidickson, which I shall leave until tomorrow as he is not in the chamber this evening.

BANKRUPTCY BILL, 1978

SECOND READING—DEBATE ADJOURNED

Hon. Salter A. Hayden moved the second reading of Bill S-11, respecting bankruptcy and insolvency.

He said: Honourable senators, I do not want you to look at this bill, which is in your files, and immediately conclude that it is so terrifying in its volume and/or proportions that it is bound to be very dry and uninteresting. Of course, we know that the subject of bankruptcy and insolvency is not the most interesting in the world. We also know, however, that it must be accepted as a fact of life, and there must be laws that provide for the regulation of insolvencies and bankruptcies.

May I give you a short history of this bill to this moment? In 1975 a new measure was introduced in the other place, Bill C-60, dealing with bankruptcy and insolvency. Immediately a motion was made in the Senate to refer the subject matter of that bill, and any related bills dealing with the subject matter of bankruptcy, to the Standing Senate Committee on Banking, Trade and Commerce.

For those new senators who joined us tonight I should point out that this reference of subject matter is a procedure we have adopted for some time now in the Senate, so as to have early consideration of important bills that are introduced in the other place, without having to wait for the usual course whereby such bills proceed through first, second and third readings in the other place and then come to us, and then after second reading in the Senate go to a committee for consideration.

● (2030)

As it developed, Bill C-60 was not proceeded with in the House of Commons during that session. As a matter of fact, the then minister indicated to the Senate committee, before which he appeared on another subject, that he would like very much for the committee to undertake a study of the subject matter of the bill. This we did. We heard witnesses, considered briefs which were submitted, and prepared a report which was tabled in this chamber and adopted on December 11, 1975.

Included in that report were 139 amendments, many of them substantial. I can tell you now that the present Bill S-11, which is a revised version of Bill C-60 of 1975 vintage, contains 109 of the amendments which were proposed in the Senate committee report of December 1975. In addition, 19 amendments adopt in part recommendations of the Senate committee, and 11 of the committee's recommendations are not included.

Some amendments were also accepted in the drafting of the bill that is now before us following submissions made by various organizations to the Senate committee. Included in those organizations, as honourable senators will recall, were the Canadian Institute of Chartered Accountants, the Canadian Bar Association, the Toronto, Montreal and Vancouver Stock Exchanges, the Investment Dealers' Association and the Canadian Bankers' Association.

Therefore, we commence our consideration of Bill S-11, with the premise that in it are reflected many of the substantial objections which were made to the committee, and in respect of which the committee made recommendations in its report to this chamber. I do not propose tonight, nor would I propose at any time at this stage in the consideration of a bill, to make a detailed study and examination of its various features. It should be sufficient if I deal with some of the substantial amendments—those that were so regarded by the committee—and indicate where and in what form they occur in this bill.

First of all, I will point out that an examination of the bill will reveal that several clauses are printed in italics. The reason for this is that the government feels that these clauses, by implication at least, involve the appropriation of public money, and under section 53 of the British North America Act money bills must originate in the House of Commons. There-

fore, where bills have incidental references involving the expenditure of public funds, there has developed a practice of making the particular clauses so that a Senate committee will not deal with them when it considers such bills. As a matter of fact, the practice which has developed is one of deleting those clauses. The purpose of the italics is to make easily identifiable those clauses with which the Senate has no power to deal.

This evening I intend to indicate the page numbers on which these clauses can be found, and at your convenience you can study them. The page numbers and clauses are as follows: page 13, subclause 11(1), providing for the appointment of a Superintendent of Bankruptcy; pages 14 and 15, subclauses 15(2) and (3), providing for the designation of bankruptcy administrators; page 16, subclause 18(4), providing for the Superintendent to make inquiries; page 35, clause 56, dealing with the Bankruptcy Trust Account; and page 36, clauses 57 and 59, dealing with the Bankruptcy Indemnity Account.

Those wishing to determine whether or not, by implication, a charge or an appropriation of public funds is or is not involved may examine those clauses. Their purpose is as I have just stated.

I should explain what has occurred between the time of the tabling of the committee's report in the Senate in December 1975, and the introduction of Bill S-11. This is a departure from the usual practice when dealing with a bill where money payments are provided for. Usually the House of Commons insists on dealing with bills of that type. There is precedent for such a course of action being followed in the Senate, and I refer you to pages 980 to 983 of *Hansard* of August 29, 1966, where the then Leader of the Government in the Senate, the Honourable John J. Connolly, gives references to actual cases of where this course of action was followed in the Senate in respect of bills which had, incidental to the achievement of their purposes, some provisions which, by implication, at least, could be said to involve the appropriation of public funds.

● (2040)

One of them, of course, was the obvious one in 1947 when the Senate was dealing with the bill to amend the National Parks Act. In that case the bill, which was introduced in the Senate, actually proposed authority to the National Parks Branch to levy taxes in connection with the maintenance of certain park resources. That, of course, was not by implication an appropriation of money. In my opinion, it could not be so.

Bourinot has a provision on this. Bourinot's *Parliamentary Procedure* is the Canadian authority, and at page 982 of Senate *Hansard* of August 29, 1966, Senator Connolly quotes from the Fourth Edition, page 493, as follows:

> It is frequently found convenient to introduce bills involving public expenditure in the Senate, and in such a case, the money clauses are embodied in the bill as presented, in order to make it more intelligible. When the Senate goes into Committee on the bill, these clauses are ordered to be left out. They are printed in red ink or italics in the engrossed bill sent up to the Commons, and are technically supposed to be blanks.

[Senator Hayden.]

Senator Connolly, in his speech, referred to the procedures in the House of Lords and the House of Commons in Britain where they adopt a similar practice in cases where, incidental to the main purpose of the legislation, there is, by implication, the appropriation of public moneys, and he quoted from a memorandum he had received from Mr. Charles Gordon, the Fourth Clerk at the Table in the House of Lords, as follows:

> The methods by which financial provisions are inserted in Bills originating in the Lords (described on pp. 506 and 555 of the 17th Edition of Erskine May) are governed entirely by practice and are not referred to in the Standing Orders of either House.
>
> Although no Money Bill (in the technical sense) can originate in the Lords, Bills from that House containing financial provisions are not uncommon. In the last complete Session of normal length (1964-65), thirty Bills were sent down from the Lords to the Commons. Of these, fourteen were Consolidation Bills, which of their very nature imposed no charge. Of the remaining sixteen, ten contained no financial provisions; five contained a "privilege insertion" later struck out by the Commons (May, p. 506); and the remaining one had a provision left blank for the Commons to fill.

So, you can see that a fairly uniform practice exists, and is acknowledged, in both the British and Canadian Parliaments.

I have summarized very briefly Senator Connolly's speech. It is a speech well worth reading. I thought the Senate was entitled to an explanation as to why certain clauses of this bill appear in italics. The government, in presenting the bill for introduction in the Senate, prepared it in this form, recognizing that, by implication at least, these provisions involved the appropriation of public funds.

I should go back and tell you what happened between 1975 and this time. At the request of the Department of Consumer and Corporate Affairs, whose minister is directly in charge of the administration of this bill, the Standing Senate Committee on Banking, Trade and Commerce was asked if it would make available its experts on this subject so that they could work with the officials of the department with a view to resolving the problems, if any, presented by the proposed recommendations contained in the Senate report.

The only stipulation we made was that the chairman of the committee as well had to be au fait with what went on in the discussions, the nature of the discussions, and what, if anything, in the way of compromise was being proposed.

Several drafts of a possible bill were prepared in the course of those discussions, and finally there evolved Bill S-11, with its recognition, as I have already indicated, of the major recommendations on important items contained in the Senate report.

I would think our position this time round, as and when the bill is referred to committee, must be that we are not in a position to object to something that we recommended two years ago, and I do not think there is any thought of that. But there are still several points that may be regarded as being

outstanding, and which are contained in the 11 recommendations which were not accepted at all by the drafters of Bill S-11.

Moving on to the next item, the major recommendation of your committee had to do with the proposal in Bill C-60 that wage earners should have a priority up to $2,000 over secured creditors in the event of bankruptcy or insolvency. The committee took a strong view in relation to that proposal, feeling that it would upset the whole business of commercial lending and commercial financing if secured creditors were deprived of their position. The problem would arise in any financing as to how one takes care of that and still make fairly reasonable reports to those investors as to the safety of their security when they are contemplating making loans. In our report, we rejected completely the proposal that there should be this priority, and I can say that in Bill S-11 that priority has been deleted.

The second recommendation we made in that connection had to do with the suggestion that in place of this priority there be established an insurance fund, which fund would be contributed to by the employer and the employee. It would be government-operated, and the unpaid wage claims of wage earners would be paid out of that fund. The department have not seen fit to accept the suggestion. However, they have given an explanation for their not doing so, so I would say it is not an outright rejection. The explanation is that information is not available about unpaid wage claims engendered by the insolvency of business firms, thus preventing an accurate average aggregate of such unpaid claims to be made in Canada each year. However, Bill S-11 includes specific provisions empowering the Superintendent to survey banks, receivers and persons handling mechanics' lien claims with a view to determining the aggregate average unpaid wage claims caused by insolvency or bankruptcy of the employer. This should provide the data for determining the feasibility of setting up such an insurance fund. Then the minister went on to say:

● (2050)

> If it can be justified, after careful analysis, a funded insurance scheme would clearly be the most desirable solution to the problem of indemnifying employees who suffer losses of wages as a result of their employer's bankruptcy.

Now I would not regard that as being a negation of our recommendation. Certainly it is a postponement, but I have included that as being a recommendation which was not accepted just so that the tally could be said to be reasonably accurate.

I said earlier that this proposal of priority of wage earners' claims over those of secured creditors was regarded by the committee as being a most important, if not the most important, recommendation of the committee. I should point out to you that the reasons behind that were very simply stated in the report, that such a priority would be likely to create the inevitable disruption of the commercial system of financing, and that labour-intensive industries might well find it extremely difficult to borrow funds. Yet such a proposal would not necessarily assure the wage protection intended. The clause dealing with this question in Bill S-11, if you wish to look at it, is clause 148 on page 95.

Then the other important changes which I might enumerate are: first, the promotion of both consumer and commercial arrangements as an alternative to straight bankruptcy. This is covered in Parts III and IV of the bill. What this means is a method by which, instead of declaring bankruptcy, one might make a consumer or commercial arrangement. A debtor could make the proposal and if the necessary percentage of creditors accepted there would then be an administration to work out either a 100 per cent liquidation of the debts over a period of three years, or a lesser percentage which is acceptable to the creditors.

Another change is the express delegation to the provinces of the administration of consumer arrangements and bankruptcies to maximize the use of local counselling services. That will be found in clause 16 on page 15 of the bill.

The last one—and I do not need to repeat it—is the priority of wage earners over unsecured creditors. When I say "the last one" I should add there is yet another one which deals with the treatment of international insolvencies. This is a matter which has not been particularly dealt with so far as statutes are concerned, and yet international bankruptcies and insolvencies are becoming more current than they were many years ago. This is due, I suppose, to the expansion of the multinational companies and their operations.

If I might digress for a moment, last summer when I was in London there was a committee of one of the departments of government there charged with the study of bankruptcy laws in the various countries forming part of the European Common Market. When they learned that I was going to be in London, and that I was chairman of this committee, they asked if they could sit down with me. So we had quite a chat discussing the information that they were looking for, and it was on this very subject of how bankruptcy and insolvency provisions in the various countries with which they were concerned could be correlated.

A problem used to arise with bankruptcies that took place in Canada when some of the operations and assets were in the United States. I think they are now becoming more lenient, but at one time the courts took the position that they could not recognize a trustee because he was not established or appointed by the court, but they would recognize a liquidator. And this is the way in which, in some measure, things were able to carry on. Now the severity of that treatment has lessened, and there are provisions in this bill to improve that situation. You will find those in clauses 309 to 312, commencing at page 190.

Clause 309 gives the court the power to appoint a liquidator of a bankrupt company whose powers will be recognized by a foreign jurisdiction. Clause 311 enables the court in Canada to assist a foreign court in exercising jurisdiction in bankruptcy matters, and clause 312 gives a foreign representative who is acting in foreign insolvency proceedings the right to apply to a Canadian court for assistance.

It is expected that these changes, being innovative, may also encourage some reciprocity in dealings between the two countries in the matter of bankruptcy operations.

I think that that is possibly a good place for me to stop, and that is exactly what I propose to do, but I should like to state my opinion, for what it is worth, that Bill S-11 is a significant improvement over Bill C-60. It is a creditable attempt to achieve a proper balance of the rights of creditors, debtors and the public, and as such, I think, shows a real effort on the part of the government and the particular department concerned to develop the law in the proper relationship between those three subject matters—that is, the rights of creditors, the rights of debtors and the rights of Mr. Public.

● (2100)

I must say that in the opinion of your committee—and it so stated in its report—Bill C-60 did not achieve that, and it did not appear, from any careful reading, to aim at accomplishing that correlation. It looked very much as though the purpose of the bill was to strengthen the rights and position of debtors at the expense of the creditors. We thought that was an unfair method; we thought it was a destructive and disruptive method from the point of view of the interest of the public and also from the point of view, of course, of financing.

I think I can conclude my remarks with that explanation. My reason for not developing in detail all the clauses of the bill is simply that there are 417 of them covering 125½ pages—there are actually 251 pages, but half of each page is in French and half is in English—plus perhaps another 30 or 40 pages of schedules. Obviously, it is a quite involved bill for consideration, and it is difficult to read. I will not say it is difficult to understand, once you can establish a correlation of subject matter among its different parts. However, in my opinion, it is more properly a job for the committee to which the bill is referred to do that, and then report its findings to the Senate, rather than have the Senate spend a considerable amount of time trying to study it clause by clause without the benefit of experts. The experts, although they would be available to the committee, would not be available if we were considering the bill in the house.

On motion of Senator Flynn, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, April 5, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

NORTHERN PIPELINE BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-25, to establish the Northern Pipeline Agency, to facilitate the planning and construction of a pipeline for the transmission of natural gas from Alaska and Northern Canada and to give effect to an Agreement between Canada and the United States of America on principles applicable to such a pipeline and to amend certain Acts in relation thereto.

Bill read first time.

Senator Perrault: Honourable senators, with leave of the Senate, I move that the bill be placed on the Orders of the Day for second reading later this day.

Senator Flynn: Honourable senators, we are not prepared to give leave unless we have some explanation. I should like the government leader to explain what he has in mind, and to the last detail. When does he see debate on second reading ending? Is there any intention to refer the bill to committee? If so, when will the committee sit? When does he expect the committee to report? When does he expect third reading to take place, and following that royal assent? I should like to know that. If there is no urgency about this, let us handle this matter as we do others. If we are going to sit here all next week, we can dispose of this bill in the normal course of our usual sittings. But if the Leader of the Government has something in mind that would require us to give the bill a very definite preference and speedy passage, I should like him to take us into his confidence.

Senator Perrault: I think all honourable senators would agree that it would be most improper for me to suggest that there is some pre-ordained framework within which this important measure must be passed.

Senator Flynn: In the regular course.

Senator Perrault: A rigid position of that kind would suggest at the outset that there is to be an attempt to force the opposition to foreshorten its legitimate right to criticize this bill, or to suggest amendments to it. So, honourable senators, I regret that I cannot provide the kind of schedule which has been requested by the Leader of the Opposition. I can suggest, however, that if it is possible for the second reading speeches to be completed later this day, if honourable senators believe this to be a useful course of action—it will be for them to decide—I have been informed that the special committee is prepared to call for witnesses tomorrow morning or this evening to listen to testimony on the specific clauses of the gas pipeline bill. The progress of the bill from that point will rest with the members of the committee, which of course includes representation from all parties in the Senate.

Honourable senators, I need not review in great detail the importance of this bill to Canada.

Senator Flynn: No, that is not the point. You do not have to do that.

Senator Perrault: One of the reasons for the bill's high priority is the fact that there is the important matter of obtaining the vast financing for the project. There is a real time factor involved here. As well, the project will provide up to 100,000 man years of employment.

Senator Smith (Colchester): Those will not all take place this week.

Senator Perrault: No, that is quite true and that is not the suggestion.

Additionally, we have a situation whereby the United States Congress must also pass legislation, just as must the Parliament of Canada, before the project can get under way. There is an enormous amount of detail associated with the project, vast administrative detail and other considerations. For these and other reasons, it is felt that in view of the importance of the measure it should be given high priority. I do not believe that the official opposition disagrees with that viewpoint.

Senator Flynn: No.

Senator Perrault: Certainly the opposition parties in the other place dealt with the bill expeditiously and in full realization of the importance of the measure. I do not know whether I have answered adequately the questions posed by the Leader of the Opposition. If leave is given at this point it would be proposed by the government that the second reading statement by the sponsor of the bill would be made later this day, following which the official opposition may decide whether they wish to respond to the remarks of the sponsor.

Senator Grosart: I wonder if I could ask the Leader of the Government whether we have before us the bill as passed by the House of Commons.

Senator Perrault: I have been informed that the bill is in transit now to the Senate, and copies will be made available as soon as possible to honourable senators.

Senator Grosart: So we do not have the bill, but the Leader of the Government is asking leave to proceed with second reading when the bill is not before the Senate.

Senator Perrault: Honourable senators, the words "later this day" were employed in the motion I made. I may say that the subject matter of the bill has been under extensive study and review by the special committee. The contents of the bill are hardly a mystery to members of this chamber who have interested themselves in its subject matter. I understand that four or five meetings have been held and a number of witnesses have been heard with respect to the subject matter. However, the printing of the final amendments made in the other place has taken the Printing Bureau longer than had been anticipated. In any event, I understand that the bill is in transit.

Senator Smith (Colchester): Honourable senators, I wonder if I might ask the Leader of the Government, first, whether he thinks it reasonable to ask us on this side to respond to the sponsor of the bill when we have not seen the final edition? Secondly, does he really think his explanation has indicated any particular reason for our proceeding more rapidly than our ordinary expeditious procedure would have us do in order to deal with this bill? No one denies that it is a very important bill; we agree that it is. No one denies that it will provide hundreds of thousands of man days of work, or we certainly hope that is the case. However, I ask him whether he really thinks he has told us anything in his response to the other questions which have been asked which would lead us to believe that any of this importance will be impaired or any of these man days of work will be lost should we deal with the bill in our ordinary expeditious procedure?

● (1410)

Senator Perrault: Honourable senators, certainly no member of the Senate can be faulted for taking the view that fair and adequate consideration of this legislation is essential. The pre-study of the subject matter of bills which come before us is a process which is not understood by many observers and commentators in this country—

Senator Flynn: And perhaps some members of this place, including the Leader of the Government.

Senator Perrault: —but I do not think there is any disagreement in this place concerning the procedure. I do not think any senator disagrees with the technique evolved by the distinguished chairman of the Standing Senate Committee on Banking, Trade and Commerce. It is an excellent technique which has served the Canadian public very well. That pre-study procedure, involving careful consideration in advance of the subject matter of bills, has been followed with respect to the proposed legislation regarding the natural gas pipeline.

Honourable senators may well ask what difference a few hours would make as far as the bill's passage is concerned. Superficially, that point of view has some validity, but may I suggest to you that this pipeline is the largest project of its kind ever undertaken in the history of mankind. We are in urgent need of economic development in all parts of this country. The sooner we are able to contact our counterparts in the United States and inform them that Canadian parliamentary approval of the pipeline bill has been given the sooner we can inspire them to give early approval in Congress so that the project can proceed.

[Senator Grosart.]

The challenge of obtaining the vast amounts of financing which confront Foothills Pipe Lines (Yukon) Ltd. is a responsibility not to be taken lightly. Additionally, I am sure that all honourable senators want to convey to the Canadian people that all parliamentarians, regardless of party affiliation, are in basic support of this project, a project which will generate such vast benefits for this country.

Senator Smith (Colchester): There is no doubt that all of us in this chamber agree with the Leader of the Government in terms of the importance of the bill and the great sums of money involved in it. But, I am still wondering why we should not deal with this bill in the ordinary manner, which would mean that, basing it on past experience, the Senate would deal with this bill expeditiously in all its stages. Because it is so important, does it not require more consideration than usual?

The practice of pre-studying the subject matter of a bill has only been available to the 14 or 15 members of the committee and not the house as a whole. Would you not agree that, bearing in mind the importance which is imputed to the bill, which I accept completely, that a more careful study should be conducted rather than taking the chance of letting things slip by?

Senator Perrault: Honourable senators, I want to provide this assurance: There are no factors known to me, outside of the important ones which I have stated, which would suggest the need for urgent passage of this particular bill. The suggestion that there are other factors has no basis in any fact that is known to me. Additionally, I should like to reiterate that it is not the intention of the government to restrict the right of any senator to participate in the debate on a matter of such national importance. It would be unfair and completely wrong for the government to suggest that there is any urgency sufficient to restrict the right of any senator to speak on this matter. I wish to provide that assurance.

There is a feeling, however, that we should indicate to the country our support for this project. We can do that by getting on with the job here, by moving as quickly as possible on this measure. It is for that reason that leave is asked that the bill be placed on the Orders of the Day for second reading later today.

Honourable senators on the other side may decide, after hearing the sponsor's speech, whether or not they wish to respond today. That is their right. It may be that they will wish to defer until a later date further debate and discussion of this measure. That is their right and no one here would wish to restrict that right. At this time we are merely seeking to provide the opportunity for the sponsor of this measure in the Senate to speak to it and to indicate its importance for the Canadian people. Honourable senators will then be in a position to judge whether or not they wish the debate to continue this evening or tomorrow and whether they want time to go through the bill, which I understand is now on the desks of all

honourable senators. That is the appeal which I make to the chamber.

Senator Grosart: Honourable senators, on a lighter note, I wonder if I might congratulate the Leader of the Government on the fastest action and answer we have had from him in the time he has been with us in his present capacity. Within two minutes of my request, the bill arrived on my desk.

Senator Flynn: Honourable senators, the Leader of the Government referred to the fact that the bill has been the subject of a pre-study by the Special Committee of the Senate on a Northern Gas Pipeline.

Senator Perrault: The subject matter.

Senator Flynn: The subject matter, yes. But are you aware that we could not continue that study because the questions that were of importance at that time concerned some amendments which were proposed in the other place? We have only now received those amendments in the bill as passed by the other place.

Were we to give you the assurance that, as far as we are concerned—and I am sure the Leader of the Government has complete control on his side—we will expedite the passage of this bill so that it receives royal assent on Thursday of next week, would that be satisfactory?

Senator Perrault: Honourable senators, first of all, may I endeavour to reply to the first question. The Leader of the Opposition has indicated that there may be some complication as a result of certain recent amendments which had been advanced in the other place and that in some fashion this fact may lead to the need for longer study on this side—

Senator Flynn: On your side?

Senator Perrault: In this chamber.

Senator Flynn: Oh, I see.

Senator Perrault: Second reading debate, of course, is a debate on the principle of the bill. It seems to me that any senator who may wish to speak to the principle of the bill has long known its principle. The principle of the bill, to my mind, could well be discussed without delay and, indeed, might well be dealt with later this day, or perhaps during an evening sitting today. But that is only a suggestion. I do not suggest that the government is attempting to insist on that as a course of action.

What is clear, however, is that when the bill reaches committee stage, honourable senators will have more than ample opportunity to discuss in detail the amendments which were advanced in the other place. It is at that stage that the late amendments to which the Leader of the Opposition has referred can be discussed and debated, and on which expert testimony can be heard.

With respect to the generous offer of the Leader of the Opposition to enable a representative of Her Majesty to come here for royal assent on Thursday of next week, may I say that that kind of timetable is not one to which the government is prepared to give its assent. It may well be that when certain honourable senators see the nature of the bill and the details of the bill they may wish to express their voting assent or dissent before Thursday of next week, or even beyond that date.

Senator Flynn: Beyond?

Senator Perrault: Perhaps we should not agree to any rigid timetable such as Thursday of next week. It may well be that honourable senators on the government side will wish to go beyond the schedule suggested by the Leader of the Opposition.

Senator Flynn: You are not worried about that at all, then?

Senator Croll: He said "may."

Senator Flynn: You are not worried about the fact that the bill may be delayed until after Thursday of next week. If that is the case, then you don't need leave.

• (1420)

Senator Perrault: Honourable senators, we hope to have this important bill considered as quickly as possible in order to indicate the positive attitude of Parliament toward the greatest public work project ever undertaken on this continent. Certainly, we on this side intend to proceed as expeditiously as possible. Those who wish to contribute to the debate on this side or the other side will be given a full opportunity to do so. That is the essence of the suggestion made by the government, and the only request made to the opposition is for co-operation in the process.

Senator Flynn: I will be blunt. As far as we are concerned, if there is to be dissolution we might as well vote on an imperfect bill right away than a more perfect bill in 10 days. But if there is no problem with dissolution of Parliament then we would rather refine the bill, if that is possible. But we do not want the government to be delayed in its decision to dissolve Parliament just for the purpose of refining this bill. But if we can have a long debate to refine the bill, then we would rather have that. It is the choice of the Leader of the Government.

Senator Perrault: Honourable senators, it is hoped, at least, that the bill can be started today and it may well be that members on the government side and on the opposition side may have their own ideas with respect to the "refining" process referred to by Senator Flynn. It should be observed, however, that in the other place the leader of the party which the distinguished Leader of the Opposition here represents so eloquently spelled out in considerable detail his views with respect to "refining", and I understand that a number of proposals advanced by the opposition in the other place were accepted by the government in a spirit of co-operative Canadianism. It is hoped that the same spirit will prevail, as well, in this chamber.

Senator Flynn: It always does. You do not have to worry about that. But I suggest that you ask this leave later so that those on this side who have the responsibility of looking at the bill may have half an hour or so in which to do that, and in the meantime we can proceed with the other items on the order

paper. Then when we have reached the end of the items on the order paper, you can put your request again.

Senator Perrault: That is perfectly satisfactory.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Canadian Livestock Feed Board for the crop year ended July 31, 1977, including its accounts and financial statement certified by the Auditor General for the fiscal year ended March 31, 1977, pursuant to section 22 of the Livestock Feed Assistance Act, Chapter L-9, R.S.C. 1970.

TRANSPORT AND COMMUNICATIONS

CHANGE IN COMMITTEE MEMBERSHIP

Senator Macdonald, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the name of the Honourable Senator Phillips be substituted for that of the Honourable Senator Macdonald, on the list of senators serving on the Standing Senate Committee on Transport and Communications.

Motion agreed to.

AGRICULTURE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Perrault, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Standing Senate Committee on Agriculture have power to sit while the Senate is sitting today, and that rule 76(4) be suspended in relation thereto.

Senator Grosart: Is the Leader of the Government indicating that there is some urgency for this committee to sit while the Senate is sitting?

Senator Perrault: I think it would be appropriate to have the chairman of this committee provide the explanation for this.

Senator Argue: Honourable senators, it is the committee's idea to study the subject matter of Bill C-29, which is before the House of Commons and is at the second reading stage there. It is most urgent to have the bill passed during the present session because the Farm Credit Corporation needs additional capital. The bill is bringing forward some important amendments, most of which were suggested by Senator Hays a couple of years ago. If we can complete the preliminary study we will then be in a position to deal with the bill more expeditiously.

We have the officials slated to come before us this afternoon and we would like the opportunity to go ahead and do the work of the committee by meeting with those officials.

[Senator Flynn.]

Senator Grosart: May I ask further whether there is no other time when the committee could sit, because it has been the view on this side at least, and I think the view of honourable senators on the other side, that it should only be in cases of emergency that committees have power to sit while the Senate is sitting. In the statement just made, except for the fact that the witnesses have already been called, which I object to, I see no urgency, although I am not at the moment saying I will withhold leave.

Senator Argue: Honourable senators, this is our slot. It is most difficult to work on Wednesday afternoons. We have had the situation on prior occasions when the work of the Senate, as is proper, has gone forward and we have had witnesses waiting all afternoon until perhaps 5 o'clock before we have had a chance to meet. Moreover, there is urgency in that this is an exceedingly important bill for farmers in all provinces of Canada. It is urgent that it be passed and receive royal assent before any eventual dissolution.

Senator Flynn: When will that be?

Senator Argue: Indeed, it is just as urgent from a farmer's standpoint as is the pipeline bill from a national standpoint.

Motion agreed to.

NATIONAL REVENUE

INVESTMENT OF RRSP's IN TRUST FUNDS—QUESTION

[*Translation*]

Senator Flynn: Honourable senators, I note with regret the absence of the Minister of National Revenue, despite the fact that I advised him yesterday that I intended to ask him a question. I suggest he is very quickly falling into the bad habit of being absent during the question period which, in the Senate, is sometimes slower in coming than elsewhere. Nevertheless, I am going to ask him this question.

[*English*]

Senator McElman: You should not have warned him.

Senator Flynn: The Leader of the Government said I was giving him notice. I said I was warning him. He believed me rather than believing the Leader of the Government. Anyway, I will put the question and he can read it in *Hansard* and that will be the notice that the Leader of the Government suggested I should give him. It is not a warning.

The problem is in connection with the investment of registered retirement savings plans in annuities as opposed to trust funds. That debate has been going on for some time, and I understand that the Department of National Revenue is in favour of investing RRSP's in trust funds as well as in annuities, this, in opposition to the position taken by the Department of Finance. I was wondering whether this matter has been or is likely soon to be resolved. Since he can read my

question in *Hansard,* I hope that the minister will be in a position to reply.

● (1430)

Senator Perrault: Honourable senators, in the absence of my colleague, I shall make certain that the question is brought to the notice of the Minister of National Revenue for his attention so that an answer will be forthcoming.

MIDDLE EAST

PARTICIPATION OF CANADA IN UNITED NATIONS PEACEKEEPING FORCE IN SOUTHERN LEBANON— SUPPLEMENTARY QUESTION ANSWERED

Senator Perrault: Honourable senators, yesterday the honourable Senator Olson asked a supplementary question with respect to the Canadian contingent in southern Lebanon. He asked whether all the parties, such as Lebanon, Israel, Syria, the PLO, and so on, who have a great interest in that area, had given their assurance of cooperation with the UN force that is going in.

I have been informed that Lebanon requested the presence of UN troops. Israel has provided verbal assurance that its forces would be withdrawn when UNIFIL is deployed. Kuwait voted for the creation of UNIFIL in the Security Council. This was done, I have been informed, as a result of consultations by Kuwait with Syria, Egypt, Jordan and Saudi Arabia. The Lebanese Christians have tendered no formal agreement. The PLO has provided unofficial indications of cooperation. It should be noted that the PLO is neither a fully united nor a well-disciplined organization. In sum, the UN is dealing with all groups involved in Lebanon at some level.

BANKRUPTCY BILL, 1978

SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Hayden for the second reading of Bill S-11, respecting bankruptcy and insolvency.

Hon. Jacques Flynn: Honourable senators, I am quite satisfied that this bill, the Bankruptcy Bill, 1978, is not as urgent as the pipeline bill. As was indicated by the sponsor last night, in 1975 we had Bill C-60, dealing with bankruptcy and insolvency. That bill was referred to the Standing Senate Committee on Banking, Trade and Commerce, which studied it extensively and presented a report dated December 11, 1975. As a consequence of that report, the bill was redrafted and has now been introduced in the Senate. As the sponsor indicated, 109 of the 139 amendments recommended by the committee have been accepted entirely. In addition, 19 amendments were proposed and adopted in part. Only 11 of the committee's recommendations are not included.

I wish to say that I, as well as, I am sure, all members of the Senate, are very much indebted to the sponsor of the bill for his expert analysis and explanation of the bill last night. As he said, the subject of bankruptcy and insolvency is a complex matter, because one has to deal with the rights of the debtor, of the creditor and of the public, and to keep a proper balance between those often conflicting interests is not an easy matter.

The first bill was the product of that period when the government, on the advice of the technocrats, was revising all the major legislation, including fiscal legislation, consumers' protection legislation, bankruptcy, and so on. We had to revamp all our legislation, and out of that came some rather funny—perhaps I should say phony—ideas, such as, for instance, giving preference over secured creditors to the extent of $2,000 in wages for each worker in a corporation or enterprise. As indicated by the committee chairman last night, and strongly supported by the committee, that would have disrupted the method of financing our enterprises. It was nonsensical. I am very happy, as far as this is concerned, that the government has accepted our recommendation, because it is unbelievable that such an idea would occur to the draftsman, or the one responsible for the philosophy, if you will, behind Bill C-60. I am quite sure that many other foolish ideas have been eliminated.

I did not have time to go into the details of the new bill; besides I think that this can more properly be done in committee. In any event, very often when you read this kind of thing, if you do not have an opportunity to discuss it with someone else you do not grasp the immediate effect of the text.

Of course, the committee at that time—and it was not my view—was concerned, as was the original architect of the bill, about the problem of workers who would lose wages in the event of a bankruptcy, and recommended that a funded insurance scheme be established to provide indemnification in those cases. I think this idea arose from the fact that if we were going to reject the idea of preference over secured creditors we should try to find some kind of solution along this line. But, to me, the idea of trying to solve everybody's problems is characteristic of the thinking of those who are in favour of a welfare state which, though we may be close to having one in Canada, we have not yet achieved.

You have to remember that the wages of workers are already privileged. They are not preferred to the claims of the secured creditors, but they are preferred over a lot of other claims, and if the situation is that bad, it means that this privilege means nothing, and if we are going to secure or indemnify these people with an insurance scheme, I shudder to think where we are going to stop in our quest to solve everyone's problems. As far as I am concerned I am very happy that the government did not accept the alternative proposed by the committee. The chairman said he would not regard this as a negation of our recommendation. If it is not a negation, it is an acceptance of our main recommendation not to disrupt the whole system by giving a preference over secured creditors with regard to the wages of workers of a bankrupt company, corporation or enterprise.

I was also intrigued by the comments made by the sponsor of the bill with regard to the so-called money provisions in this bill. I looked up the debate that was referred to, and I found that at that time we discussed the whole problem of what a

money bill is and is not, and whether it should be only an appropriation or a taxing bill. As far as I am concerned this should have been the historical interpretation, although in fact it was not.

I have been in the Senate over 15 years and I have not yet seen in operation the process advocated by *Bourinot*, and which is followed in the House of Lords, of putting certain clauses in blank, or in italics, or in red. I think Senator Connolly (Ottawa West) mentioned that in the debate of 1966. These were indicated as not being the concern of the Senate nor of the committee of the Senate. This is the first time, to my knowledge, that we will have experienced that.

● (1440)

I am very much interested in, and am in favour of, that technique, but if we say we are not going to adopt these clauses because of the financial implications contained in them, should we not give our advice on them even though we do not agree with them? Eventually these clauses must come to us and then the Senate will have to concur in the amendments to include these clauses in the bill. The Senate will be called upon to ratify the amendments.

Therefore, if we are of the opinion that these clauses should be changed or should not be adopted, we should at least give our advice for whatever it's worth and without offending the other place in doing so.

In any event, perhaps my comments will have no effect. The bill will be referred to committee and discussed with the experts that the committee usually has at its service. Before the committee can bring in a report an election will surely have been called.

Bill C-60 died on the order paper, and I am very much afraid this bill will suffer the same fate. In the meantime, the process of improving the bankruptcy and insolvency legislation will continue, and perhaps in the end we will have a much better measure than Bill C-60, and perhaps even better than this one.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Hayden moved that the bill be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to.

CONFERENCE ON SECURITY AND CO-OPERATION IN EUROPE

VISIT BY PARLIAMENTARY DELEGATION TO BELGRADE, YUGOSLAVIA—DEBATE CONTINUED

The Senate resumed from Tuesday, March 21, the debate on the inquiry of Senator Thompson calling the attention of the Senate to his recent visit to the Helsinki Conference on Security and Co-operation in Europe.

[Senator Flynn.]

Hon. Paul Yuzyk: Honourable senators, before proceeding with my speech, I should like to welcome to this chamber the seven new senators who were sworn in yesterday, particularly the two lady senators, and to greet Senator Duff Roblin, Senator Jack Marshall, Senator Stanley Haidasz and Senator Joseph Guay, whom I know personally. With their vast experience in political, national and community life, we can look forward to their active participation in the many-sided work of the Senate, and to significant contributions in many fields.

The two former Ministers of State for Multiculturalism, for example, will be able to pursue effectively their special interests inside and outside this chamber. I am sure that the large Polish community in Canada is happy with the appointment of Senator Haidasz whom they have regarded as their spokesman.

At this time I should like to make special reference to Senator Duff Roblin. I came into this chamber in February 1963, when he was Premier of Manitoba. Today I would like to express my sincere thanks to him for his support which was instrumental in my appointment to this office. I know that he will be a great asset to the Senate in many ways. Premier Roblin made an indelible impression upon me and some 50,000 people in July 1961 at the unveiling of the monument to the great Ukrainian poet, Taras Shevchenko, before the Legislative Building in Winnipeg. In his eloquent address he recited an important passage from Shevchenko's poetry of 1838 in beautiful Ukrainian, and I quote:

Uchitesyia, braty moyi,
Dumayte, chytayte,
I chuzhoho nauchaytesh,
Svoho ne tsuraytesh.

Senator Flynn: The interpretation system is not working.

Senator Yuzyk: Here is the English translation:

Study, my brethern,
Think and read,
Learn about other cultures,
Do not shun your own.

This is a maxim that applies very well in our pluralistic society, to all the various ethnicultural groups, particularly in the implementation of the federal policy of multiculturalism.

Honourable senators, following the reports of Senator Bosa, Senator Thompson and Senator Marchand there is no need for me to present a detailed account of the deliberations that took place at the Belgrade Review Conference of the Final Act of the Conference on Security and Co-operation in Europe which was signed by 35 European states, including the United States and Canada, at Helsinki, Finland, on August 1, 1975. I participated twice as a parliamentary observer at the Belgrade Conference—two weeks in November, 1977, and two weeks in February last, just prior to the closing.

During the months of October, November and December, the 400 delegates of the 35 nations made an extensive review of the implementation of the various sections of the Final Act. This was done in committees and working sessions of the conference. Very little of the deliberations appeared in the news because these meetings and sessions were held *in camera* and therefore closed to the press. Consequently, there was very little press coverage of this event, except after it was concluded.

I attended meetings of all the committees as well as several plenary sessions. The statements and exchanges of views on security, economic, social and cultural matters were made by ambassadors and delegates in rather low key. On the other hand, the discussions on human rights and humanitarian issues often became heated and even explosive. At times the delegates of the Soviet Union and the Soviet-bloc countries threatened to walk out, but, however, did not carry out such threats.

Some 100 proposals were tabled, none of which reached the recommendation or resolution stage, as the conference operated by consensus. This virtual veto was effectively applied by the Soviet-bloc states even against proposed compromises; it was sometimes used by the other states.

Canada's role, as presented by Ambassador W.T. Delworth and his competent staff, was very evident throughout the conference. We had the largest number of parliamentarians in attendance of any country, a total of 19. Canada dealt with human rights; humanitarian issues; the role of the individual, institutions and organizations in the implementation of the Final Act; the elimination of certain administrative barriers to human contacts, particularly in cases of family re-unification and family visits; and the freer flow of information and ideas. The other proposals dealt with confidence-building measures, a convention on terrorism and a draft of the concluding document, as was explained by Senator Thompson. Canada was a staunch supporter and defender of the human rights and humanitarian issues of Basket III of the Helsinki Final Act and co-operated closely with the United States and other NATO countries.

● (1450)

January, February and part of March were devoted to discussions, often stormy, of the content of the concluding document, as was required by the Helsinki Declaration. Several drafts were presented by a number of countries, including what was called a compromise draft by the neutral and non-aligned states, as well as a Canadian one, but these were all unacceptable. Finally, a modified version of the Soviet document, after it went through several revisions, was agreed upon, I must say very reluctantly, by the democratic states.

This puny four-page statement makes no reference whatsoever to the fundamental issue of human rights that was discussed at the conference. The only real accomplishment in this communiqué was the agreement to hold another review conference in the fall of 1980 in Madrid, Spain, and to hold a meeting of experts to prepare a "scientific forum", and a meeting of experts on the Mediterranean question. A mountain gave birth to a mouse.

Canada's closing statement was made by the Honourable Norman Cafik, Minister of State for Multiculturalism and the special representative of the Secretary of State for External Affairs. He stated that the minimal document was a disappointment to the government as it did not reflect the vital substantive concerns of the participating states. Canada, he said, has placed particular emphasis on the humanitarian dimension of the CSCE process, and that the meeting in Belgrade "has confirmed us in our view that human rights will remain a central preoccupation of our government".

Canada came to the defence of the dissidents who are monitoring the implementation of the Helsinki Agreement in the Soviet Union and the satellite states by saying:

> There is evidence that individuals who have tried to exercise rights that are endorsed in the Final Act are still being harassed, exiled, arrested, tried and imprisoned. This has led the Parliament of Canada to adopt resolutions as a unanimous expression of its deep concern in respect of what we see as violations of fundamental human rights. We earnestly hope that the attention that we have focussed on these matters will encourage governments to reflect on the negative impact of their practices.

Referring to the fact that détente must have a human dimension, Mr. Cafik stressed that:

> Our concerns on these humanitarian issues are not motivated by a desire to wage ideological warfare, or to interfere in the internal affairs of other countries.

Further on in his speech, Mr. Cafik stated that there will be skepticism about the value of the CSCE process, or even about détente itself. Noting that détente does not have an independent existence, but is a two-way street, he warned that:

> The public will weigh the reality of détente on the basis of results. We suspect, in view of the high expectations of our public, that it will be a source of disappointment in Canada that the ideas that we hold to be so fundamental and which we have advanced so persistently and strongly have not been reflected in the document because of this meeting's inability to achieve consensus. However, we reaffirm our continuing commitment to these concepts and values.

In conclusion, the Canadian spokesman asserted that the Canadian government "remains firmly attached to the policy of détente," but that the heart of the matter must be that the commitments freely undertaken at Helsinki must be carried out in practice by all the signatories. Looking forward to the next review conference, he was still hopeful, as is indicated in the following passage:

> At Madrid [two years hence] we shall have a clearer picture of where we stand. It will then be five years from the signature of the Final Act. Public opinion in our countries is not likely to grant us much of a further reprieve if we are not seen by them to have pursued the course we charted together at Helsinki with a greater sense of commitment and with greater imagination. Belgrade and Madrid may be important milestones on that

course. But the real test of the CSCE lies in the commitment we are prepared to give to its continuity, and in whether concrete adjustments will be made in our national policies. We should not look to a miracle at Madrid to relieve us of the responsibilities of proper performance between now and then.

The Canadian minister took up the matter of human rights and the dissidents in a face-to-face meeting with the Soviet ambassador, Yuli Vorontsov. Canada offered to accept some of the Soviet dissidents as immigrants. The reply was terse: those arrested had violated the law and will be judged by the law. Mr. Cafik also got no place with the question of the reunification of families and the freedom of the movement of people and ideas.

I should now like to make a few concluding remarks about the achievement of the Belgrade Review Conference as embodied in the "Concluding Document".

When we look back at the Helsinki Declaration of 1975 we must remember that the Western democracies and the Soviet Union with its satellites signed this Final Act with different and diverging motives and objectives. The Western countries, particularly those in NATO, stressed paramountly the respect of human rights and a freer exchange of ideas and people across the borders in order to gradually liberalize the communist societies, and thus bring them closer to our Western societies. The Soviet Union with the Warsaw Pact countries, however, stressed the relaxation of tensions in Europe through the détente, the ratification of the international borders that had been established by the Soviet occupation of the Baltic states and the satellites, freer trade and accessibility to Western technology, thus regarding the Helsinki Accord as a kind of peace treaty ending the Second World War.

In assessing the implementation of the Final Act at the Belgrade Conference both sides judged the outcome from their own point of view. There was some agreement that progress, even how little, had been made and therefore the exercise was considered worthwhile. The West, however, was greatly disappointed that the Soviet Union down-played the issue of human rights, assailing the Western democracies for interfering in the internal affairs of the Soviet Union and the "Socialist countries" and defending all dissidents, who were regarded by the U.S.S.R. as criminals.

One thing must be made very clear at this time. The signatories of the Helsinki Final Act are not allies. The 15 NATO countries are allies dedicated to the principles of freedom, democracy and human rights. The Warsaw Pact countries, under the leadership of the Soviet Union, are their own allies, dedicated to the propagation of communism, the destruction of capitalism and world revolution—the antithesis of the way of life that we hold dear. The communist-bloc countries evidently are our enemies. In our dealings with them, this must always be kept in mind. They treat the Western democracies as enemies.

[Senator Yuzyk.]

• (1500)

It is a mistake to assume that the Communist leaders honour their agreements. The communist approach to treaties was defined by Stalin, who, during the Second World War, was an ally of the Western World powers, in the following manner:

> Words must have no relation to action—otherwise what kind of diplomacy is it? Words are one thing, actions another. Good words are a mask for the concealment of bad deeds. Sincere diplomacy is no more possible than dry water or iron wood.

Let us look at the record of the Soviet Union in the implementation of treaties. The United States Senate Judiciary Committee, in its investigations, has recorded the details of over 100 Soviet treaty violations. The study was published officially in 1964 under the title *Soviet Political Agreements and Results*. The conclusion of the chairman, Senator James Eastland, should be remembered. He said:

> Since the Soviet Union came into existence, its Government has broken its word to virtually every country to which it ever gave a signed promise. It signed treaties of nonaggression with neighbouring states and then absorbed those states. It signed promises to refrain from revolutionary activity inside the countries with which it sought "friendship", and then cynically broke those promises. It was violating the first agreement it ever signed with the United States at the very moment the Soviet envoy, Litvinov, was putting his signature to that agreement, and it is still violating the same agreement . . .
>
> I seriously doubt whether during the whole history of civilization any great nation has ever made as perfidious a record as this in so short a time.

So, bearing in mind this perfidious record, what else can be expected from the Soviet Union with respect to the Helsinki Agreement? Obviously, the U.S.S.R. is playing a game applying its own rules. Insistence by the West on the implementation of human rights in the Soviet Union, which had signed this declaration, provoked anger on the part of the chief Soviet delegate. Ostensibly in self-defence, Ambassador Vorontsov assailed the Western states for attempting to "sidetrack the (Belgrade) meeting on to the path of psychological warfare and to turn it into an arena of ideological confrontation."

There are circles that look upon the Belgrade Conference with cynicism and despair, and understandably so. It does appear that the Soviet Union has no intention of honouring the Helsinki promises, while at the same time it is increasing repressive measures against the dissidents as well as increasing its military might. But one must not lose sight of the efficacy of the Helsinki principles and the Helsinki process.

The publication in *Pravda* in Moscow of the full texts of the Helsinki Accords in the fall of 1975 gave a new impetus to the Soviet dissidents and to the human rights movement in the U.S.S.R. On May 12, 1976, a Helsinki monitoring group was organized in Moscow, headed by Academician Yuri Orlov. Later in November a similar group was formed in Kiev,

Ukraine. The chairman, Mykola Rudenko, and the secretary of this group. Yury Tykhy, were arrested in February 1977, and later tried, the former receiving a seven-year prison term and five years' exile, and the latter a 10-year term and five years' exile. Both houses of the Canadian parliament unanimously protested these arrests and requested the prisoners' release, but to no avail. Other Helsinki monitoring committees sprang up in Lithuania, Georgia and elsewhere.

Russian activists such as Sakharov, Solzhenitsyn, Bukovsky and others supported these groups. Despite repressions, arrests and expulsions of some leading dissidents, the human rights movement appears to be steadily growing in the U.S.S.R. and other communist countries.

These courageous people, who are risking their lives for the cause, are fully aware that the Soviet Union torpedoed the human rights issue at the Belgrade Conference. The Soviet dissidents, as well as those in the satellite countries, are pinning their hopes on the implementation of the Helsinki principles. We who believe in these principles cannot let them down. The Helsinki process must continue and become more effective at the forthcoming Madrid Review Conference in 1980.

In response to critics who state that increased pressure from the West impels the Kremlin forcibly to crush dissent, Andrei Sakharov, the father of the Soviet hydrogen bomb, Nobel Prize winner, and the guiding light of the human rights movement in the U.S.S.R., said that détente unaccompanied by increased trust and democratization was a danger, not a blessing, that rapprochement without democratization in the U.S.S.R. was worse than no rapprochement at all. With answering faith in the cause of human rights, Sakharov, on behalf of the dissidents, makes the following appeal to the Western democracies:

> Resolute and ever-growing pressure by public and official bodies of the West—up to the highest—the defence of principles and of specific people can only bring positive results. Every case of human rights violations must become a political problem for the leaders of the culprit countries.

The three annual sessions of the North Atlantic Assembly of NATO, which were held subsequent to the signing of the Helsinki Final Act, placed great emphasis on "a comprehensive application of the Helsinki Principles," particularly on the free flow of information and people. Member governments of NATO were urged "to monitor carefully the implementation of human, cultural, educational and information obligations so that a detailed accounting may be presented to the follow-up conference in Belgrade".

A Standing Subcommittee on the Free Flow of Information and People was established, and it has been regularly publishing a quarterly-bulletin that has been intensively presenting the monitoring of the Helsinki Act by most of the NATO countries. The Canadian government has been fully co-operating in the monitoring process. This constant monitoring pressure, which has already yielded some tangible results—family reunification, for example—will continue and will be reviewed at the Twenty-fourth North Atlantic Assembly in Lisbon this fall.

In June 1977, a Canadian Parliamentary Helsinki Group, chaired by the Honourable Martin O'Connell, was established in Ottawa. It has heard briefs from the Canadian Committee of Captive European Nations and has brought their requests to the Canadian government. These have included the utilization not only of "quiet diplomacy" but also "loud diplomacy", as expressed through peaceful public demonstrations of citizen groups, protests in the press and protests in our Parliament. The Canadian Parliamentary Helsinki Group is inviting all parliamentarians—and this includes senators—to a meeting in the Railway Committee Room on April 6, 1978 at 12 o'clock noon, to hear the Canadian Ambassador, W. T. Delworth, discuss the Belgrade Conference.

Let us constantly keep in mind that the Soviet Union has been an aggressor since its establishment by the Russian Communist Party (Bolsheviks) in 1917. At the end of the First World War, and immediately after, it subverted and conquered with the Red Army the following democracies, the Ukrainian National Republic, the Byelorussian National Republic and other Caucasian republics, and incorporated them into the U.S.S.R. During the Second World War, and immediately after, the Red Army occupied the Baltic states—Lithuania, Latvia and Estonia—which were annexed by the U.S.S.R. in 1940 as Soviet republics, similar to the Ukraine and Byelorussia. The Soviet Union with the Red Army then occupied the following democratic states of Poland, Romania, Bulgaria, Hungary and Czechoslovakia, as well as East Germany, which were subverted, sovietized and converted into subsidiary satillites. On the path of aggression, the Russian power threatened to overrun other European democracies. The United Nations, in which the U.S.S.R. applied its veto, was powerless to act.

● (1510)

In order to defend democracy and freedom, and stop the further aggression of the Soviet Union, the Western states of Europe and North America formed the North Atlantic Treaty Organization, NATO, in 1948 and, later, its parliamentary component, the North Atlantic Assembly. NATO is a protective alliance, the bulwark of freedom and democracy. The U.S.S.R. soon after established an alliance with the satellite states, known as the Warsaw Pact, which has been putting constant pressure on the adjacent countries. Judging from the Soviet military interference in the Hungarian revolt of 1956 as well as in Czechoslovakia in 1968, during which events the Western powers remained passive, the Soviet Union would probably have made advances elsewhere in Europe if it had not been for the border clashes with Red China.

While promoting détente the Soviet Union in recent years has been steadily building up its military forces on all fronts at an alarming pace, surpassing NATO's conventional forces and equipment. The Western democracies are today faced with the greatest threat since the inception of NATO. The lesson is obvious. We must not be caught with our guard down. The

retaliatory capacity of the NATO forces must be improved rapidly. It is gratifying that Canada has assumed a larger share of this responsibility.

Détente must not be allowed to mesmerize the West into complacency. Human rights is now one of our strongest weapons against the menace of the enemy. Let us strengthen NATO and support the implementation of human rights in Canada and in all countries which are signatories of the Helsinki Final Act. As this movement is gathering greater momentum in various parts of the troubled world, it has ushered in the age of human rights, in which Canada can play a significant role, having already enacted the Canadian Human Rights Act.

On motion of Senator Haidasz, debate adjourned.

NORTHERN PIPELINE BILL

SECOND READING

Senator Perrault: Honourable senators, with leave of the Senate, I move, seconded by the Honourable Senator Petten, that the Bill C-25, intituled: "An Act to establish the Northern Pipeline Agency, to facilitate the planning and construction of a pipeline for the transmission of natural gas from Alaska and Northern Canada and to give effect to an Agreement between Canada and the United States of America on principles applicable to such a pipeline and to amend certain Acts in relation thereto," be placed on the Orders of the Day for second reading this day.

Senator Flynn: Leave is granted.

Hon. H. A. Olson moved the second reading of Bill C-25.

He said: Honourable senators, I want to begin by expressing my appreciation to all members of this house, and especially to the leader and other members of the opposition, who have given leave to proceed to second reading today.

Although we have only just received from the other place this bill to provide for the establishment of a northern gas pipeline, I know that many honourable senators have followed the progress of this whole project very carefully, and indeed are quite familiar with its provisions. Of course, the measure has already been given some advance consideration by the special committee which was established early in March for that purpose. I should say, for those honourable senators who have only in the last few minutes received a copy of the bill as passed by the House of Commons, that there are only two amendments that make it different from the bill that was considered by the special committee before Easter.

We did at that time have the amendments that were moved and carried in the special committee of the House of Commons. Of course, there was then the report stage when a number of amendments—I believe 11—were accepted for debate in the House of Commons, but only two of those did, in fact, pass, and they are, therefore, included in the reprint of Bill C-25 which we received a few minutes ago. I shall refer to them specifically, if any honourable senator wishes me to do so, at the end of my brief comments.

[Senator Yuzyk.]

Honourable senators, this is an historic bill, providing, as it does, for Canada to join with the United States in one of the largest private projects ever undertaken anywhere in the world. The project involves construction of a multi-billion dollar northern pipeline—and that, by the way, is excluding the further cost of a lateral to the Mackenzie Delta—which altogether will cover a distance of nearly 5,500 miles, to transport gas from the northern supply to southern customers in both Canada and the United States. The legislation before the Senate for its consideration will implement the terms of the agreement between the governments of Canada and the United States that was signed in Ottawa last September.

It also provides for the establishment of a northern pipeline agency to provide what has been termed a single regulatory authority to exercise all federal responsibilities directly related to building the pipeline system by the Foothills group. One of the underlying objectives of this legislation is to ensure that this mammoth project is undertaken in a way that will maximize its potential economic, industrial and social benefits for Canada, while at the same time minimizing the adverse social and environmental aspects.

The potential benefits of this system for Canada are considerable. It will provide us with at least one access to the present and future reserves established in the Mackenzie Delta and, I might say, in the Beaufort Sea as well, in line with our national goal of establishing Canada's self-reliance in energy.

It will provide a much needed boost to consumer and business confidence in this country, and a strong stimulus to output and employment. It is estimated that the total project in Canada, including the construction of the lateral Dempster link to the Mackenzie Delta, will provide an additional 100,000 man-years of employment in this country.

● (1520)

The project will have a strong favourable impact on Canada's balance of payments position. There are some estimates of the size of this influence. We cannot project with precision at this time how much of the debt, that is, the loan, the borrowed money, that will be used in the building of the project will be raised in Canada and how much in the United States. Therefore, it is a little difficult to try to predict with precision the amount of additional inflow of American money that would help us in our present situation with respect to the dollar, so I will not try to do that. I think it is fair to say, however, that in the initial years, when the construction is going on, that the size of this inflow of foreign exchange will be greater than after the project is completely constructed.

Bearing that in mind for a moment, what I can be a little more precise about is predicting the amount of earnings in United States funds that will be available to Canada to assist in this international exchange problem. We know, from the company's testimony before the committee, that the annual earnings by this project after it is in place and operating will be in excess of $800 million annually, and these earnings will be paid in United States dollars.

Offsetting that to some extent—I should say, to a significant extent—will be the annual payments of both principal and interest on money that is borrowed in the United States. There is no doubt at all, honourable senators, that during the construction period, and for however long the project is in place, there will be a favourable balance in the international market so far as Canada is concerned.

It may be interesting for us to hear one other statistic related to that, and that is that at the present time there are known reserves in the Prudhoe Bay area of some 30 trillion cubic feet. That is enough to keep this pipeline filled at the rate of over two billion cubic feet per day for 40 years. Therefore, although the size of the pipe, at 56 inches, and with an operating pressure of 1,180 pounds per square inch, sounds enormous, I would like to set at rest any fears that there are insufficient gas reserves to keep it going, because those that are known to date—and there is a great potential for more reserves—are sufficient to keep this line fully supplied for 40 years.

While there may be some adverse effects experienced in the north during the actual construction, on balance there is every reason to believe that both in the short term and over the longer term the project will, on balance, yield substantial benefits to the people who live there.

Yukon workers will be given preference in training and hiring in respect of construction and operation of the system. Yukon businesses will also enjoy a preferred position in the procurement of goods and services for the system. While permanent opportunities in connection with the operation of the system are not large, there is every prospect that it will serve as a catalyst and will help to foster other industrial development in the years ahead. This, of course, includes accelerated petroleum exploration and development in the western Arctic, and possible extension of the electrical generating capacity in the Yukon that will be required to enable new industrial projects to go forward.

We have already learned that the compressors that will be put in place along the way, especially in the Yukon—and perhaps also in the rest of the pipeline—will be designed in such a way that the gas turbine engines driving the pumps can be easily removed and replaced with electrical motors if the necessary amount of electrical power becomes available along the line.

The ability of the Yukon to benefit from the project will be substantially enhanced by the financial arrangements agreed to with the United States under which the pipeline company will be required to pay property taxes totalling $35 million during the years between 1980 and 1982. After the system goes into operation, which is scheduled for the beginning of 1983, the company will pay annual property taxes of $30 million, a sum that will be escalated in line with the rise in the price deflator of the GNP.

Honourable senators, I should point out that the effect of the substantial increase in pipeline property taxes that will become available to the Yukon government will enable it to make substantial strides toward its goal of financial independence of the federal government. In addition, however, the Minister of Indian Affairs and Northern Development announced during the course of the debate in the other place that the federal government was prepared to support a build-up of a Yukon heritage fund of up to $50 million to be used for the general benefit of the Yukon residents without effect on the annual deficit grant paid to the territory by the federal treasury.

A further benefit that would be derived by the people of the Yukon stems from the amount of up to $5 million that the company would be prepared to put up in order to install lateral lines for the distribution of gas to communities along the pipeline route. They have also committed themselves to supply that gas at the Alberta border price.

Honourable senators will recall that under the agreement with the United States, a start on the pipeline laying in the Yukon will be deferred until January 1, 1981. That is only seven months earlier than the starting date recommended by the Lysyk inquiry, and it will provide time for the settlement of Indian land claims and the start of their implementation. I think it is widely recognized that the achievement of this objective would substantially enhance the ability of the Indian people in the Yukon to capitalize on the potential benefits offered by the building of the northern gas system through the territory.

As a further means of assisting the native people of the Yukon to accomplish this objective, the federal government has made it clear that it is prepared to provide an advance payment of $50 million against a final settlement, once agreement in principle has been reached in the course of the present negotiations.

While the federal govrnment has clearly been sensitive at every stage of development about the impact of this project on the interests of northern residents in general, and to native people in particular, I believe that amendments adopted in the other place—those are the ones to which I have just referred—provide clear recognition of their interests in the legislation itself. They also make it apparent beyond any doubt that this bill will not interfere in any way with native land claims in the future. That can be found in clause 23.1 on page 12 of the bill now before us.

One of the central provisions of the legislation is that providing for the establishment of a northern pipeline agency. This agency will be expected to work in close conjunction with the National Energy Board, and will provide a single regulatory authority for the exercise of all responsibilities related to the planning, monitoring and controlling of the construction of the system throughout Canada. Under the bill, the Governor in Council will be authorized to transfer federal powers now exercised by various departments to the agency, to the extent that they are required for the purpose of maintaining central control over the project. The agency will be responsible to a designated minister in essentially the same way as government departments are, and, therefore, will be fully answerable to Parliament at all times.

● (1530)

Acting under the authority of the minister will be a commissioner who will serve as deputy head of the agency in Ottawa, and there will be an administrator who will assume responsibility for the day-to-day operations from the agency's offices in Calgary. I think it is assured that other offices will be established in Whitehorse, in British Columbia and Saskatchewan.

To provide for the close co-ordination with the National Energy Board that will be so essential, a member of the National Energy Board will be appointed to the agency as the designated officer and will serve either as the administrator or the deputy administrator of the agency. Certain responsibilities which bear on the long-term responsibilities of the National Energy Board will continue to be exercised by it, either alone or in concert with the minister.

As honourable senators are aware, the bill establishes a number of general terms and conditions that Foothills will be required to meet in addition to the undertakings it has already given before the National Energy Board. These cover such matters as design specifications and routing of the system, minimization of adverse socio-economic and environmental impacts, and also the input of Canadian manpower, goods and services.

In addition to these general provisions, the company will also be required to comply with a number of detailed terms and conditions, which will be laid down by the agency, covering all these areas.

I should say at this point that even after this legislation is passed all of the specific detailed terms and conditions will not be known exactly, but it will provide the basis on which rules and regulations can be made. The agency will certainly have several weeks, and up to three months, to spell out the final precise details to the company before construction begins.

As you are all well aware, one of the major points of controversy in the other place related to the question of Canadian input into the whole system. While it was contended by some in the other place that firm guarantees of Canadian content should somehow be written into the legislation, they recognized that such a guarantee would be contrary to the provisions of the general agreement on tariffs and trade and, indeed, contrary to the provisions of the Canada-United States agreement calling for the supply of material on competitive terms. That was clearly a principal requisite in reaching any agreement at all that would derive all the benefits to come from this. If it were otherwise it would be contrary to Canada's interest in holding down the cost of building the system, and thus the cost of transporting gas from the Mackenzie Delta to Canadian markets in the south.

Nevertheless, I am sure that an examination of the terms and conditions laid down in the legislation will provide honourable senators with the necessary assurance that the minister responsible for the agency will have ample powers to ensure that Canadian firms have a full opportunity to compete fairly for the right to supply goods and services to the project, which is all that Canadian industry itself has asked for.

[Senator Olson]

One of the major controversies that developed was, of course, over the supply of pipe. That is by far the largest single component. My information is that Canadian companies which are capable of fabricating that size of pipe, to the specifications attached to it, are extremely competitive in that field.

While it does not form part of the legislation, I believe honourable senators will find of particular significance the undertaking given by the Deputy Prime Minister and President of the Privy Council to propose a change in the Standing Orders of the other place to establish a continuing committee on the northern pipeline, which will provide an opportunity for continued parliamentary surveillance of the progress of the project. While members of this chamber will recognize the exceptional nature of this provision in our parliamentary system, I think they will agree that it is justified by the exceptional nature of the project itself.

I simply want to conclude by advising honourable senators that the two amendments made to Bill C-25 can be found at pages 4042 and 4045 of Commons *Hansard* for March 22 last. Those pages will both identify the amendments and provide you with explanations of why those amendments were accepted. I mention that because I do not want to take up more time this afternoon to explain them in detail.

In conclusion, honourable senators, I hope that we will be able to give this bill second reading this afternoon so that it can be referred immediately to the special committee. I make this comment for the information of those senators who do not already know that the committee is prepared to meet later this day. We are certainly prepared to meet at 9.30 tomorrow morning. We have a commitment from the National Energy Board and the officers designate of the agency, as well as some senior officers of Foothills Pipe Lines (Yukon) Ltd., to be with us tomorrow to answer questions about the contents of this bill.

Senator van Roggen: Senator Olson, may I just ask a question? Would you point out to us the two clauses that were amended?

Senator Olson: I believe they are clause 23.1, which is found at page 12 of the re-print of the bill, and clause 18.1 of Schedule III, which is found at page 53. I wanted to quote the two pages of *Hansard*, but I have not had the bill long enough to be absolutely certain that those are the two clauses. Essentially, they clarify and spell out more detail of Indian claims. I shall try to ascertain that.

Hon. George I. Smith: Honourable senators, I have been given the privilege of speaking to this bill. I am sure the honourable senator who has just explained it so clearly will not be surprised if I say that, like him, I have not been able to acquaint myself with the two amendments to which he gave us a reference. Therefore, in order that I may decide just how I should deal with these in my response, if at all, I would appreciate his being kind enough to read the clauses to us so that I may hear through his voice, as well as search for myself, the changes which have been made and which may turn out to be very important indeed.

Senator Olson: I am trying to do my homework here while also listening carefully to your remarks. I am now certain that the one I mentioned, clause 23, has been amended by adding a new clause, clause 23.1, which can be found at page 12. This new clause is headed "Native Claims," and it reads as follows:

> Notwithstanding this Act, any native claim, right, title or interest that the native people of Canada may have had prior to the coming into force of this Act in and to the land on which the pipeline will be situated continues to exist until the settlement in respect of any such claim, right, title or interest is effected.

● (1540)

Honourable senators will remember that this is one that the Council for Yukon Indians presented to us and felt very strongly about. It is now incorporated in the amendment. The other one I mentioned is different.

Senator Connolly (Ottawa West): May I interject before the honourable senator goes further? Perhaps I did not hear him correctly, but as I understood it he was indicating that an amendment has been made to clause 23 of the bill.

Senator Flynn: No.

Senator Smith (Colchester): Clause 23.1 has been added.

Senator Flynn: It is not clause 23 subsection (1); it is clause 23.1.

Senator Connolly (Ottawa West): Thank you.

Senator Olson: That will be found at the bottom of page 12 of the bill, copies of which were distributed a few minutes ago.

The other one is different, and it is not in Schedule III. Subclause 20(6) has been amended by striking out lines 29 and 30 and substituting the following therefor—

Senator Grosart: Would the honourable senator indicate the page?

Senator Olson: It is subclause 20(6) on page 11. They have added the words:

> "not, without the prior approval of the Governor in Council and the Board, terminate, alter or amend".

I am now trying to find where that fits in.

Senator Grosart: I hope the Leader of the Government is listening to this.

Senator Flynn: He would rather not.

Senator Olson: It makes that subclause more specific. The added words are:

> "not, without the prior approval of the Governor in Council and the Board, terminate, alter or amend".

That is the whole of the other amendment that was accepted by the House of Commons.

Senator Smith (Colchester): Honourable senators, I thank Senator Olson for his explanation of the amendments, and for his lucid explanation of the bill. We on this side have given leave, as requested by the Leader of the Government, to proceed with this bill today, after we had some chance at least to ascertain that the bill in its final form conforms, substantially at least, to the views that we have as to what its contents should be. We have satisfied ourselves, as I say, that it conforms substantially to our views, but we have not had an opportunity to study it with sufficient care yet to be able to give any commitment that we will not have some alternative views at some point to put forward as the bill proceeds along in its course in the Senate and before the special committee, if that is the committee to which it is referred. To put it another way, while we are prepared to give our approval in principle, we certainly are not prepared at this stage, with the very short time we have had to look at the final version, to give any commitment about the details that we may wish to discuss later.

I noticed with some interest that in the other place the Deputy Prime Minister and Leader of the House paid considerable tribute to the contribution of the opposition parties there to the debate on this bill, and allowed himself the recognition that their contribution had been of a very constructive nature. I am glad to be able to see that his perception of the activities of the opposition has reached the point where he has come to realize that the contributions the opposition make are constructive and useful, and do expedite the business of Parliament. This I think, is a tribute to his progress in education as much as it is to the contribution that the opposition makes.

I do not wish to dissent, at this stage at least, from anything Senator Olson said. I agree—as I perhaps indicated earlier in the questions I was asking the Leader of the Government—that this is indeed a tremendous undertaking; that it does seem to have great potential for the benefit of Canada and Canadians. I think it would be perhaps a little imprudent of us to accept as necessarily accurate all the estimates we have had, all of which were given to us in perfectly good faith, of course, by Senator Olson today. Whether it will be 100,000 or 200,000 man-years, or 50,000 or 68,000, as suggested by somebody who tried to refine the figures, nobody knows. Very intelligent, learned and careful estimates have been made, but I think it is important for us all to remember that these are only estimates. While they are estimates that carry with them a great deal of weight, having been made carefully by skillful and learned people acting in the best of good faith, they still are estimates.

The same, of course, is true of the estimate that the final Canadian content of this great undertaking will be as much as 90 per cent. We all certainly hope it will be. I am sure we on this side hope as sincerely as anyone does, or could, that not only will the 90 per cent Canadian content be equalled but will be exceeded. Again, however, we must remember that this is an estimate. It depends on a multitude of things which none of us can envisage with any certainty now.

We put forward the view, which I think fairly represents the view of those on this side of the house—and probably the view of perhaps all members of the Senate—that it will take eternal vigilance to make sure that no fair and proper opportunity is lost to encourage Canadian content; that no one is reticent about creating such opportunities, keeping in mind, of course,

all the time that we must conform to our obligations internationally. We must conform to our obligations as a responsible country, and we must conform to our obligations not unnecessarily to increase the already well-known tremendous cost of this undertaking.

Some of us had the opportunity of listening at first hand to representatives of citizens of the Yukon and British Columbia and hearing their views on what might be the dangers to them and their way of life necessarily bound up in such a great undertaking in the country in which they live. No one can but have the greatest sympathy for these people. Undoubtedly, they are going to be faced with a tremendous influx of people and people's habits, accompanied with a great many changes to the environment in which they have become accustomed to living. They have their own lifestyle, a lifestyle which spans many generations, and perhaps one which extends to prehistoric times.

● (1550)

While I am not for a moment suggesting that the undertaking be delayed, it seems to me that there must be an ongoing and extremely alert vigilance to ensure that, within reason, whatever can be done to lessen the adverse impacts upon these peoples and their lifestyle is done. They have a lifestyle which is as important to them as ours is to us.

We must not allow engineers, bulldozer operators and other construction people to simply go out and build a pipeline having no regard to the consequences. Many precautions can be taken and must be taken to ensure that something of this nature does not happen. I have every confidence that, by this time, those responsible for carrying out this undertaking realize the importance of taking every precaution necessary, from the commencement through to the completion of this vast project.

One thing I should mention—not because it is strictly a matter of principle, but because I wish to draw it to the attention of the committee which will study this bill—is the certificate of public convenience and necessity under which this pipeline will be constructed. I will not elaborate on this now, but, as I read the bill, that certificate will not carry on its face any of the substantial conditions under which the certificate is granted and which must be observed if the certificate is to remain in force. There must be a means by which those affected by the construction of this pipeline, including those living in the immediate areas concerned, can determine what the conditions are under which the certificate is granted, and what responsibilities those operating under the certificate have in carrying out their particular operation. I do commend to the committee to which this bill will be referred a very careful consideration of this problem.

There has been, as all honourable senators are aware, an ongoing discussion over a long period of time with respect to native rights. I know it is difficult to harden one's heart to this, but I also know that this undertaking should not necessarily wait for the settlement of these land claims and other matters relating to native rights. I understand why those directly affected by this feel so strongly.

[Senator Smith (Colchester).]

It seems to me that with the addition of clause 23.1, to which Senator Olson drew our attention a few moments ago, those rights are intended to be protected. I must say, however, that I can understand why some people are not as enthusiastic about this as they might be, because it does read in a rather narrow way with respect to rights they may have had in and to the land on which the pipeline will be situated.

The pipeline will not occupy a great deal of land, unless one uses the term to refer to "the whole of the great land." I am sure the rights those people are concerned about are not only those rights which would be affected by a pipeline occupying a few feet of land, but are of a much broader nature and concern a much larger piece of land which might be adversely affected because of a pipeline being located there. I think the committee to which this bill is referred must give this problem a great deal of consideration.

Senator Olson quite properly drew the attention of the Senate to the rather complex arrangements set up in the bill by which the administration of this vast undertaking will be carried out. I do not have the same confidence as he in the ability of people, at this stage and in dealing with such an undertaking, to set up administrative arrangements which will satisfactorily cope with the inevitable and unexpected serious situations which are bound to occur as work continues.

Therefore, it seems to me that there must be a readiness to be extremely flexible and a readiness, if necessary, to say that the arrangements in this bill are not satisfactory for the administration of this project and must be changed, even if they require change through parliamentary procedure.

I sincerely hope—and I think it is necessary not only to hope, but also to feel confident—if these administrative arrangements in the form in which they are set out here, or in some other form, cannot cope with the problems which might arise, that we will have an opportunity to improve or change them by legislation, if necessary.

I suppose it is inevitable with such an undertaking that, at this stage, it is not possible to spell out detailed rules. I do wish, however, that it were possible to get a little closer to detailed rules than this legislation. We might as well realize that we are casting the whole of this undertaking into the hands of the organization which will be set up by this bill, and are telling them, "We do not know how you are going to do it. Make your own rules and get on with it." Perhaps that is all we can do, but certainly we are not doing it in a way which would allow anyone to look back and say, "We have done all we can do for you. You can get on with it."

This great project requires the constant supervision of Parliament. This leads me to refer with some emphasis to the undertaking given in the other place by the Deputy Prime Minister, the Honourable Allan MacEachen, whereby he will ask the House of Commons to establish a standing or permanent committee to keep closely in touch with all matters relating to this pipeline. That is some comfort, but it seems to me that it is just as important that this house have some means of keeping in close touch with this great undertaking. It may

even be that we have better means, if we choose to use them, for keeping in touch with it. Indeed, I think one could say, without being accused of too much favouritism, that our committee system is certainly at least as good as that of the other place, and it seems to me that we would be remiss indeed if we did not equip ourselves just as well as the other place has arranged to equip itself with the means of keeping close watch upon what is certainly the greatest undertaking of a physical nature that Canada has ever embarked upon.

• (1600)

[*Translation*]

Hon. Paul Desruisseaux: Honourable senators, I ask your indulgence to add a few words, perhaps somewhat needlessly in view of the enormous amount of work accomplished during the preparation of this bill. This could perhaps be compared to the great development of railroads long ago. This project will also enable the Maritime provinces and Quebec, which are the furthest away from the sources of supply, to obtain all the oil and gas they need.

First of all, the economic consequences are enormous. However, I would like to say a few words about the economic impact and the cost of this project, which may be considered certainly as the greatest in Canadian history, and perhaps also greater than any project in most other countries. We must remember that in addition to working on a very difficult terrain where the most accurate data possible had to be gathered, we had to prepare with the United States arrangements which will last, as Senator Olson said, for about forty years, and also provide for economic growth in the developed sectors and sign treaties with the people concerned, with the natives living in the most affected areas. We also had to obtain the consent of the provinces; this can be found in the schedule of the bill. In my opinion, this deserves the approval of the public which is perhaps waiting impatiently in some cases for natural gas to become available, for instance, in eastern Canada, in the Atlantic provinces and also in Quebec, where there is no natural gas except in Montreal.

I think that the United States got out of enormous difficulties when they most needed it. I have the clear impression that if they are interested in buying our natural gas, they are also very anxious to help us develop our country.

I noted with interest the comments of Senator Olson about the means, which he did not specify but which he says have been studied by the company, that will be used to contribute to pay this enormous debt that Canada will have. If we believe the theory of Keynes, there is no doubt that the more we are in debt, the more prosperous we become, but this will not happen here since we expect satisfactory and regular returns. There is also the matter of taxation which will considerably help Canada.

As for the project itself, I have already had occasion to talk about it in this house. In my opinion, since my appointment to the Senate, this project is among the most likely to help Canada on the road to economic recovery. Of course, it will not be completed for some time. But everything will get under way when we pass this bill. This is why I do not want to go on much longer. I simply wanted to put on the record in my mother tongue and as a citizen of the province of Quebec my appreciation of what we are now doing.

[*English*]

Senator Flynn: Honourable senators, before the sponsor closes the debate, I should like to ask the Leader of the Government whether he has considered the undertaking Mr. MacEachen gave in the other place to set up a special committee of that house to which will stand permanently referred all reports, orders, agreements, regulations, directions and approvals mentioned in sections 12, 13, 14, 15 and 22 of the Northern Pipeline bill, provided that the said committee shall report thereon at least three times in every session; and whether the idea to have a joint committee was considered by the government, or whether we should have a committee of this house for the same purpose. I think we have the same interest in this matter as the other place has, and it seems that we have been forgotten once more.

Senator Perrault: Honourable senators, the suggestion to have the present special committee undertake such responsibilities, or, alternatively, the suggestion that some joint committee activity could be undertaken—these and other suggestions have come from a number of honourable senators. I think there is a great deal of merit in the proposals. I would like to discuss initially with the Leader of the Opposition, perhaps on a one-to-one basis, his ideas on this subject.

• (1610)

I listened with interest to the remarks of the honourable Senator Smith (Colchester) a few moments ago, in which he pointed out that the committees we have established here take second place to no committees in the whole of Parliament in their ability to analyze and evaluate legislation and to suggest improvements in bills that come before us.

I believe there would be a very real place for such a committee, whatever its basis. It may well be that the committee we have established should merely maintain itself in existence with some provisions to report at regular intervals.

Hon. H. A. Olson: Honourable senators—

The Hon. the Speaker: I wish to inform the Senate that if the Honourable Senator Olson speaks now, his speech will have the effect of closing the debate.

Senator Olson: Honourable senators, I shall take only a few moments to comment on the remarks made by those who have participated in the debate. At one point I was going to comment, and had my notes written, on the matter raised by Senator Smith (Colchester) and mentioned specifically by Senator Flynn concerning the monitoring in Parliament of the construction project as it proceeds. This would have the effect, as the Leader of the Government has said, of either continuing the special committee that is already set up, or of re-establishing it in some form.

On the question of whether or not there should be a joint committee, I would suggest that that can be discussed in

committee when the bill is referred to it. I can see some advantages in there being a joint committee, but I can also see some advantages in there being a Senate committee. I do not want to spell out the advantages now, but for investigative purposes, dealing with the social-economic impact, and so on, there is some advantage in the Senate's having its own committee to do that kind of work. There seems to be general agreement that we can discuss the matter further in committee and, if it is agreed, we could report back to the house when we report the bill.

Senator Desruisseaux raised a matter concerning gas not being available in large parts of Canada. That is a fact. However, it is not because there are insufficient quantities of gas to distribute to the rest of Canada, particularly from Montreal east. I am also convinced that it is not because there is not the will by pipeline companies to both finance and undertake the work. As a matter of fact, there is an application by an Alberta gas company to extend the pipeline from Montreal east into the maritimes. I can assure the honourable senator that there are adequate supplies of gas in the known fields in western Canada that are already connected to the trans-Canada pipeline to supply all the gas that would be required there. I do not know the technical difficulties that would have to be overcome in order to build a line to serve those people, but certainly there is plenty of gas and, indeed, the will to go forward with building such a line.

I wish to thank honourable senators, including the Leader of the Opposition, for their contribution to the debate. I hope that we can soon refer the bill to committee for consideration in detail.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Olson moved that the bill be referred to the Special Committee of the Senate on a Northern Gas Pipeline.

Motion agreed to.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, April 6, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. Molson's Brewery (Ontario) Limited and its employees represented by the Canadian Union of United Brewery Workers (B.F.C.S.D.) Local 304 Toronto Plant, Local 306 Barrie Plant and Local 304 Hyatt Transport, dated March 22, 1978.

2. Labatt's Ontario Breweries and its Metro Brewery Workers, represented by the Canadian Union of United Brewery Workers, (B.F.C.S.D.) Local 304, dated March 22, 1978.

3. Carling O'Keefe Breweries of Canada Limited and its employees represented by the Ontario Brewery Workers, Canadian Union of United Brewery Workers (B.F.C.S.D.) Local 304 Toronto Transport, Local 325 Toronto Plant, and Local 173 Waterloo Plant and Transport, dated March 22, 1978.

4. Brewers Warehousing Company Limited and its permanent employees, represented by United Brewers Warehousing Workers Provincial Board, dated March 23, 1978.

5. Bell Canada Traffic and its dining service group, represented by the Communications Union Canada, dated March 28, 1978.

6. County of Antigonish Municipal School Board and its conveyance and maintenance supervisors, dated March 28, 1978.

7. Misericordia Hospital, Edmonton, Alberta and the operating engineers, represented by the International Union of Operating Engineers, dated March 31, 1978.

Report on the operations of the Shipping Conferences Exemption Act for the year ended December 31, 1977, pursuant to section 12 of the said Act, Chapter 39 (1st Supplement), R.S.C., 1970.

Report of the National Harbours Board, including its accounts and financial statements certified by the Auditor General, for the year ended December 31, 1977, pursuant to section 32 of the National Harbours Board Act, Chapter N-8, and sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between the City of Drumheller, Alberta and the group of its executive employees. Order dated March 29, 1978.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, regarding the reference on Essex International of Canada Limited and its cumulative excess revenue, dated March 30, 1978.

PRIVATE BILL

ROYAL CANADIAN LEGION—REPORT OF COMMITTEE PRESENTED AND ADOPTED

Senator Bonnell, Chairman of the Standing Senate Committee on Health, Welfare and Science, presented the following report:

Wednesday, April 5, 1978

The Standing Senate Committee on Health, Welfare and Science to which was referred Bill S-10, intituled "An Act respecting the Royal Canadian Legion", has, in obedience to the order of reference of Monday, March 20, 1978, examined the said Bill and now reports the same with the following amendment:

Page 1, Clause 1: Strike out lines 14 to 17 and substitute the following:

"(i) those persons who have served or are serving in Her Majesty's navy, army or air force or any auxiliary force thereof,

(ii) those persons who have served or are serving in the Royal Canadian Mounted Police, and

(iii) the sons and daughters of any of those persons referred to in subparagraphs (i) and (ii),"

Respectfully submitted,

M. Lorne Bonnell,
Chairman.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Bonnell: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(f), I move, seconded by

Honourable Senator Macdonald (Cape Breton), that this report be now adopted.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Senator Bonnell: Honourable senators, may I add a brief note of explanation. The bill before us, respecting the Royal Canadian Legion, has been amended by the committee because the original proposed legislation which came before us suggested that membership of the Legion might be expanded so as to include all those who support the purposes and objects of the Legion.

We had as witnesses before the committee the president of the Legion and their legal counsel. It was the feeling of the membership of the Standing Senate Committee on Health, Welfare and Science that the proposed amendment was too broad. So, after consultation with the president of the Legion and with their legal counsel, it was felt that the amendment which we proposed would be acceptable to them. We proposed in the amendment to broaden the scope of membership to those people who have served in or who are serving in the Royal Canadian Mounted Police, and their sons and daughters, as well as the sons and daughters of legionnaires and those at present serving in the various branches of the armed forces. In this way we restricted the membership somewhat. It is a matter that the committee felt strongly about, and I believe that the members of the Legion present, when they realized the implications of the broader term proposed, were quite content to support this amendment.

Senator Connolly (Ottawa West): Honourable senators, as sponsor of the bill perhaps I could add a word by saying that I thought the work done by the committee yesterday was very good indeed. As Senator Bonnell indicated, we had before us the President of the Legion, Mr. McDonald, and the Secretary of the Legion, Mr. Lamy, but in addition we had invaluable help from members of the committee who are members of the Legion. I refer to Senator Macdonald, Senator Donald Smith, Senator Marshall and Senator McElman. They made an impact upon the thinking of the officials of the Legion, and it seems to me as a result of the discussion there the amendments now proposed for adoption by the Senate in this report are amendments that the Legion will not only live with but will profit from.

Motion agreed to and report adopted.

THIRD READING

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

Senator Connolly (Ottawa West): Honourable senators, the Legion itself is hopeful that there will be expeditious treatment of this bill in the House of Commons. While there are delays to be expected there, in order to give them an opportunity to have a good run at the bill, I hope the Senate will agree to give leave to have third reading now.

[Senator Bonnell.]

Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(*b*), I move that the bill be read the third time now.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to and bill read third time and passed.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(*g*), I move that when the Senate adjourns today it do stand adjourned until Monday next, April 10, at 8 o'clock in the evening.

Honourable senators, in moving this adjournment motion I have taken into consideration the items before us, the legislation likely to come to us from the other place and the committee meetings already set down for next week.

The Special Committee of the Senate on a Northern Gas Pipeline met last evening to consider Bill C-25, the Northern Pipeline Act. It met again this morning and again at 1.15 this afternoon and it will likely continue its meetings later on this afternoon at about 3.30. It is possible that that committee will be in a position to report the bill by Monday.

It is also quite likely that Bill C-18, to amend the Anti-Inflation Act and guidelines, will have passed the Commons before we return on Monday, and we may even have before us Bill C-29, to amend the Farm Credit Act.

• (1410)

I shall now give the committee schedule as well as I can at this time. On Tuesday the National Finance Committee will consider the main estimates for 1978-79 when the Senate rises, and the Health, Welfare and Science Subcommittee on Childhood Experiences will meet at 4 p.m. or when the Senate rises. There will also be a meeting of the Foreign Affairs Committee on Tuesday with respect to Canada-United States relations, but no time has yet been set for that meeting.

The Banking, Trade and Commerce Committee has called a meeting for Wednesday at 9.30 a.m. to continue its study on the subject matter of Bill C-13. The Agriculture Committee will meet on Wednesday when the Senate rises, at which time the Canadian Federation of Agriculture will present its annual brief.

A meeting of the Transport and Communications Committee has been called for Thursday at 9.30 a.m. to consider Bill C-2, respecting the Fishing and Recreational Harbours Act. The minister is scheduled to appear before that meeting. Also on Thursday, at 10 a.m., the National Finance Committee will continue its examination of the main estimates for 1978-79.

Senator Smith (Colchester): Honourable senators, I wonder if I might be permitted to make a brief comment. The Deputy Leader of the Government gave 9.30 a.m. on Thursday as the time for the meeting of the Transport and Communications

Committee, which was in accordance with arrangements. However, within the last few minutes—I forgot to communicate this information to him—the minister's office indicated that the minister will be available at 9 o'clock. So I propose to call the meeting for that time.

Senator Langlois: I thank the honourable senator for the correction.

Motion agreed to.

BUDGET SPEECH

DATE OF PRESENTATION—QUESTION

Senator Flynn: Honourable senators, may I ask the Leader of the Government if the Minister of Finance has announced the date of the presentation of his budget; and, if so, would he let us know?

Senator Perrault: Honourable senators, I am able to announce to the chamber that the Honourable the Minister of Finance has announced that the budget will be presented at 8 o'clock on Monday evening next, April 10.

Senator Flynn: That means that we may not sit next Thursday.

Senator Grosart: Or Wednesday.

Senator Langlois: We may adjourn.

NATIONAL REVENUE

DEFERRAL OF INCOME TAX ON PROCEEDS OF SALE OF LIVESTOCK HERDS—QUESTION

Senator Olson: Honourable senators, I wonder if I may be permitted to ask a question of the Minister of National Revenue. Is the government giving favourable consideration to deferring income tax on the proceeds from dispersal sales of livestock so that those proceeds can be used, albeit in a subsequent year, for the repurchase of livestock herds?

Senator Guay: Honourable senators, I should first like to say that the reason why I was not present when a question was asked of me yesterday is that I left the chamber about 2.30 p.m. to fulfil my responsibilities as Minister of National Revenue. I hope that honourable senators will recognize the fact that there are important meetings which I must attend from time to time.

In answer to the honourable senator's question, some consideration has been given to that particular point but I cannot provide any details at this moment. I believe the matter is in the hands of the Minister of Finance.

Senator Olson: I should like to ask the Minister of National Revenue a supplementary question. Are we entitled, then, to hope that this proposal respecting livestock sales might be in the budget on Monday night?

Senator Guay: Honourable senators, I am not in a position to answer that particular question at the moment.

INVESTMENT OF RRSPs IN TRUST FUNDS—QUESTION ANSWERED

Senator Guay: Would honourable senators permit me to reply to the question that the Honourable Leader of the Opposition asked yesterday concerning investment of RRSPs in trust funds? This matter is at present under study by the Minister of Finance. Until that study has been completed, I feel that it would be premature to express myself publicly in favour of one form of investment or another. Any change in the form of investment to be permitted will require Income Tax Act legislation.

MINISTER AS MEMBER OF THE SENATE—QUESTION

Senator Forsey: I wonder if I might ask a question of the Minister of National Revenue. Is he aware that he has the distinction of being the first Minister of National Revenue to sit in this house since 1882?

Senator Perrault: It has been too long.

An Hon. Senator: He may be the last.

MIDDLE EAST

PARTICIPATION OF CANADA IN UNITED NATIONS PEACEKEEPING FORCE IN SOUTHERN LEBANON—QUESTION

Senator Grosart: Honourable senators, may I address a question to the Leader of the Government arising out of the reply he gave yesterday respecting the United Nations Interim Force in southern Lebanon (UNIFL)? Can the Honourable Leader of the Government inform the Senate as to whether the ceasefire is being observed completely at the present time?

Senator Perrault: Honourable senators, I have no recent report on that subject. However, an inquiry will go forward in the next few minutes, and perhaps that information can be brought to the Senate before we rise this afternoon.

Senator Grosart: A supplementary question. Will the Leader of the Government, if he can, also inform the Senate as to what arrangements are being made for participation by the Canadian military authorities in that area in any military decisions as to the deployment of the force in Lebanon?

Senator Perrault: Honourable senators, that supplementary question will be taken as notice.

LIBERAL PARTY OF CANADA

SIGNIFICANCE OF ROSE BOUTONNIÈRES—QUESTION

Senator Bonnell: Honourable senators, I note that some of our senior parliamentarians are wearing a red rose this afternoon. Perhaps the Leader of the Government could tell us why today is so significant that it calls for the wearing of a red rose.

Senator Perrault: I had not anticipated that question, but I am pleased that it was asked. Today marks the tenth anniversary of the election to the leadership of the Liberal Party of Canada of the Right Honourable Pierre Elliott Trudeau.

Senator Flynn: Does it mean that only three of you are rejoicing?

Senator Phillips: I have a supplementary question for the Leader of the Government. I wonder if he would consider issuing black armbands to the million and a half unemployed in Canada in commemoration of this anniversary.

Senator Perrault: Honourable senators, there would be more roses worn by government supporters today, but there is a shortage of roses growing in the gardens of Ottawa at this particular time. These are all that could be found.

Senator Grosart: A very, very true statement.

BUDGET SPEECH

ACCOMMODATION FOR SENATORS IN SENATE GALLERY OF HOUSE OF COMMONS

The Hon. the Speaker: Honourable senators, as previously announced, the Minister of Finance will deliver his budget speech in the other place on Monday next, April 10, at 8 o'clock in the evening.

May I be permitted to remind honourable senators that none but senators will be admitted to the Senate gallery of the House of Commons on that occasion. This step is being taken for the purpose of providing accommodation in the gallery for as many senators as possible. In this manner, senators will not be excluded from the gallery on account of many of the places being occupied by relatives and friends of senators.

May I add that such instructions were first issued in 1931 by the then Speaker of the Senate, the Honourable P. E. Blondin, and that this practice has been followed ever since.

● (1420)

Senator Olson: Honourable senators, now that it has been announced that the Minister of Finance will commence delivering his budget speech in the other place at 8 o'clock on Monday evening, may I ask the Leader of the Government whether the Senate will still adjourn to 8 o'clock on Monday evening?

Senator Perrault: Honourable senators, in view of the weight of work which appears to be facing us next week, it is felt to be important that we meet at 8 o'clock on Monday evening regardless of the fact that a budget will be presented in the other place at that time.

Senator Flynn: I suppose there would be no problem with a bill such as the pipeline bill being adopted only on Tuesday? How much time do we still have?

Senator Argue: If we adopt it, there will be no problem.

Senator Flynn: Since we will be arriving at 8 o'clock and the committee may have to meet that night, in the event that we cannot report the bill is there any danger that it would die on the order paper?

Senator Perrault: Honourable senators have always demonstrated a keen sense of responsibility, and I think they know where their priorities lie regardless of the importance of the budget message which will be presented on Monday evening. It is apparent that the pipeline bill is of major importance to this country, and I do not believe that there is any danger of the kind suggested by the Honourable Leader of the Opposition.

Senator Flynn: It would be the responsibility of the government to give us enough time to have royal assent at 6 o'clock on Tuesday, if they want to cut the rope at that time.

Senator Perrault: Honourable senators, I do not believe that circumstance will arise. The government is aware of the important legislation which must be dealt with before any appeal to the electorate is made.

Senator Flynn: We do not want to be accused of delaying the passage of this bill.

Senator Langlois: You are on a fishing expedition, but you are using the wrong bait.

CAPE BRETON DEVELOPMENT CORPORATION ACT

BILL TO AMEND—SECOND READING

Hon. Alasdair Graham moved the second reading of Bill C-38, to amend the Cape Breton Development Corporation Act.

He said: Honourable senators, I am very pleased to have the opportunity of moving second reading of Bill C-38 because it relates to an important corporation and important municipalities in my home area of Cape Breton Island.

Bill C-38 is a simple measure, and one that is perhaps long overdue. It is an attempt to regularize the payment of grants in lieu of taxes on all holdings for which taxes would be levied if the corporation were not an agent of Her Majesty. As it now stands, the Cape Breton Development Corporation Act gives authority to make grants in lieu of taxes "in respect of any lands of the corporation". This bill would also provide authority for the corporation to make grants in lieu of taxes for personal property as well. The inclusion of personal property would be of particular benefit to some municipalities in Cape Breton which are, and have been, hard pressed economically for the past number of years.

By way of giving a brief background to what led up to the introduction of this bill, I should point out that the matter was raised on December 2, 1977, in the other place by the member for Calgary Centre. It was also discussed by the member for Winnipeg North Centre and the member for Drummond. Reference is made to the *House of Commons Debates*, pages 1502, 1503, 1504 and 1505.

In general, the matter related to the propriety of two items included in Supplementary Estimates (A) which were described as $1 items. These items were objected to basically on the ground that they were not purely supply items but, in effect, went beyond the limits of the supply procedure and extended into legislative authority.

Reference, therefore, is made to a ruling made by Mr. Speaker, which can be found on pages 184, 185 and 186 of the *Votes and Proceedings* of the House of Commons, dated

December 7, 1977. In his summation, Mr. Speaker noted that in all such cases:

> I am encouraged by the fact that the dispute by the house was not with the principle or with the approach to be taken with these programs.

In fact, he said:

> The house is interested in the programs, particularly with respect to Cape Breton Development Corporation and espouses an extension to the program. Simply, the house wants to see it done in a regular way. Therefore, I would be encouraged by the prospect that if legislation is introduced to regularize this intention through an amendment to the legislation, it will receive speedy consideration by the house at least.

In saying that, Mr. Speaker concluded, "I am drawing upon the arguments made by all members."

Accordingly, honourable senators, Bill C-38, an act to amend the Cape Breton Development Corporation Act, was first read in the other place on April 3. On April 4, it received second and third reading in the other place. I refer to *House of Commons Debates* at page 4119. I believe that this bill deserves the support of all honourable senators.

Hon. John M. Macdonald: Honourable senators, I think this is an excellent piece of legislation, and I am very happy to support it.

Hon. Eugene A. Forsey: Honourable senators, I think it is not only an excellent piece of legislation, which I am very happy to support, but I am also delighted to see that the admonitions of the Standing Senate Committee on National Finance and of the Joint Committee on Regulations and other Statutory Instruments have at last been heeded. It is a sign of grace. It is perhaps a case for the government of:

> Betwixt the stirrup and the ground
>
> Mercy I askt, mercy I found.

Motion agreed to and bill read second time.

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

Senator Graham moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

CONFERENCE ON SECURITY AND CO-OPERATION IN EUROPE

VISIT BY PARLIAMENTARY DELEGATION TO BELGRADE, YUGOSLAVIA—DEBATE CONCLUDED

The Senate resumed from yesterday the debate on the inquiry of Senator Thompson calling the attention of the Senate to his recent visit to the Helsinki Conference on Security and Co-operation in Europe.

Hon. Stanley Haidasz: Honourable senators, as I rise to make my first speech in this chamber, I should like to say how deeply touched I am by the warmth of your welcome, for which I am grateful. Working in the ways and customs for seventeen years of the other house of Parliament, I beg your indulgence as I learn the rules of the Senate.

I should like to pay my respects and offer my devotion to the Speaker of the Senate, who is the embodiment of the dignities and usages of this honourable chamber, and is one of the principal guardians of our Canadian parliamentary institutions, full of symbolism and history, a guarantee of our basic freedoms.

• (1430)

I am particularly happy to come here with a group of fellow appointees whose qualifications are such that I am sure you will welcome them to your labours and deliberations. As a newcomer to this house, but also as an old Ottawa hand, I would offer them my personal congratulations and best wishes.

I hasten to state that I place particular value upon my appointment, having received it at the hands of the present Prime Minister, the Right Honourable Pierre Elliott Trudeau, whose personal popularity in the country is unsurpassed and who is recognized as one of the world's great leaders. In thanking him, I wish to offer my congratulations and best wishes on the tenth anniversary of his prime ministership and the leadership of the Liberal Party of Canada, which we celebrate today.

Hon. Senators: Hear, hear.

Senator Flynn: It is the last.

Senator Haidasz: With many members of this house I have enjoyed a long and useful association. Some of you were my colleagues in the House of Commons. I recall the days when you were blazing the trails, and today I find you in the front seats as elder statesmen. I recognize what a great debt this country owes to you for your dedication and your vision.

However, time and the democratic process have taken their toll. In my 17 years in the House of Commons there were occasions when I needed advice, and I often turned to experienced politicians such as Senator Connolly (Ottawa West) and Senator Croll. But I am saddened by the fact that a distinguished senator is no longer here, and I know we all miss him. I refer to the late Senator Arthur Roebuck, for whom at a very early age I performed my first political chore by working for his election to the Ontario Legislature. I later represented in the House of Commons the federal constituency of Trinity, which he served so well. If one in politics has a father-confessor, then he was mine for a great many years, and I am grateful.

I am, of course, very grateful also to my wife and children, parents and relatives, teachers and friends who have made it possible for me to be here today. Many of them, like millions of immigrants, came here from Poland and many other countries, some even before Confederation, to start a new life and help build a new country. To them I wish to offer a tribute and a prayer by repeating the words of Thomas D'Arcy McGee delivered in a speech in Quebec in 1862:

> Dear, most justly dear to every land beneath the sun are the children born in her bosom, and nursed upon her

> breast; but when the man of another country, wherever born, speaking whatever speech, holding whatever creed, seeks out a country to serve and honour, and cleave to in weal or woe, when he heaves up the anchor of his heart from its old moorings and lays at the feet of the mistress of his choice, his new country, all the hopes of his ripe manhood, he establishes by such devotion a claim for consideration, not second even to that of the children of the soil.

This, honourable senators, brings me to the subject of human rights, one of the great national and international issues which I have espoused and intend to pursue vigorously, for the Senate is no sanctuary, no escape from responsibility and service. We have had our great national dream. We have the great humanitarian story in Canada of the best of health, welfare and environmental protection; we have the great commitment of national unity; but we also have the great national conscience, namely, to stand up for human rights at home and abroad. The Senate of Canada stands upon the threshold of a new era. It can play a much more important role in the field of human rights. If there is wisdom among us, and I believe there is; and if there is the will, as I believe there should be; and if there is experience, as I am sure there is, then these qualities should be welded and employed in the best way to defend and preserve the fundamental principles of human rights.

Canada has made progress in achieving the recognition of human rights and promoting it on the international scene. Our country has signed and implemented the International Convenants on Human Rights, and many other treaties. The government of Prime Minister Trudeau adopted an official policy of multiculturalism which guarantees the preservation and development of the cultures of Canadians. It has also enacted human rights legislation which is now in effect, and the Minister of Justice has announced legislation to establish the office of ombudsman. In the international forum, Canada has taken a prominent place in promoting and negotiating extensive human rights provisions embodied in the Helsinki Final Act, emanating from the Conference on Security and Co-operation in Europe, signed on August 1, 1975.

At the Belgrade review meeting, from October 4, 1977 to March 9, 1978, the Canadian delegation played a persistently bold and effective role in exposing violations of, and demanding compliance with, the commitments made by the signatory countries. I had the opportunity and privilege as a member of the Canadian Parliamentary Helsinki Group to be an observer with the official Canadian delegation headed by Ambassador T. Delworth, who is with us today in Ottawa. I take this opportunity of reporting upon the excellent performance of our diplomats on that delegation, and to express our appreciation for their dedicated work.

As the ground rules of the Belgrade meeting were based on consensus, virtually giving veto power to any one country, the concluding document was a compromise. Although frank exchanges of views were made and many good suggestions proposed in all the committees, the absence of the mention of human rights in the concluding document was a disappointment and a source of frustration to all who worked there for many months. It does not reflect all the vital substantive concerns and constructive efforts so as to make the meeting a total success.

Canada has never had illusions about the obstacles which lie in the way of full implementation of the Final Act, but our concern and commitment has not diminished. We want peace, justice and prosperity today and for the future for ourselves and all peoples of the world. We expect some good to come out of that meeting. We should continue to insist that relations between states cannot remain unaffected where respect for human rights and fundamental freedoms is seen to be deficient. I am gratified that in the other house members adopted unanimously my motion on February 26, 1976, reiterating the Canadian government's commitment on non-recognition of the territorial status quo in Europe, and also adopted motions put by many other members of that house.

Since the signing of the Helsinki Final Act, which raised concern in many people, great interest in others, and struck a responsive chord in many hearts, monitoring groups of the Helsinki Final Act have sprung up in many, many countries. Persistent representations were made in the Parliament of Canada to facilitate the reunification of families. At the Belgrade meeting, the Canadian delegation tried to get acceptance of the need to expedite visits and the reunification of families. Canada also tried to obtain a strong commitment from participating states to respect the fundamental rights of culture and religion. We regret that the meeting did not accept all we asked for, but our efforts were not in vain.

● (1440)

Certainly, Canadian interest in these vital matters will not cease. Our commitments to the goals of human rights, I am sure, will be vigorously pursued. The Canadian spokesman, the Minister of Multiculturalism, Mr. Cafik, at the concluding meeting on March 9, spoke for our government, emphasizing that Canada will persist in underlining the importance of the humanitarian objectives of the Conference on Security and Co-operation in Europe. He said the language of the Helsinki Final Act is clear and its provisions remain an indispensable yardstick against which performance will be measured in the future. At the Madrid review meeting in 1980 we should expect and demand progress in the Helsinki Final Act commitments. To make the best possible use of that instrument to sustain the pursuit of peace, security and justice in Europe is the challenge confronting the signatory countries, their parliaments, and their people.

I urge this house and I urge our government to take up this new challenge with unrelenting determination and perseverance. This will be our greatness as a nation and our contribution to the dignity of man from which will flow peace and justice.

Honourable senators, I have walked through the great corridor from the other house to this one. I face new walls, new faces, new rules, but my hope and perspective remain unchanged. What we do with our will and resources will largely determine our future. We have before us a bright future, if we resolve to make it so.

The Hon. the Speaker: As no other senator wishes to participate in the debate, this inquiry is considered as having been debated.

The Senate adjourned until Monday, April 10, at 8 p.m.

THE SENATE

Monday, April 10, 1978

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

Prayers.

THE SENATE

DELAY IN SITTING

Senator Flynn: Honourable senators, may I ask the Leader of the Government if there is any reason why the Senate was called only at a quarter to nine this evening instead of at 8 o'clock. Is there any justification for that?

Senator Perrault: Honourable senators, a request was received from a number of honourable senators that the bell be rung at approximately 8.30, as this would give them an opportunity to hear at least part of the important budget message being delivered in the other place. That is the primary reason.

Senator Flynn: I hope those who made that request are now here.

ANTI-INFLATION ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-18, to amend the Anti-Inflation Act and guidelines.

Bill read first time.

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

Senator Perrault: Honourable senators, with leave of the Senate, I move that the bill be placed on the Orders of the Day for second reading later this day.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

CANADA LABOUR CODE

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-8, to amend the Canada Labour Code.

Bill read first time.

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

Senator Perrault: Honourable senators, with leave of the Senate, I move that the bill be placed on the Orders of the Day for second reading at the next sitting.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

MISCELLANEOUS STATUTE LAW AMENDMENT BILL, 1978

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-41, to correct certain anomalies, inconsistencies, archaisms, errors and other matters of a non-controversial and uncomplicated nature in the Revised Statutes of Canada, 1970, and other acts subsequent to 1970.

Bill read first time.

Senator Perrault: Honourable senators, with leave of the Senate, I move that this bill be placed on the Orders of the Day for second reading at the next sitting.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

PRIVATE BILL

BELL CANADA—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-1001, respecting Bell Canada.

Bill read first time.

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

Senator Deschatelets: Honourable senators, this bill is similar to one passed by the Senate in December, 1976. Therefore, with leave, I move that the bill be placed on the Orders of the Day for second reading later this day?

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the National Energy Board for the year ended December 31, 1977, pursuant to section 91 of the National Energy Board Act, Chapter N-6, R.S.C., 1970.

Report of the Export Development Corporation, including its accounts and financial statements certified by the Auditor General, for the year ended December 31, 1977, pursuant to sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Report of the Canada Council, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 23 of the Canada Council Act, Chapter C-2, R.S.C., 1970.

Report of the Public Service Commission of Canada for the year ended December 31, 1977, pursuant to section 45 of the Public Service Employment Act, Chapter P-32, R.S.C., 1970.

Report of the Public Service Commission on Positions or Persons excluded from the operation of the Public Service Employment Act for the year ended December 31, 1977, pursuant to section 45 of the said Act, Chapter P-32, R.S.C., 1970.

Report of the Canada Deposit Insurance Corporation, including its accounts and financial statements certified by the Auditor General, for the year ended December 31, 1977, pursuant to section 46 of the Canada Deposit Insurance Corporation Act, Chapter C-3, R.S.C., 1970.

Report of the Canadian Human Rights Commission for the fiscal year ended March 31, 1978, pursuant to section 47(1) of the Canadian Human Rights Act, Chapter 33, Statutes of Canada, 1976-77.

NORTHERN PIPELINE BILL

REPORT OF COMMITTEE

Senator Olson, Chairman of the Special Committee of the Senate on a Northern Gas Pipeline, presented the following report:

Thursday, April 6, 1978

The Special Committee of the Senate on a Northern Gas Pipeline to which was referred Bill C-25, intituled: "An Act to establish the Northern Pipeline Agency, to facilitate the planning and construction of a pipeline for the transmission of natural gas from Alaska and Northern Canada and to give effect to an Agreement between Canada and the United States of America on principles applicable to such a pipeline and to amend certain Acts in relation thereto" has, in obedience to the order of reference of Wednesday, April 5, 1978, examined the said bill and now reports the same without amendment.

Your committee, nevertheless, strongly recommends, on the basis of the evidence heard by it,

(1) that the Northern Pipeline Agency to be established by the said Act take steps as soon as is reasonably possible after the coming into force of the Act to have an independent inquiry undertaken to examine the social and economic effects that the construction of the said pipeline might have upon those persons residing in the vicinity of, or adjacent to, the right of way of the pipeline, particularly in those areas where no previous inquiry has been undertaken;

(2) that the terms of reference of the inquiry include a requirement that it be terminated by a fixed date in order that its findings may be made known prior to the final approval of the terms and conditions relating to the construction of the pipeline; and

(3) that a special committee of the Senate be established to inquire into any matter relating to the planning and construction of the said pipeline, to consider in particular all reports, orders, agreements, regulations, directions, recommendations and approvals referred to in the said Act, and to report to the Senate thereon at least once in each session of Parliament during the period of the planning and construction of the pipeline.

Respectfully submitted,

H. A. Olson
Chairman

Senator Olson: Honourable senators, perhaps I may have a few minutes to give you a brief explanation of the recommendations contained in this report.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

Senator Olson: Honourable senators will have noted that the Special Committee of the Senate on a Northern Gas Pipeline has reported Bill C-25 without amendment. That is not to say that certain matters were not raised by some members of the committee; indeed, there were some suggested amendments.

When the special committee considered its first term of reference, which was the subject matter of Bill C-25, it did not have in its possession the bill itself as amended after the report and third reading stages in the House of Commons. There were, of course, some further changes made there. For example, there was a great deal of discussion and, I might say, concern about the retention of native claims. To put it another way, there was concern that no Indian or native claims rights would be extinguished or, indeed, interfered with in any way by the construction of this pipeline.

There was not unanimous agreement that the amendment made by the other place before we were formally in possession of the bill was substantially different from the one we considered when we had possession of the bill. Therefore, I am not suggesting that there was unanimous agreement, but it was significantly important in the eyes of most of the members of the committee.

A number of other matters were raised also. If honourable senators have not already done so, they may wish to look at the printed proceedings of those committee hearings to acquaint themselves with other important matters raised.

I want to take another few minutes to deal with the three recommendations contained in the report. The first recommendation is that an independent inquiry be undertaken to study the social and economic impact or conditions that may affect the people who live along the right-of-way of the pipeline. You will recall that this study was done by the Lysyk Commission with respect to that section of the pipeline going through the Yukon, but it was not done for any of the other areas where the pipeline right-of-way is located. This is important for all the other areas, but particularly for northern British Columbia where some of the surface conditions and, indeed, the social and economic conditions, are very similar to those pertaining to the Yukon Territory. We believe, therefore, it was only right and proper that an inquiry be made for those purposes in the area where it has not already been done. We have made this distinction to make it clear that we are not asking that there be a repetition of an inquiry where it has already been carried out by the Lysyk Commission.

● (2020)

The main part of the second recommendation is that there be a terminal date on when that inquiry should make its findings and report to the agency, so that it would not interfere unduly with all the other things that have to follow, such as setting the terms and conditions, the financing and, indeed, the construction of the pipeline. The Lysyk Commission did have a terminal date and was able to report what most people now regard as a satisfactory set of recommendations, and we believe that a terminal date for this inquiry would also be appropriate.

The third recommendation is that a special committee of the Senate be established to inquire into all of those matters relating to planning, construction and so on of this pipeline. While the recommendation does not say so, we believe that this committee should be reappointed in each session of Parliament, at least until the pipeline construction is finished and is fully in operation. The other place has set up a similar committee to receive reports from the agency, and so on.

Some consideration was given, and perhaps more will be given, to having a joint committee. I am not able to make that recommendation tonight. It may evolve into a joint committee, but I think honourable senators ought to consider the fact that there are some advantages to having a committee of this place only for the purpose described in the third recommendation. I do not want to go into this very deeply, but whether or not it will eventually evolve into a joint committee with the other place is a matter for future determination. I can suggest this, though, that at the outset the only disadvantage I can see is that whoever makes the reports required under the bill, the reports would have to come to Ottawa, and perhaps have to be done twice. That does not seem to me to be a very large price to pay for some of the advantages of having a special committee of the Senate to look into these things whenever necessary.

Finally, the third recommendation says that this special committee should report to the Senate at least once in each session. I should like honourable senators to take note of the words "at least once", because it is not intended that once should be the maximum. In some years during the construction, perhaps even in the first year, there may be some reason for making inquiries into the terms and conditions, the social economic impact and other things, whereby more than one report from this committee to the Senate would be appropriate, but we think it should be at least once, and that is why that terminology is used.

I wish to conclude by expressing, as chairman of this committee, my appreciation to the members who were so very helpful in completing their study—I was going to say "expeditiously", but certainly the committee conducted an in-depth inquiry into the subject matter and I do not believe it was done expeditiously to the point of excluding a proper surveillance and consideration of the matters before us.

I would also like to express my appreciation to the clerical, reporting, research and legal staffs, who were so helpful to us throughout this period, especially by working long after the normal times of adjournment. All work was done very well and competently.

Senator Flynn: Honourable senators, I am in full agreement with the comments of the Chairman of the Special Committee on a Northern Gas Pipeline as far as the recommendations made in the report, which do not deal with the wording of the bill, are concerned. I am especially in agreement with his comments with respect to the type of committee that should be established, whether it be a committee of the Senate or a joint committee. I believe the committee was generally unanimous with regard to the other recommendations. There was also general agreement with respect to a Lysyk type of inquiry into the part of British Columbia which will be traversed by the pipeline.

The chairman referred to some objections which were made with respect to certain clauses of the bill, especially clause 23.1. This is not the time to discuss them, but I intend to do so at the stage of third reading. However, I would like honourable senators to read the report tonight. It will take approximately two minutes, and it will be helpful to me because when I discuss it tomorrow at third reading stage I will not have to spend too much time in explaining it.

Senator Grosart: I wonder if the chairman of the committee would answer a question? It is a little difficult to discuss the report in these circumstances. The report was not in our hands when the chairman started what, in effect, is a debate on it. However, perhaps he would answer a question arising out of recommendation No. 1 which, as I understand it, is a recommendation that an independent inquiry be undertaken to examine the social and economic effects of the construction of the line, particularly in those areas where no previous inquiries have been undertaken. Would he be good enough to tell us what areas there are in which no previous inquiries have taken place? What are those areas in which there has been no previous inquiry? I ask the question because it is utterly

amazing to me that we would be presented with a bill, as we are, and then told that there are areas which may be affected by the social and economic effects but in respect of which there has been no previous inquiry.

Senator Olson: Yes, honourable senators, I shall be very glad to do so. It would concern all the line in Canada, except that portion of it that goes through the Yukon. The reasons for that are very clear. Throughout the rest of northern British Columbia a pipeline is not a new thing. Pipelines have existed in that area in the past. This inquiry deals only with the social and economic impact on the people living along the line.

• (2030)

If I might speak on behalf of all members of the committee, I would say that, especially in northern British Columbia, there are reasons why this ought to be done. There are traplines in that area, and questions dealing with native claims and rights, similar to those in the Yukon, arise. That is why the committee is making this recommendation.

I do not believe an inquiry was undertaken to study the social and economic impacts in any of the other areas. It is only in the extreme northern part of British Columbia where a pipeline is something new. There are many pipelines in the southern portion of the northeast corner of British Columbia. In the southeast corner of British Columbia, the pipeline will almost parallel an existing pipeline. This area has experienced the social and economic impacts that a pipeline would have on an area.

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

Senator Olson moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

FARM CREDIT ACT

REPORT OF COMMITTEE TABLED AND PRINTED AS APPENDIX

Senator Argue: Honourable senators, I have the honour to table the report of the Standing Senate Committee on Agriculture on the subject matter of Bill C-29, to amend the Farm Credit Act, I would ask that the report be printed as an appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent records of this house.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

[*For text of report see appendix, pp. 553-554*]

Senator Argue moved that the report be placed on the Orders of the Day for consideration at the next sitting.

Motion agreed to.

[Senator Grosart.]

AIR TRANSPORT

CHARTER AIRLINES WITHIN CANADA—QUESTION ANSWERED

Senator Perrault: Honourable senators, on March 16 a question was asked by Senator Benidickson concerning charter airlines within Canada. I am able to inform the chamber that the Air Transport Committee of the Canadian Transport Commission announced on March 17 that it approved applications by various Canadian air carriers for permission to operate Advance Booking Charters, known in the industry as ABC's, between city pairs within Canada, on behalf of various charterers.

The approvals provide for the operation of 871 round trip flights with a total capacity of 111,576 passenger round trips. There are 67,984 passenger round trips to be offered between Montreal or Toronto, on the one hand, and Winnipeg, Calgary, Edmonton, or Vancouver on the other.

In addition, 100 round trip flights will be operated between Toronto or Montreal, on the one hand, and St. John's, Charlottetown or Halifax, on the other, with a capacity of 11,300 round trip passengers; and 276 round trip flights between Vancouver and Calgary, or Edmonton, with a capacity of 32,292 passenger round trips.

As of March 16, 1976, there were no further applications pending before the committee, although I understand that Transair is interested in 44 flights.

AGRICULTURE

WESTERN GRAIN STABILIZATION FUND—QUESTION ANSWERED

Senator Perrault: Honourable senators, a question was asked by Senator Olson with respect to an interim payment out of the Western Grain Stabilization Fund. There is a rather lengthy release on that subject from the office of the minister responsible for the Canadian Wheat Board, the Honourable Otto Lang. Rather than getting into excessive detail, perhaps the news release itself could form part of the record of today's proceedings.

Very briefly, may I say that the minister responsible for the Canadian Wheat Board announced that the Western Grain Stabilization Fund will make a partial payment of $60 million for the calendar year 1977 to participating prairie grain producers.

The partial payment of $60 million means that producers who contributed the maximum levies in each of 1976 and 1977 will receive an individual payment in excess of $1,100 each. The complete text of the minister's release, with the assent of honourable senators, could perhaps be included in the record of today's proceedings.

The Hon. the Speaker: Is it agreed?

Hon. Senators: Agreed.

Senator Flynn: It should have been a written question and a written answer.

[*Text of news release follows:*]

WINNIPEG, April 5, 1978—Otto Lang, Minister responsible for the Canadian Wheat Board today announced

that the Western Grain Stabilization Plan will make a partial payment of $60 million for the calendar year 1977 to participating Prairie grain producers.

Mr. Lang said that this announcement was concrete proof of the benefit of the program on which he has been working for several years. The Western Grain Stabilization Plan now offers a level of effective protection for the incomes of grain producers—protection which was lacking prior to 1976 when the W.G.S.P. came into effect.

The partial payment of $60 million will mean that producers who contributed the maximum levies in each of 1976 and 1977 would receive an individual payment in excess of $1,100 each.

"This payment," the Minister emphasized, "was only part of the total payout which farmers would receive on account of the 1977 calendar year," Mr. Lang said.

Recognizing the fact that producers' cash requirements are highest just before spring seeding, it has been the intention since this program was first conceived that payment should be made prior to seeding.

Payment in full cannot be made at this time because the necessary information to determine the precise final payment is not yet complete. In fact, Statistics Canada field staff are currently visiting 9,000 farmers across the Prairie provinces to obtain some of the information necessary for the final calculations.

On the basis of production cost estimates for 1976 and 1977, it was determined that a payout would be required under the W.G.S.P. for 1977. Allowing for the fact that some of the figures will be refined later this year, it was felt prudent to make a partial payment now of only $60 million. The remainder of the payout—which is likely to be substantial—will be based on precise final figures available in the summer and fall.

Mr. Lang said that the information necessary to determine the payout was complex, and since the W.G.S.P. is a new program, the system to handle it is not fully developed yet. This year, even total receipts were not complete until after March 15. The Minister stated that his objective is to work towards making a single payout when there is to be one, and making it in April.

Mr. Lang said that he expected producers would be receiving their cheques in the mail around the end of April and concluded by saying that he and Agriculture Minister Eugene Whelan, whose department administers the program, were pleased at the success of the Western Grain Stabilization Plan. Prairie grain producers are sure to benefit substantially from it in the future, the Ministers said.

THE BUDGET

DISTRIBUTION OF MINISTER'S SPEECH—QUESTION

Senator Olson: Honourable senators, I wonder if I might ask a question of the Leader of the Government. It may be that there is a simple answer, but where do we get a copy of the budget speech tonight. Will it be delivered to our offices or mail boxes?

I have just had a copy put on my desk, but I was wondering where I would get one in the event that a copy was not delivered to my mail box or my office tonight.

Senator Perrault: Honourable senators, I should think there will be rather widespread distribution of this very important budget speech and the accompanying documentation tomorrow morning.

I have an extra copy in my possession which I would be most pleased to make available to the Leader of the Opposition, or to any other member of this house.

Senator Flynn: No, I want to have a good sleep tonight.

[*Translation*]

REDUCTION IN PROVINCIAL SALES TAX—QUESTION

Senator Asselin: In the budget speech delivered tonight, one of the great acts of generosity of the government is its announcement that the provincial sales tax would be lowered in cooperation with the provinces. It mentioned this tax would be cut for only six months.

Is this treat supposed to last only as long as the electoral campaign?

Senator Flynn: The answer is yes!

[*English*]

Senator Perrault: Honourable senators, electoral considerations are far removed from the mind of the government at this time. The main concern is to instill in the economy the ingredients necessary for the kind of growth which Canada needs.

Senator Asselin: You should have thought of that before.

Senator Flynn: The kind of ingredients necessary to go through an election period.

Senator Denis: If you don't sleep, it is because it hurts.

Senator Flynn: Everything you do hurts. There is no doubt about that.

[*Later:*]

Senator Perrault: Honourable senators, in reply to the earlier question posed with respect to the reduction of the retail sales tax, may I say that this measure was of course done in conjunction and in co-ordination with the various ministers of finance of the provinces of Canada.

Senator Asselin: For six months only.

Senator Perrault: Yes.

Senator Asselin: That is ridiculous.

Senator Perrault: Well, a consensus was achieved and an agreement was arrived at with respect to the operative period. It may well be that after the agreed period has elapsed the provinces, in conjunction with the federal government of that day, will wish to review the situation and perhaps continue the agreement in some form.

Senator Flynn: Ha! That is well put.

Senator Langlois: Well, we have no wild dreams such as you have.

● (2040)

NATIONAL REVENUE

DEFERRAL OF INCOME TAX ON PROCEEDS OF SALE OF LIVESTOCK HERDS—FURTHER QUESTION

Senator Olson: Honourable senators, I wonder if I might ask the Minister of National Revenue whether he can now answer the question I put to him on Thursday last regarding the deferral of income tax on the proceeds of sale of livestock.

The minister at that time seemed reluctant to say whether or not it would be in the budget speech. I have not yet had an opportunity to determine whether there is any such provision included in the budget. Perhaps the minister could tell us whether there is or not.

Senator Guay: I recall the question, but I am not in a position to give a specific answer at the moment.

MIDDLE EAST

PARTICIPATION OF CANADA IN UNITED NATIONS PEACEKEEPING FORCE IN SOUTHERN LEBANON

Senator Grosart: May I ask the Leader of the Government if it is his intention to reply to the question I asked at the last sitting regarding the ceasefire in that part of Lebanon in which the United Nations force is now established? At that time he said he might give the answer before the end of the sitting. I wonder if he is in a position to answer the question now.

Senator Perrault: Honourable senators, I have as yet received no further information on the subject. However, I will make further inquiries.

Senator Grosart: Does that mean that the government is not aware whether there is a ceasefire in that area? That is all the question was. Is there a ceasefire? I am surprised at the answer of the Leader of the Government that the government does not know; I am surprised in view of the fact that there are Canadian troops involved.

Senator Perrault: Honourable senators, I do not have a current report at my desk which can be released, and for me to speculate on whether in fact a ceasefire is in existence in the area would be irresponsible without further reference to the office of the Secretary of State for External Affairs.

QUEEN'S PRIVY COUNCIL FOR CANADA

INSTRUMENT OF ADVICE FOR SUMMONING A PERSON—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 3—**By Senator Forsey:**

What are the precise terms of the Instrument of Advice for the summoning of a person to the Queen's Privy Council for Canada?

[Senator Perrault.]

Answer:

Privy Councillors are appointed by the Governor General on the recommendation of the Prime Minister by instrument of advice which reads as follows:

Your Excellency:

The undersigned submits for Your Excellency's pleasure that . . . . . be chosen and summoned to be a Member of the Queen's Privy Council for Canada.

Respectfully submitted,

Prime Minister,

CAPE BRETON DEVELOPMENT CORPORATION ACT

BILL TO AMEND—THIRD READING

Senator Graham moved the third reading of Bill C-38, to amend the Cape Breton Development Corporation Act.

Motion agreed to and bill read third time and passed.

ANTI-INFLATION ACT

BILL TO AMEND—SECOND READING

Hon. Henry D. Hicks moved the second reading of Bill C-18, to amend the Anti-Inflation Act and guidelines.

He said: Honourable senators, for the most part this bill contains amendments of a technical nature and amendments required for an orderly decontrol process.

It must be obvious that wage and price controls were not intended as a permanent feature of our economy. The government does not believe in excessive intervention in the marketplace. On October 20, 1977, the Minister of Finance announced the procedures for phasing out controls, and established April 14 as the starting date for the phase-out. The phased approach, together with the April 14 starting date, was chosen to give maximum effectiveness and equity to the final stages of the control program.

The behaviour of prices over the past year may have led some people to question the contribution of the program, but this surely represents a misreading of the evidence. The high rates of increase in the cost of living have resulted mainly from food price increases and from the depreciation of the exchange rate—items which cannot be controlled by Canada alone. The worst of the impact of these changes is now behind us and the rate of inflation has begun a downward trend. There are some favourable signs appearing in the anti-inflation program: wage increases are being submitted at reasonable levels and only moderate price increases are being received under the pre-notification program.

The program itself has had a significant impact on public expectations. Goals and priorities are better understood, especially the difficulties faced in maintaining a competitive trading position. It is more generally recognized that we cannot expect the large increases in real income which we were able to obtain in the relatively easy times of the 1960s and early 1970s.

As we move toward the decontrol phase, prospects are good with regard to labour costs. Last year we experienced a sizable decrease in the number of work days lost owing to strikes. In fact, in 1977 the number of man-days lost in strikes in Canada was only 30 per cent of the number of man-days lost in strikes in 1976.

Senator Flynn: They should have done something about it two years before.

Senator Hicks: Well, that is a matter of speculation, but in any event I suggest that the performance of 1977 is one in which Canadians can take some satisfaction, although I am not happy at Canada's position among the developed nations of the world in respect of the number of man-days lost in strikes. But to have cut it to more than one-third from 1976 to 1977 is, I submit, a fact in which Canadians can take some real satisfaction.

Senator Flynn: If that had been done in 1974 it would have been much better for 1975. But the government did not have the courage. It was an election year.

Senator Hicks: I certainly do not have the data with which to debate this point with my honourable friend the Leader of the Opposition, but I suspect that his is an exercise in generalizations which cannot be analysed or proven very accurately.

Senator Flynn: I have some facts for you, my friend.

Senator Hicks: Perhaps we will hear from you later in this debate, then.

Union leaders have indicated that wage demands will be reasonable after April 14. Responsible persons, both in labour and in management, are aware that unrealistic demands will only reduce job creation or cause the disappearance of existing jobs.

It should be remembered that the controls are only one part of the anti-inflation program. Governments at all levels are exercising restraint. At the First Ministers' Conference in February, it was agreed that the growth of their expenditures should be limited to less than the growth in the gross national product. With regard to monetary policy, the Bank of Canada has set targets for the growth in the money supply which will lead to continued deceleration of the inflation rate while accommodating a reasonable rate of real growth.

As a matter of fact, the Bank of Canada contemplates that the money growth rate in the year facing us will be only between 7 and 11 per cent, substantially less than we have experienced in some recent years.

● (2050)

As we approach the end of controls, steps have been taken to ensure that the government, as an employer, will not provoke the private sector into a wage-price spiral. I hope that this may prove to be true. In February, the first ministers agreed to the principle that public sector compensation should follow rather than lead in the private sector. I hope that this may also prove to be true.

At the First Ministers' Conference, it was also agreed that the Economic Council of Canada should be asked whether it was feasible for it to assume responsibility for monitoring incomes, prices and productivity as controls are removed. The objective would be to help ensure that all groups remain aware of the harm caused by inflation, but to do so in a way that leads to minimal increases in the bureaucracy and imposes no additional demands on firms for information. On March 15 the Prime Minister wrote to the chairman of the council to formally make the request. While the specific plans have not yet been settled, the council has agreed in principle.

Let me now turn to the amendments. First, I would like to deal with those of a technical nature. An order in council which brought under mandatory controls various groups that bargain in association would be back-dated to December 16, 1975 from April 15, 1976. This action is being taken to remedy uncertainty resulting from a procedural error. This is the substance of clauses 1 and 8 of the bill, and the procedural error is, I believe, of particular interest to members of this chamber. The minister is required to make the announcement in the House of Commons. He actually made it before a Senate committee, and hence legislative changes are required to validate that change.

A time limit would be imposed for parties referring a matter to the administrator. That is clause 2 of the bill. The authority of the administrator to deal with past or current contraventions of the guidelines would be clarified. This is clause 3 of the bill. Cabinet would be given adequate time to deal with petitions from parties affected by an order of the administrator and the definition of compensation plans would be clarified. This is covered by clauses 4 and 7 of the bill.

There are then two amendments relating to the decontrol process. Under clause 6, compensation plans would be deemed amended in line with a recommendation of the Anti-Inflation Board or an order of the administrator. Without this amendment, groups would probably be entitled to the negotiated level of wages as soon as controls ceased to apply.

The remaining amendment deals with administration in the transition period and prevents the use of the so-called AIB clauses. As the act presently stands, there are no provisions to take action against those firms or groups who have not reported early enough to allow the administrator to issue a binding order before December 31, 1978 when the legislation expires. This situation is clearly unsatisfactory and inequitable. This amendment would ensure that the required information would be filed for the period covered by controls and allow the AIB, the administrator and the Anti-Inflation Appeal Tribunal to remain in office so long as necessary to enforce compliance in respect of the controls period.

Turning now to the AIB clauses, the amendment will prevent the use of clauses which call for a higher entitlement to compensation as soon as the group is no longer covered by controls. It is designed to build in further restraint against a wage bulge. I should like to point out that there is no specific clause in the bill to begin the lifting of controls on April 14. This starting date for phased decontrol has been established through changes to the regulations.

Honourable senators, those are the main comments that I wish to make with regard to the bill. If honourable senators wish, I can comment in detail on each of the clauses of the bill, but I have chosen to do so only in a general way. As honourable senators know, the legislation has to take effect from April 14 and there is some urgency that we deal with the bill, and pass it so that it can receive royal assent before Friday of this week. I commend the legislation to the favourable consideration of the house.

Senator Phillips: Honourable senators, before moving the adjournment of the debate, may I ask the sponsor of the bill one question? If I understood him correctly, he stated that there was no clause in the bill stipulating the date of April 14, yet he finished his comments with the plea that the bill be passed and become effective by April 14. Could he explain the difference in his statements?

Senator Hicks: Honourable senators, I do not think it is a matter of there being a difference. I must admit that I am one who, throughout the whole of his legislative experience, has been skeptical of doing through regulations what should be done through statutes. In fact, this is provided for in the regulations and not in the statute which we are considering this evening.

Senator Flynn: Are you sure that the regulation is *intra vires*?

Senator Hicks: I beg the honourable senator's pardon?

Senator Flynn: This is a bill enabling the government to establish by regulation that the controls will end on April 14. Has the honourable senator checked that?

Senator Hicks: I am afraid that I cannot attest to that. I presume that is so, but I have not made a personal inquiry which I am prepared to stand behind.

Senator Phillips: Honourable senators, if I may be permitted to ask another question of the sponsor of the bill, did I understand him to say that it was important that the bill be passed by Friday of this week?

Senator Hicks: Yes.

Senator Phillips: The obvious follow-up to that is: Why?

Senator Hicks: Because April 14 is the date on which the decontrol process was announced to begin by the minister last fall. Honourable senators may question whether or not the minister should have chosen that date, but that is the date that he did choose, and it is the date on which many agencies in the country, presumably both employers and employees, have based their assumptions as to what would happen when the AIB regulations began to be phased out.

Senator Grosart: I wonder if I might ask the sponsor of the bill, if authority to start the phasing out is claimed to be under the regulations, what has that to do with the passing of the bill?

Senator Flynn: What will be the consequence of not passing the bill?

[Senator Hicks.]

Senator Hicks: It is a good question, and I cannot answer it. I will have to take that question as notice.

Senator Grosart: Honourable senators, may I say that it is very difficult to discuss the bill when the sponsor cannot explain its urgency. I find his answer to the question as to why we need the bill difficult to follow, if the authority to proceed with the phasing out on April 14 by regulation is valid. Surely we should have an answer to that question before we are even asked to discuss the bill.

Senator Hicks: Honourable senators cannot get the answer from me tonight. I will see what I can do about it.

Senator Phillips: Honourable senators, I wish Senator Hicks pleasant dreams, and move the adjournment of the debate.

Senator Hicks: I doubt that I shall dream about it at all.

On motion of Senator Phillips, debate adjourned.

PRIVATE BILL

BELL CANADA—SECOND READING—DEBATE ADJOURNED

Hon. Jean-Paul Deschatelets moved the second reading of Bill C-1001, respecting Bell Canada.

He said: Honourable senators, my presentation will not extend beyond five minutes.

• (2100)

Bill C-1001 is an act respecting Bell Canada, and corresponds to Bill S-2, which, if I remember correctly, passed the Senate in December, 1976. It received first reading in the House of Commons at the end of December, 1976, but did not receive second or third reading in that house before the end of the last session. The present bill was introduced in the Commons in October, 1977, in exactly the same form as Bill S-2, but was subsequently amended at the committee stage.

I do not think it is necessary for me at this stage to review the bill in detail, or to comment on the company in question, as I did in 1976 when speaking to Bill S-2. In order to refresh your memories, however, I propose to deal very briefly with the two main objectives of the bill as it now stands before us.

The first such objective is to increase the authorized capital stock of Bell Canada from $1.75 billion to a new limit of $5 billion. This is urgently needed in order to assist the company in financing its new construction and equipment program over the next ten years or so. The capital stock of the company was last increased to its present limit in 1968.

The second principal objective of the bill is to improve and modernize the financial powers of the company so that it can enjoy the same financial flexibility as its competitors in the financial marketplace. I may mention here that without the passage of this bill the company will not be able to borrow under the authority of the general borrowing bylaw, neither will it be able to split shares or pay dividends in kind. All the provisions of this bill relate to these two objectives, and are to a large degree lifted from the Canada Corporations Act, and are similar to charter amendments granted to British

Columbia Telephone Company through Bill S-11, assented to in the Senate in December, 1974.

For the benefit of honourable senators who have been appointed to this chamber since my speech on Bill S-2, I should like to point out that this bill has nothing whatsoever to do with the rates charged by the company for its services; and after this bill is passed the company will continue to be regulated by the CRTC.

The bill presently before us is a reincarnation of a bill that was passed by this house in December, 1976, having been discussed at the second and third reading stages and examined by the Standing Senate Committee on Transport and Communications, at which time we had a detailed explanation by the president of the company. The only changes made in the version passed by the Senate are deletions, not additions or substitutions, since at the committee stage in the Commons it was felt that there were two or three clauses which appeared to them to be contentious. The clauses in question were deleted and there were no additions, and so we are now faced with a bill that the Senate passed in 1976, and I hope that quick passage will be given to this legislation which has been before Parliament for the last 17 months.

In these circumstances, honourable senators, if this bill receives second reading, unless you insist, I do not think it should be referred to a standing Senate committee; but I leave this in your hands.

Senator Langlois: Honourable senators, I rise just to correct something which was said involuntarily, I am sure, by the honourable sponsor of this bill. When he said the CRTC, he meant the CTC. This was certainly a *lapsus linguae*.

Senator Grosart: In view of the fact that this bill was passed by the Senate but has subsequently been amended in the Commons, would the sponsor of the bill indicate what those amendments were, and if possible give the reasons for the Commons amending the bill after this chamber and a Senate committee had approved it in its original form?

Senator Deschatelets: I hope that I can do this briefly, and that I can satisfactorily answer the point raised by Senator Grosart.

Three clauses were amended in the committee stage of the bill's passage in the House of Commons. The proposed new sections 5.2 and 5.3 contained in clause 2 were deleted; clause 4 was deleted, and clause 6 was amended by deleting the words "sections 1 and 2 of chapter" in line 6 on page 9, and substituting therefor the words "section 1 of chapter".

The first charter of Bell Canada was granted by a special act of Parliament, so that it is impossible for Bell Canada to amend its charter without proceeding by way of a private bill. The company has to submit any changes in its powers to Parliament.

I must remind honourable senators that two or three years ago Bell Canada wished to increase the number of its directors by one or two. This had to be done by way of a private bill, and this process took about 16 months.

The main point in the original bill was to take the company partially out of the "tutelle" of Parliament. I think Senator Grosart will remember this.

I must say that the principle of Bill S-2, which we passed here previously, was the right of the company to modify its charter by letters patent while still remaining under the control of Parliament, but using a form other than that which is provided by the charter in its present form. The committee of the House of Commons felt that it did not wish to grant this special power at this time. What is left, therefore, is the request by Bell Canada to have some changes made to their powers in order that they may be able to go forward with their program of expansion in which they will spend about $5 billion over the next ten years.

● (2110)

The amendments I have given you, Senator Grosart, were some of the amendments that you will remember we discussed in committee. The purpose was to put Bell Canada in the same position as Telesat, for instance. Because of important financial problems, it was felt by Bell Canada that they needed all the power originally provided by our Bill S-2 of the last session in order to be more flexible in reaching the foreign market where they will be able to do their financing through sales of shares. Since we are in this present situation today, the company will be satisfied with the passage of this bill, at least for the time being.

Senator Grosart: Supplementary to that question and explanation, I wonder if, just for clarification, the sponsor of the bill would agree that the effect of the amendments made by the Commons was to deny Bell Telephone the main benefits that they sought in Bill S-2 of the last session?

Senator Deschatelets: I would have to agree with that.

Senator Forsey: Honourable senators, is it true that the amendments which the sponsor of the bill has referred to were made by agreement in the other place? The opposition of the NDP and the Social Credit Party to the clauses that have now been deleted was so strong that the sponsor of the bill there introduced the amendments and they were passed without dissent, as far as I can recall from the committee proceedings.

Senator Deschatelets: This is perfectly right.

Senator Flynn: Compromise.

Senator Langlois: Negotiation.

Senator Grosart: I move the adjournment of the debate.

Senator Langlois: Did you move the adjournment of the debate?

Senator Grosart: Honourable senators, it was my intention to move that the debate be adjourned.

Senator Langlois: That is what I thought.

Senator Grosart: I merely asked the honourable senator two or three questions.

Motion agreed to.

CONFERENCE ON ALTERNATIVES CANADA

PROPOSALS CONCERNING THE SENATE—NOTICE OF INQUIRY

Senator Argue: Honourable senators, I wonder if I may be excused if I make a short statement on the inquiry standing in the name of Senator Buckwold?

The Hon. the Speaker: Is it agreed, honourable senators?

Senator Flynn: It seems rather inconsistent that a senator should give notice of an inquiry and someone else should speak on it first.

Senator Argue: If honourable senators do not wish to hear me, that is perfectly all right. However, may I just explain the situation? Senator Buckwold placed this inquiry on the order paper. He was at the Conference on Alternatives Canada, which was sponsored by the Canada West Foundation, as I was, but unfortunately he is away this week. We all know the events that may take place this week, and Senator Buckwold felt, after discussing it with me, that it would be well if there could be some discussion of this question in the Senate this week. I am in the hands of the Senate.

Senator Flynn: Give notice that tomorrow you will call the attention of the Senate to this matter.

Senator Argue: With leave of the Senate I give notice that I will call the attention of the Senate to the subject matter of this inquiry tomorrow.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

The Senate adjourned until tomorrow at 2 p.m.

APPENDIX

(*See p. 546*)

FARM CREDIT ACT

REPORT OF AGRICULTURE COMMITTEE

MONDAY, April 10, 1978

The Standing Senate Committee on Agriculture which was "authorized to examine and report upon the subject-matter of Bill C-29, intituled: "An Act to amend the Farm Credit Act", in advance of the said Bill coming before the Senate, or any matter relating thereto," has in obedience to the order of reference of Wednesday, March 22, 1978, examined the said subject-matter and now reports upon the same.

Your Committee met on Wednesday, April 5, 1978, and heard from the Chairman of the Farm Credit Corporation, Dr. Roland Poirier, and from other officials of the Corporation. Your Committee met a second time, today, to discuss further its order of reference and to prepare its report.

Your Committee considers the amendments to the Farm Credit Act that are put forth in Bill C-29 to be important amendments, first, because they are good and necessary, and secondly, because they implement and in some cases go beyond the recommendations made by your Committee to the Senate on Thursday, April 24, 1975, when Bill C-34, "An Act to amend the Farm Credit Act", was reported upon. In that report your Committee proposed an amendment to the bill and made two recommendations. The proposed Bill C-29 implements both those recommendations.

In 1975, your Committee's first recommendation was that:

> . . . the Government consider the advisability of increasing the capital of the Farm Credit Corporation from one hundred million to one hundred and twenty-five million dollars.

Bill C-29 amends the Farm Credit Act to raise the capital of the Corporation to one hundred and fifty million dollars. Your Committee wishes to note, however, that there is considerable urgency associated with this particular amendment since we were informed by Dr. Poirier that without an immediate infusion of capital the Farm Credit Corporation would exhaust its lending capability either later this month or during the month of May. Your Committee welcomes this increase in the Corporation's capital as it will assist the Corporation in vigorously expanding its provision of credit to farmers for the development of agricultural production in Canada.

The second recommendation made by your Committee in its report on Bill C-34 was that:

> . . . the Government consider the advisability of increasing the ceilings on loans made under Parts III and IV to new and young farmers from one hundred and fifty thousand dollars to two hundred thousand dollars and of increasing the ceiling on loans made under Part II to older and established farmers from one hundred thousand to one hundred and fifty thousand dollars.

Your Committee made that recommendation because it was

> . . . concerned that the current upward trend in the price of land and other farm capital will continue and that the loan ceilings under the Act may soon become inadequate for the needs of both new and established farmers.

The trend did continue. Evidence presented by the Farm Credit Corporation shows that since 1975 land values in Canada have increased by twenty-five percent and that since 1971 the average capital value of Canadian farms having sales of farm products of ten thousand dollars or more has doubled, reaching the sum of 238,600 dollars. Your Committee fully expects this trend, arising as it does out of the need for farm consolidation, the greater substitution of capital for labour, and the increase in competition for agricultural land from non-agricultural uses, will continue.

Your Committee appreciates that the amendments will increase the loan ceiling for both new, young farmers and older or established farmers to two hundred thousand dollars.

Your Committee wishes to point out that the proposed loan ceiling, because of the continuing upward trend in land values, is already inadequate especially for the establishment of new, young farmers in those regions of Canada where land values and productivity are highest. Your Committee believes that a ceiling of two hundred and fifty thousand dollars would have been more appropriate at this time and for the near future. Therefore, your Committee recommends that the adequacy of the ceilings be carefully monitored and that legislation providing for their amendment be introduced as soon as they are found to be inadequate.

The proposed amendments to the Farm Credit Act would make other changes as well. They would remove the interest penalty on arrears and by so doing bring the practice under the Act into conformity with general practice and with the spirit of the Interest Act. They would increase the flexibility of the Farm Credit Corporation in the provision of advisory services to borrowers and eliminate the mandatory supervision fee of twenty-five dollars. The amendments would also permit the use of "market value" as a basis for the appraisal of farm land, once again increasing the flexibility of the administrators of the Act. Your Committee considers that these amendments are in all cases well advised either because current practices

are outdated or because they are in conflict with other legislation.

Your Committee's order of reference authorized it to examine and report on the subject-matter of the bill or on any matter relating thereto. During the discussions in committee, two related subjects were raised upon which your Committee wishes to comment now.

The first of these was the cost of legal services arising out of loans granted by the Farm Credit Corporation. The cost of these services is paid by the borrower and it is believed by many borrowers that the services are excessively expensive. Your Committee recognizes that transactions of the magnitude permitted under the Act must be properly and carefully carried out and that there are variations from province to province in land registration systems and procedures. However, your Committee is of the opinion that the costs involved could be substantially reduced and that fees charged should be clearly based on the services rendered not on the value of the land being mortgaged. Thus, your Committee has asked the Chairman of the Farm Credit Corporation to study this problem and to report to it on steps which could be taken to bring about a reduction in these costs.

The second related subject that was discussed and about which your Committee wishes to comment is the use of Appropriation Acts to amend other statutes. The amendments proposed in Bill C-29 would authorize the increasing of the capital of the Corporation under an Appropriation Act. Your Committee is concerned about this amendment and the practice in general, especially as it affects the overseeing of those matters by the appropriate Standing Senate Committee. This use of Appropriation Acts is a matter of importance which has been raised by other Committees in the past, notably in the Second Report of the Standing Joint Committee of the Senate and the House of Commons on Regulations and other Statutory Instruments and in various reports of the Standing Senate Committee on National Finance. Your Committee is of the opinion that the wording of Clause 3 should have referred to a Committee of Parliament rather than a Committee of the House of Commons and recommends that the Senate should give consideration to the problems that arise out of the use of Appropriation Acts for these purposes to insure that the Senate's effective consideration of legislation is not impaired.

In conclusion, your Committee wishes to express its continued support for the objectives of the Farm Credit Act. The provision of long-term agricultural credit under this Act is necessary for the continued development of Canada's agricultural potential and for the facilitation of the transfer of agricultural resources to succeeding generations of farmers. The amendments that are proposed in Bill C-29 will greatly assist in the achievement of these objectives.

Respectfully submitted,

HAZEN ARGUE,

Chairman.

THE SENATE

Tuesday, April 11, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Freshwater Fish Marketing Corporation including its accounts and financial statements certified by the Auditor General, for the fiscal year ended April 30, 1977, pursuant to section 33 of the Fresh Fish Marketing Act, Chapter F-13, and sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C. 1970.

Capital Budgets of the Freshwater Fish Marketing Corporation for the fiscal years ending April 30, 1977 and 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copies of Orders in Council P.C. 1977-1223 dated May 5, 1977 and P.C. 1978-76 dated January 12, 1978, approving same.

Budget Papers, dated April 10, 1978, as follows:

(1) Notice of Ways and Means Motion to amend the Income Tax Act;

(2) Notice of Ways and Means Motion to amend the Customs Tariff;

(3) Government of Canada Accounts, Tables 1 to 7, and supplementary information.

THE ESTIMATES

DOCUMENT ENTITLED "FEDERAL SPENDING PLANS, 1978-79"—QUESTION

Senator Smith (Colchester): Honourable senators, I should like to direct a question to the Leader of the Government in the Senate concerning a piece of paper, which I was honoured by having delivered to me today headed "Federal Spending Plans, 1978-79. Estimates show restraint." Some other misinformation is also included in it.

I am wondering if this document is published at public expense and, if so, by whose authority. What is its circulation, and what is its cost?

Senator Perrault: Honourable senators, it is very probably issued by an enthusiastic citizens' group, but I would be pleased to receive a copy of the publication so that I can ascertain whether it has any remote connection with the government.

Senator Smith (Colchester): Well, I would be glad to send a copy over to the honourable leader, and I would ask him if he would look at the very first words at the top of the first page. Perhaps he would ascertain if they read, "Treasury Board," and whether they bear the emblem of a maple leaf and bar alongside it, as customarily used to identify government publications. I would be glad to send it over to him now. After he has identified this, and ascertained whether it is likely to be printed as a private publication, perhaps he would be prepared to answer my question.

Senator Perrault: Honourable senators, in the meantime, as I await a copy of what appears from this distance to be a rather substantial body of very relevant and useful information headed, "Federal Spending Plans for 1978-79" may I—

Senator Grosart: It is an election document, is it?

Senator Perrault: —briefly state that I am now in a position to provide information with respect to the important questions asked by the Honourable Senator Grosart in recent days with respect to peacekeeping forces in Lebanon.

MIDDLE EAST

PARTICIPATION OF CANADA IN UNITED NATIONS PEACEKEEPING FORCE IN SOUTHERN LEBANON—QUESTIONS ANSWERED

Senator Perrault: Honourable senators, with regard to the participation of Canada in peacekeeping in southern Lebanon, I now have some authorized information which may be given to the house.

To the question as to whether the ceasefire is being observed completely at the present time, the answer is as follows. The United Nations Secretary General reported to the Security Council Saturday that the situation in southern Lebanon has remained generally quiet with certain local exceptions. There have been occasional exchanges of fire in the western, or so-called French area, and the eastern or so-called Norwegian sector, of UNIFL's area of operations. The Secretary-General's representative, General Ensio Sülasvuo of Finland, has been in contact with all parties concerning both the implementation of the ceasefire and the withdrawal of Israeli forces.

To the question as to what arrangements are being made for the participation by the Canadian military authorities in that area in any military decisions as to the deployment of the force in Lebanon, the answer is as follows:

Decisions concerning UNIFL are being taken by General E. A. Erskine of Ghana, the Interim Force Commander, in consultation with the UN Secretary General, who in turn reports to the Security Council of which Canada is a member.

General Erskine's advisers include military observers with the UN Truce Supervision Organization, four of whom are Canadians.

Senator Smith (Colchester): I wonder if I might ask a supplementary to that question. I am wondering if the report to which the Leader of the Government refers as having been made Saturday last is the most recent report the Government of Canada has on the matter.

Senator Perrault: There are indications that United Nations officials are desirous of involving Canadian troops in the operation of Lebanon in a more direct way. I cannot provide any further information with respect to that. The information which I have provided now is the latest available.

With respect to the earlier inquiry from Senator Smith—

Senator Grosart: Before the Leader of the Government leaves this question, I wonder if he would consider giving a more precise answer by informing the Senate as to whether any units of any description in the southern Lebanon area are continuing to fire on areas occupied by the United Nations force of which Canada is a member.

Senator Perrault: I have no information which would indicate that is the case, honourable senators, but another inquiry will be undertaken this afternoon to see whether or not any hostilities of the kind mentioned have occurred in the last 24 hours.

THE ESTIMATES

DOCUMENT ENTITLED "FEDERAL SPENDING PLANS, 1978-79"—QUESTION

Senator Perrault: Honourable senators, with respect to the observations made by honourable Senator Smith, the document which he has provided for me clearly appears to be a document issued by the Treasury Board. It is entitled, "Federal Spending Plans". May I inform honourable senators that we will have an opportunity to discuss fiscal, financial and budget proposals in this chamber in the next few days, and I know Senator Smith will wish to bring to that debate his usual cogent observations with respect to the government's financial and fiscal policies.

Senator Smith (Colchester): I have no doubt that the honourable gentleman's prophecy is correct. In the meantime, I would like to have my question answered if he is able to provide the answer.

Senator Perrault: With respect to the estimates and whether restraint is being demonstrated or not?

Senator Smith (Colchester): *Hansard* will correct me if I am wrong, but I think the substance of my questions were as follows: who authorized this; what was its distribution; what did it cost the public purse, and was it entirely financed by the public purse? In order to get the exact substance of my question, reference will have to be made to *Hansard*. But that is my recollection at the moment.

[Senator Perrault.]

Senator Perrault: Honourable senators, I must take that question as notice. It really follows the well-established tradition of both provincial and federal governments to make certain that taxpayers are fully aware of the manner in which their affairs are being conducted.

Senator Flynn: I was surprised by the comment of the Leader of the Government that we are going to discuss the budget in the next few days. Is that a new practice that the Leader of the Government intends to introduce in this chamber? Are we going to have a debate on the budget?

Senator Perrault: I was going to suggest that in the next few days honourable senators will have many opportunities to discuss fiscal and financial policies of this government, and if the honourable senator wishes to initiate a discussion he may so do. It would not be a formal budget debate.

Senator Smith (Colchester): I wonder if the Leader of the Government would return to me the document which was so generously offered to me earlier by his confrères.

Senator Perrault: I am heartened to note that the honourable senator wishes to go over the contents again very carefully.

Senator Smith (Colchester): Yes. I find it extremely interesting. I feel I will be able to make a few good speeches on this matter.

THE ECONOMY

UNEMPLOYMENT—MOTION TO ADJOURN UNDER RULE 46(G) TO CONSIDER MATTER OF URGENT PUBLIC IMPORTANCE

Senator Phillips: Honourable senators, before the Orders of the Day are called, pursuant to rule 46(g), I move, seconded by the Honourable Senator Asselin:

> That the Senate do now adjourn for the purpose of considering a matter of urgent public importance; namely, the increasing levels of unemployment and the failure of the government to take adequate action to relieve the problem of unemployment.

● (1410)

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: No.

Senator Phillips: Honourable senators, if I may deal for a moment with the motion—

Some Hon. Senators: Order.

Senator Perrault: The question was put.

Senator Flynn: That is not the position you took on two previous occasions.

Senator Phillips: I am rather surprised that honourable senators opposite take such a different attitude today to the one they took on March 7 when—

Senator McElman: Order.

Senator Phillips: At that time I believe Senator Molgat was able to—

Senator McElman: On a point of order. It is not debatable.

Senator Flynn: When we objected it was debated on two previous occasions.

Senator Smith (Colchester): At great length.

Senator Grosart: Perhaps I might ask, on that point of order, what authority is suggested for the statement at this time that the motion is not debatable? I hope it will not be the old story that a motion to adjourn is not debatable, because the authorities make it clear that that does not refer to this particular motion. It has always been debated when it has been raised in the past. I would suggest, honourable senators, that on the point of order we have an immediate ruling from the Speaker that it is debatable.

Senator McElman: The point of order is raised not on the motion but on whether leave was given, and leave was not given.

Senator Flynn: Leave is not required.

Senator McElman: It is.

Senator Flynn: You don't need leave.

Senator Smith (Colchester): No leave is required.

Senator McElman: Leave is required for the motion.

Senator Flynn: Where do you find that leave is required?

Senator McElman: Leave is required.

Senator Flynn: Where is it? State the rule.

Senator Grosart: No leave is required.

Senator McElman: It is.

Senator Phillips: Senator McElman has kept his record intact. For the ten or so years that he has been a member of this chamber he has never discussed unemployment, and he is going to maintain that record.

Erskine May sets out certain conditions for a motion of this type. First, the motion must be very specific. I maintain that my motion is specific. It does not mention all the failures of the government. It is specific; it mentions unemployment. It does not mention inflation, high interest rates, national disunity or any of the other problems. It mentions unemployment.

Secondly, the problem must be national; that is, it does not apply to one specific area of Canada. Every province, every geographical area of Canada, and every senatorial area of Canada, has large numbers of unemployed. Therefore the motion is in order in that respect.

As to the urgency of debate, the latest unemployment figures were released this morning. For the third consecutive month there have been over one million unemployed, and for the third consecutive month the numbers have continued to climb. Surely that must convey some sort of sense of urgency to honourable senators opposite. The measures contained in the mini-budget announced last October failed to check the climb in unemployment figures. Indeed, one of the programs mentioned in the mini-budget has expired and the other, the tax incentive, is bogged down in a bureaucratic bungle. Therefore, I suggest that this motion—

Senator Perrault: You need a notice of inquiry. This is not a debate now.

Senator Rowe: Honourable senators, on a point of order. Is the speech which the honourable member is now making in order? I would ask Your Honour to rule on that.

Senator Grosart: Might I suggest that it is not a point of order for any honourable senator to rise and ask if it is in order. Surely the honourable senator is sufficiently aware of the rules of procedure in a legislature to know that if he has a point of order he must speak to that point of order and not ask if it is in order.

Senator Rowe: Permission was not given to the honourable senator to make this speech. Am I now to understand that at any point during the tenure of the Senate any honourable senator may rise to suggest a resolution and then proceed to make a speech with respect to it without approval?

Senator Grosart: You should have been here when that was decided.

An Hon. Senator: It was not decided.

Senator Perrault: Honourable senators, no one in this chamber rejects the idea of discussing the subject of unemployment. It is certainly in order for the honourable senator to give notice of inquiry—

Senator Grosart: No, it is not notice of inquiry at all.

Senator Perrault: No, but the honourable senator can initiate an inquiry here and can initiate a full discussion of the question of unemployment.

Senator Flynn: Let us hear from Senator Argue.

Senator Perrault: If the Leader of the Opposition would permit me and extend the courtesy of listening, I have a brief observation to make.

Senator Flynn: With great pleasure and respect.

Senator Perrault: I make reference to rule 46(g) on page 12 of our rules, which reads as follows:

> for the adjournment of the Senate for the purposes of raising a matter of urgent public importance (which the mover shall state on rising to speak) before the House proceeds to the orders of the day;

Now, the honourable senator had his opportunity to state the nature of this matter of urgent public importance, which he did. It was then appropriate to move to have a vote taken on that particular matter of urgency. However, there are alternative ways in which the honourable senator could proceed to have a debate on the subject if he so desires, just as the Honourable Senator Smith (Colchester), if he wishes to discuss economics, fiscal and financial policies, can. But it seems to me that to use rule 46 as a blind or cover to get off a speech on the subject of unemployment is really quite unfair.

Senator Flynn: That is what I said on two previous occasions and you would not listen to me. You proceeded with debating the question of beef because it was of interest to Senator Argue. Also, on other occasions Senator McElman and Senator Michaud used that device. Now, if the Leader of the Government wishes to have a ruling by the Chair that such a motion requires unanimous consent, I do not mind. Let the Chair rule on it and we will abide by that ruling so that we will be prevented in the future from events such as those provoked by Senator Argue, Senator McElman and others on your side.

Senator McElman: Honourable senators, I regret the reference made by the Honourable the Leader of the Opposition to the instance of Senator Michaud. I apologized to the house for my responsibility in that. I was wrong, Senator Michaud was not. It was a matter of, as I said—

• (1420)

Senator Flynn: You said you inspired him.

Senator McElman: No, I did not inspire him.

Senator Asselin: You said it before.

Senator McElman: At that time I suggested it was due to my inexperience and my naïveté.

Senator Flynn: After the fact.

Senator McElman: Please. As the honourable senator will recall, I was sitting beside him speaking with him as this matter arose, and at the first opportunity I arose and apologized to the house for my inexperience and my naïveté.

So, I do deplore that he raised the matter of Senator Michaud's intervention at that time. I agree with him that it was a matter of wrong timing.

Senator Forsey: Honourable senators, may I venture to point out that the whole purpose of rule 46(g) is to provide for debate on a subject like this. The procedure is well known in the other place, and I think the procedure is analogous here. Surely, there is no point at all in having rule 46(g) in here if there is not to be debate. Merely to give the opportunity for someone to rise and announce that he thinks the Senate should adjourn for the purpose of raising a matter of urgent public importance—well, there is no use raising it unless you can say something about it. The whole purpose of the thing is to debate it. It is, in my judgment, ridiculous to suggest that this is put in here merely to allow someone like the Honourable Senator Phillips to get up and say, "I want to raise the question of unemployment. I move the Senate do now adjourn." If that is the purpose of the rule, you might as well wipe it out forthwith. It becomes a complete superfluity and surplus verbiage.

Senator Olson: Honourable senators, on a point of order, if I might say a word or two. I think when Senator Phillips raised this matter he referred to *May*. He also, I believe it is fair to say, tried to draw an analogy from what is in the reference book to the practice which takes place in the other house. That practice is, of course, that a member may rise and adjourn the proceedings and orders that are before that place for a matter of urgency. That is provided for in Standing Order No. 26 in the other house. But, immediately that that is done, the speaker is required to make a ruling as to whether the urgency is there. Furthermore, it is not on the urgency of the matter; it is on the urgency of debating the matter.

Senator Grosart: Of course. He said that. He made that clear.

Senator Olson: That is right. We get to the impasse when we talk about whether or not it is automatic that you proceed with it without having a ruling.

I am relatively new here, but I understand that determinations of rulings are somewhat different in this chamber from what they are in the other place. In the other place, the Speaker does make a ruling that is binding on all members of that chamber. To make a ruling of that nature in the Senate, the question is put to the senators present. They decide whether or not there is the matter of urgency of debate. This has to be established in the minds of people before the debate proceeds.

Therefore, I suggest that if you are going to search through the authorities and precedents with respect to moving the adjournment of all other business for a matter of urgency—that is, urgency of debate—then you must have a ruling from someone.

In our case the practice is slightly different from that in the House of Commons. It may be that there is a majority present who believe that the subject matter requires urgency of debate now, meaning that that debate will move ahead of all other business on the order paper, no matter how important that business is.

If the majority of honourable senators agree with Senator Phillips, the debate should proceed; but we should at least determine whether or not a majority here feel that the urgency of debate on unemployment is so great that it shall take precedence over every other matter that has been set down under all the other rules that we have.

Senator Grosart: Honourable senators, on the point of order just raised, the honourable senator says he is new here and he has just proven it. He has suggested that the rule in the Senate is that the majority of senators will decide a point of order. That is a completely new concept as far as I am concerned. Surely it is the Speaker, in a final analysis, who will decide on any point of order raised.

I am in complete agreement with Senator Olson when he says that the issue in this instance is the urgency of debate, not the urgency of unemployment, and Senator Phillips, in moving this motion, made it clear that it was the urgency of debate because of the latest unemployment figures, which makes it urgent at this particular time. He was precise in that respect, and he brought it completely within the rules.

I agree that if a ruling is to be made as to whether urgency of debate at this point comes within the rules, it is a decision for the Speaker.

Senator Perrault: Honourable senators, unless the rules have been changed substantially in the other place since I

served there, usually there must be unanimous consent from the members of that place before—

Some Hon. Senators: No, no.

Senator Perrault: —before a debate may proceed on a matter of urgent public importance.

Some Hon. Senators: No, no.

Senator Phillips: No wonder you didn't last there very long.

Senator Smith (Colchester): Honourable senators, I dislike, as always, to differ with the Leader of the Government as vigorously as I have to now. I would far rather agree with him. It makes for more congenial association. However, I shall have to give priority to stating what I believe to be the true situation.

I do not believe for a moment, with all due respect to him, that he is anywhere near right when he says there must be unanimous consent in the other place before a debate can proceed on a matter of urgent public importance.

The Leader of the Government may remember that on the occasion of the "urgency" concerning cattle being withheld from the market, I pointed out to him that once the matter is stated in the other place, the Speaker rules whether or not it is in order and comes within the particular rule which deals with matters of urgent public importance. If the Speaker so rules, a certain number of members may stand, in which event the debate takes place. There is no unanimity at all.

I also read to him on that occasion rule 1 of the Rules of the Senate, which reads as follows:

> In all cases not provided for in these rules, the customs, usages, forms and proceedings of either House of the Parliament of Canada shall, so far as practicable, be followed in the Senate or any committee thereof.

On that occasion the honourable gentleman and some of his colleagues decided not to pay any attention to that rule and no attention to the customs and usages of the other house, notwithstanding that those matters were plainly put before them. Instead, they decided that the withholding of cattle from the market by farmers in certain provinces of Canada was sufficiently urgent to set aside all other business of the Senate and proceed with a debate on that matter.

Perhaps they were right, although I thought differently at the time and I think differently now. We then offered them the same opportunity that they now offer Senator Phillips, that being that we would give leave later in the day to proceed with such a debate. They rejected that out of hand. They took the position that they were within the rule and they were going to enforce that rule—"Say what you like about the Rules of the House of Commons, or what *May* says, we are within the rule and we are going to enforce it."

I do not profess to quote them precisely, but that was the general gist of the attitude they then took and pronounced.

Senator Flynn: The matter of cattle being withheld from the market is more important than a million unemployed for this government.

Senator Smith (Colchester): It seems to me that if the subject of cattle being withheld from the market for a time in some provinces of Canada is sufficiently urgent to debate under this rule, surely the same holds true for the fact that over one million Canadians are unable to find employment.

Senator Guay: It is the urgency of debate.

Senator Smith (Colchester): The honourable gentleman has not been out of work lately, otherwise he would know how urgent it is to be out of work. He would know the urgency felt by one million Canadians.

• (1430)

Senator Guay: Honourable senators, some doubts have been expressed with respect to the rules on the other side, and I can clarify the matter very easily.

Senator Flynn: Oh, yes, the authority! Just imagine!

Senator Guay: Yes, I can. I made reference to the rule in the other place, not in this place. I would like to agree with Senator Forsey with regard to its being a time-consuming matter and one involving a loss of time with respect to rule 46 whether it is in this house or in the other place.

Senator Marshall: It is rule 26 there.

Senator Guay: The reason I say that is that a period of 15 minutes is allowed in every Question Period in the House of Commons for a motion of an urgent nature, under rule 46, on a daily basis. In other words, to my way of thinking, we lose 15 minutes every day under that rule because many members bring in matters which they consider to be of great urgency, and it is a question of getting unanimous consent on each of the questions before they can be discussed. That is the rule in the other house, and to prove my point I am getting my copy of the Standing Orders of the House of Commons, and I shall quote you the rule and the manner in which it is implemented. I am told it is rule 43 instead of rule 46, but it is similar to the rule 46 that you have here.

Senator Grosart: In no way.

Senator Guay: And in any case, you have to have unanimous consent.

Senator Flynn: That does not apply here.

Senator Guay: If honourable senators would only give someone a chance to express an opinion instead of yelling we could probably get somewhere. I would humbly suggest to all honourable senators that if it is a matter of great urgency—and I would agree that it is—then we ought to take a vote on it to clarify the situation immediately, and then we will know whether we proceed to a discussion of this important matter or leave it alone. I would suggest that we take a vote in this particular instance and get it over with.

Senator McIlraith: Honourable senators, perhaps I could be helpful—and I certainly hope I can—on the procedures in the other place.

Senator Flynn: You can do better than Senator Guay.

Senator McIlraith: In the other place there is rule 43, a comparatively recent rule, that requires unanimous consent before a member can open debate on a matter of urgent importance. That is not relevant to what is being sought to be done here at all. What is relevant in the other place is the procedure under rule 26 of that place, and that is the right to debate a matter of urgent public importance. The procedure on that is quite clear and quite well established. An honourable member wishing to propose such a debate must rise in his place at a certain point in the day's proceedings, and state the proposition he wishes to have debated. Then he must immediately proceed to demonstrate the urgency of the debate, whereupon the Speaker must make a ruling not only as to whether the subject matter is of national importance but also and more particularly—because it usually is a subject of major national importance—whether there is urgency of debate. If there is such a decision by the Speaker, another paragraph requires that before the proceedings of the House can be set aside and the matter debated, 20 honourable members must rise—

Senator Grosart: But that is not here. What are you talking about?

Senator Perrault: He is outlining the procedure in the other place.

Senator McIlraith: If I may just finish what I am seeking to put forward, I think it may be helpful in the matter. Here we do not have the details set out at length, but we have rule 1, referred to by Senator Smith (Colchester), which provides that where there is silence in the rules we shall, so far as practicable, follow the usages in the other place. Having that, it is clear that we must have the decision of the Speaker that there is urgency of debate. Then, having that, there is a question open to argument as to whether or not we need the consent of the majority or some number of senators before the matter can be debated.

Senator Grosart: That is nonsense, utter nonsense.

Senator McIlraith: That is open for argument, but certainly in no circumstances is there any such thing as unanimous consent required or contemplated by the rule.

Senator Rowe: May I ask the honourable senator a question? He says that the mover has the right to demonstrate the urgency of the matter. How much time can he take to do that? Can he make a 45-minute speech on it, for example?

Senator Grosart: Two hours; two days!

Senator McIlraith: I do not know how long he can take. I would not make a hypothetical decision for the Speakers, but the point is that that debate, like debate on all other subjects, must be relevant to the point at issue, and the point at issue is the urgency of debate and he would be held to that. We have always found in practice that there is not too much time involved.

Senator Forsey: Honourable senators, rule 26 of the other place, subrule (3), says:

[Senator Flynn.]

> —the Member shall rise in his place and present without argument the statement referred to in section (2) of this Order.

That is, the statement of what the whole thing is all about.

Senator Flynn: That is what he did.

Senator Forsey: He will present it without argument.

Senator Langlois: Honourable senators, in speaking to the point of order, I do not agree with those who claim that there is ample authority under our rule 46 to proceed with such a debate without first obtaining a decision from the Speaker of the Senate.

Senator Flynn: Very good!

Senator Langlois: All that rule 46 says is this:

> 46. No notice is required of the following motions:

Then you have a series of motions and you come to (g), which is:

> (g) for the adjournment of the Senate for the purposes of raising a matter of urgent public importance (which the mover shall state on rising to speak) before the House proceeds to the orders of the day;

This rule, to my mind, is quite insufficient to give the Senate authority to proceed without some decision from the Chair.

Reference has been made to the rules of the other place. I am in agreement with Senator Smith (Colchester) when he refers us to our rule 1, which reads:

> In all cases not provided for in these rules, the customs, usages, forms and proceedings of either House of the Parliament of Canada shall, so far as practicable, be followed in the Senate or in any committee thereof.

So now let us see what does exist in the other place. Rule 43 of the Standing Orders of the House of Commons reads as follows:

> A motion may, in case of urgent and pressing necessity previously explained by the mover, be made by unanimous consent of the House without notice having been given under Standing Order 42.

Senator Asselin: What rule of theirs are you reading?

Senator Langlois: Rule 43.

Furthermore, I have an example of the application of this rule by the Speaker of the other place. On March 22, 1978, as reported at page 4016 of *House of Commons Debates,* there was a motion made by Mr. Cecil Smith (Churchill), seconded by the member for Annapolis Valley, Mr. Nowlan, which read as follows:

> That the Minister of Finance not use his office to influence the preferential placements of students from his constituency in Flin Flon this summer.

I am quoting from *Hansard:*

● (1440)

> MR. SPEAKER: Presentation of such a motion for debate requires unanimous consent. Is there unanimous consent?

Some members agreed and some said no, and the motion was not carried. So this, I think settles the whole situation. Therefore—

Senator Flynn: No, no. Senator McIlraith was right.

Senator Langlois: —I am respectfully asking that we have a ruling on this, in order that we do not have a debate similar to that which we had the other day, which lasted the whole afternoon—

Senator Flynn: Because of you.

Senator Langlois: —and was completely out of order.

Senator Flynn: If you had not intervened the other day, we would not have the debate today.

Senator Langlois: You were the first one to suggest—

Senator Flynn: To object.

Senator Langlois: —unanimous consent. You even went so far the other day—

Senator Flynn: I did not mention unanimous consent. I objected.

Senator Langlois: You had better check what you said on that day. I do not want to get into an argument with the Leader of the Opposition. I am making a request that Madam Speaker give a ruling on this matter. This matter should be settled once and for all; otherwise the wording of rule 46 will have to be referred to the Rules Committee for interpretation, or change, if necessary.

Senator Bosa: Honourable senators, Senator Phillips, in justifying the adjournment of the house in order to discuss a matter of public importance, referred to the rate of unemployment and the failure of this government to come to grips with the situation. I wish to address myself to the latter part of his comment. This government last night brought in a budget—

Senator Flynn: Order.

Senator Bosa: The budget resolutions will come before the Senate, and there will be ample opportunity—

Senator Grosart: You are out of order.

Senator Bosa: Madam Speaker, may I complete my remarks?

Senator Grosart: You are out of order.

Senator Bosa: I said that the budget was brought in. The budget resolutions are not before the Senate. They will come before this chamber very shortly. At that time there will be ample opportunity to debate Senator Phillips' motion, as to whether or not this government has come to grips with the problem of unemployment.

Senator Grosart: Honourable senators, there is—

Senator Perrault: Let us have a ruling.

Senator Grosart: —a very important point here. Many references have been made to the procedure in other places. I would like to suggest to honourable senators that there is no necessity whatsoever to refer to a procedure in any other place, because our rule is very clear. As quoted, our rule 46 says that no notice is required—and Senator Phillips has not given notice—for the adjournment of the Senate—which was his motion—for the purpose of raising a matter of urgent public importance. We do not have to look at what is done anywhere else. Senator Phillips has relied entirely on the rules of the Senate. He is perfectly entitled to make this motion.

The question may arise at any time as to whether the motion is in order. This would apply to any single motion raised by any senator. At any time a point of order can be raised. If honourable senators on the other side wish to raise a point of order as to whether or not Senator Phillips can move the motion and proceed to discuss it, that is another matter. In that case, a decision would be made by Her Honour on whether the motion is in order. But there is not the slightest doubt in the world under our rules that Senator Phillips is perfectly and completely entitled without notice to make the motion he has made; and that is all that has happened.

Senator Langlois: Honourable senators, I regret but I must insist that we have a ruling on this question.

Senator Smith (Colchester): Honourable senators, I agree with Senator Langlois that we should have a ruling but, with the greatest deference to him, I believe we should have the ruling on the right rule. With the greatest respect for his long experience and wisdom, I suggest that in addition to reading rule 43 of the other place, which I suggest is not applicable to the case, he might very well turn to page 18 of their rule book, rule 26, which deals exactly with this very situation: the adjournment to debate a matter of urgent public importance.

Senator Flynn: That is right.

Senator Smith (Colchester): That rule is found on page 18 of the Standing Orders of the House of Commons, October 1969, as amended October 14, 1971, page 18, rule 26:

> Leave to make a motion—

I suggest that honourable senators should look at these words; and, at the same time, at our rule 46(g):

> —for the adjournment of the House for the purpose of discussing a specific and important matter requiring urgent consideration—

I submit that that is the rule of the House of Commons which has to do with the same sort of situation as is found under rule 46(g) of our own rules. That is the rule exactly as Senator McIlraith enunciated it. I believe I had the pleasure of agreeing with him on the last occasion that we discussed this.

Senator Perrault: Honourable senators, I hope that we can have a ruling from Madam Speaker on the subject. Certainly, in every parliamentary forum when a member rises on a matter of urgent public importance, or on what he or she perceives to be a matter of urgent public importance, there is some method whereby the consent of the members of that chamber can and must be obtained before a debate on the matter of the alleged urgency can move ahead. This is what we

are talking about. There is no attempt here to restrict debate on the subject of unemployment. It is an important subject—

Senator Flynn: Don't go out on a limb.

Senator Perrault: —and I do not think the opposition should be unduly sensitive about the fact that precedents in the other place have been cited in view of the obvious lack of procedural information and codification which exists here. Every assembly must have a device whereby debate can move ahead on urgent matters, but such debate must be supported by members of the assembly before the debate can take place. That is the essence.

The Hon. the Speaker: Honourable senators, in my opinion, the Honourable Senator Phillips is allowed to go on speaking on his motion, and honourable senators will then decide whether or not it is a matter of urgent public importance. Please continue.

Senator Phillips: Honourable senators, if I interpret Madam Speaker's ruling correctly, I am allowed to complete my argument for presenting this motion, an argument which Senator Perrault interrupted on rather a facetious point of order, and was then kind enough to tell me that I was through when I was not. I would point out to honourable senators that it has been suggested—indeed, it was suggested by the Leader of the Government—that I could give notice of an inquiry. Honourable senators will recall—

Senator Perrault: If you want a full-fledged debate on it, yes.

Senator Phillips: —that I moved such an inquiry last June. The debate was then adjourned, and it stood on the order paper for over a month before one Grit opposition spoke on it, and it died on the order paper. Therefore, to prevent this happening, rule 46(g) has to apply. Senator Olson then suggested that we should have a look at the precedents for this motion. I did, Senator Olson. I looked at the proceedings of March 7, and I have followed exactly the procedure used on that occasion. I challenge anyone to show me where I have deviated from the precedent set on March 7. If it was in order on March 7, I say it must be in order on April 11.

Senator Grosart: Hear, hear!

Senator Phillips: A number of honourable senators mentioned the rules in the other place. We are a separate chamber. We have our own rules and we follow those rules. If anyone is so enamoured with the rules of the other place, I would suggest there will be an election writ issued shortly and they will have every opportunity to follow those rules.

● (1450)

Honourable senators, I have no objection to Her Honour the Speaker making a ruling in this case, and I will accept her ruling. However, I think I have seen enough of this Senate to realize that the general attitude is against the principle of this motion and a discussion of the unfortunate situation of the unemployed.

[Senator Perrault.]

MOTION NEGATIVED

The Hon. the Speaker: Honourable senators, is it agreed that a debate should take place at this time on Senator Phillips' motion?

Some Hon. Senators: Yes.

Some Hon. Senators: No.

The Hon. the Speaker: Will those honourable senators in favour please say "yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against please say "nay"?

Some Hon. Senators: Nay.

The Hon. the Speaker: In my opinion the nays have it, but it is up to the honourable senators to decide.

NORTHERN PIPELINE BILL

MOTION FOR THIRD READING

Senator Olson moved the third reading of Bill C-25, to establish the Northern Pipeline Agency, to facilitate the planning and construction of a pipeline for the transmission of natural gas from Alaska and Northern Canada and to give effect to an Agreement between Canada and the United States of America on principles applicable to such a pipeline and to amend certain Acts in relation thereto.

An Hon. Senator: Carried.

Senator Flynn: Who said "carried"?

Senator Olson: Honourable senators, I have no further comments to make. I made them at the report stage. I therefore yield the floor to Senator Flynn.

Hon. Jacques Flynn: Honourable senators, I was worried about the honourable member who said "carried," even before Her Honour the Speaker had finished putting the question. I can understand the desire for haste on the part of some honourable senators, but I do not share it.

Honourable senators, there have been many debates about a variety of aspects of the northern gas pipeline, the most important one being the economic value of its construction and, eventually, operation, not only to the areas concerned but to the rest of Canada.

One of the problems discussed in the other place, and discussed also in our committee, was that of native claims as they are affected by the construction of this pipeline. Two amendments directly related to the problem of native claims were brought forward at committee stage in the other place.

The first amendment relates to subclause (c) of clause 3, which sets out the objects of the bill. Subclause (c) reads:

> (c) to facilitate the efficient and expeditious planning and construction of the pipeline taking into account local and regional interests, the interests of the residents, particularly the native people, and recognizing the responsibili-

ties of the Government of Canada and other governments, as appropriate, to ensure that any native claim related—

I emphasize the word "related".

—to the land on which the pipeline is to be situated is dealt with in a just and equitable manner;

I draw your attention to the fact that this was an amendment made in the other place, and it indicates the concern of their members for the rights of native people as they are affected by the pipeline.

Later on another amendment was introduced in committee, concerning clause 23.1, entitled, "Native claims unaffected." It reads:

23.1 Notwithstanding this Act, any native claim, right, title or interest that the native people of Canada may have had prior to the coming into force of this Act in and to the land on which the pipeline will be situated continues to exist until a settlement in respect of any such claim, right, title or interest is effected.

I draw attention to the fact that before these amendments were brought in at committee stage in the other place there was no reference in the bill to native claims. This does not mean, in my opinion, that native claims were to be ignored eventually, any more than were the claims of any other person affected by the construction of the pipeline.

Remember that Senator Hays, in committee, was very worried about the rights of farmers.

Senator Hays: Hear, hear.

Senator Steuart: Hear, hear.

Senator Flynn: Senator Steuart was, also; however, he was not as loquacious, although he was perhaps more sensible and sensitive—

Senator Langlois: Anyway, we are all natives.

Senator Flynn: —with regard to the rights of the other people affected by this bill. However, it was decided in the other place that some reference should be specifically made to the claims of the native people, and in my view it is the duty of the other place, it is the duty of Parliament, and it is the duty especially of the Senate, to avoid including in the bill something that may take away rights that the native people may have had even before these amendments were made. There is no reference in this bill to the rights of other residents affected by the pipeline. My understanding is that they will have the right to compensation under the expropriation clause applicable in this particular case, which I think is that provided under the Railways Act. What we had in mind, however, with respect to the native people, was something more than the property title to those places where the pipeline is going to be laid. And the immediate consequential damages that are always compensated for when land is expropriated were something of a different nature. Native claims are not recognized by means of a property title. Native claims are inherited. They are based on history, on customs and usages, which is quite different.

What do we have here? In clause 3, as I mentioned, there is a reference to native claims "related" to the land. "Related", in the expression, "native claims related to the land," has a rather broad meaning, and I would say that it includes whatever consequences may flow from their title. That is not too bad. When we come, however, to clause 23.1, all we have is "in and to the land on which the pipeline will be situated."

I would say that in clause 23.1 we are restricting these native claims. I would say that we are doing worse than if we had not adopted clause 23.1 at all. If it had not been there they could have justified their claims under the ordinary law, or by whatever means they have at their disposal as far as the Government of Canada is concerned. Nobody could have told the native groups, "Your rights have been defined in this act as being applicable only in and to the land on which the pipeline will be situated," which is very restrictive indeed.

• (1500)

When we discussed that in committee, I, with the support of my colleague, Senator Smith (Colchester), moved an amendment which would have taken out the words, "in and to the land on which the pipeline will be situated" and substituted, "all the claims and all the rights that may be affected by the pipeline." This would have covered the whole spectrum of claims by native people. This amendment was defeated.

Senator Langlois mentioned the difference in the wording between clause 23.1 and paragraph (c) of clause 3 where you will remember I mentioned they use the words "related to the land", which wording is certainly wider than "in and to". Senator Langlois also moved a second amendment which would have used in clause 23.1 the same wording as in paragraph (c) of clause 3 which is wider than the language contained in clause 23.1. It was also defeated.

Of course, it may be said that because this Parliament is going to be dissolved pretty soon, we should not dare amend this kind of legislation. It was suggested by some members of the committee that we should never take that risk. But where is the risk if we feel we are doing the right thing? As I mentioned in committee, in the other place an amendment for the same purposes, but not at the same place, was moved on behalf of the NDP by Mr. Symes and Mr. Knowles, which is a guarantee that any amendment of the kind I suggest to you would be received with favour in the other place.

Clause 23.1 was moved by a Conservative member, and I know that it was the result of some kind of compromise. They could not have all they wanted. So they settled for something less—something being better than nothing. They were fooled, I suggest to you, because in fact what they got was less than nothing. I suggest that if we approve it, they would be happy to receive the amendment. To my way of thinking, clause 23.1 if it is not amended, should be deleted because it is restrictive.

The courts will not take the word of the minister as Senators Steuart, Hays and even Senator Lucier were happy to do in committee when the minister said, "My interpretation of clause 23.1 is that it will not be restricted to the land on which

the pipeline is situated." The judge will have to read the words as they are in the bill.

There is no doubt that we are only speaking here in this bill, as it is, of the rights to the land on which the pipeline is situated and not to areas that may be miles away but which will, nevertheless, be affected by the pipeline. I therefore feel that this is a great occasion for us, because the amendment which I propose would, I'm sure, be welcomed and accepted in no time in the other place.

We have a great opportunity to clarify what I consider to be the major clause on the rights that we want to see protected—that the other place wanted to see protected and which they sought to protect by introducing these amendments of which I have been speaking.

The Senate has the role, although we do not always carry it out, of protecting minorities and individual citizens by acting as ombudsman. We always boast that anyone who has something to complain about may appear before a committee of the Senate and he will be heard. I say that we have this opportunity of making clear what we mean by that role.

Therefore, I move, seconded by Senator Smith (Colchester), that the bill be not now read the third time but that it be amended as follows:

Page 12, line 43: Strike out the words "in and" and substitute the word "related".

If honourable senators care to look at page 12 they can very simply delete the words "in and" in the last line and replace them with the word "related". I feel that in doing so we will improve the bill.

Senator Croll: Replace them with what word?

Senator Flynn: "Related". I feel that my first suggested amendment in committee was better than that, but there is some logic to this one since it relates to the wording in clause 3, paragraph (c), as was pointed out by Senator Langlois. I would very much hope that the Senate would not hesitate to adopt that amendment. However, if anyone wishes to move something better, he may rest assured that he will have my support.

Hon. Senators: Hear, hear.

Senator Connolly (Ottawa West): May I ask Senator Flynn one question before he concludes? I wonder if the amendment he proposes in the English version would have a corresponding amendment in the French version.

Senator Flynn: Oh yes. I do not mind suggesting something. [*Translation*]

In this regard, the wording may be better in French. But I would say rather:

se rapportant au terrain

In my opinion, the words "biens fonds" are more specific than the word "land".

The text would then be:

qui se rapporte au territoire sur lequel passera le pipe-line.

[Senator Flynn.]

We could use the word "territoire" or something similar. I believe that the appropriate word would be "territoire". I think that we should say:

sur le territoire sur lequel passerait le pipe-line.

However, if we agree on the English version, we can perhaps come to an agreement as easily about the French version. [*English*]

MOTION IN AMENDMENT NEGATIVED

The Hon. the Speaker: Honourable senators, it is moved by the Honourable Senator Olson, P.C., seconded by the Honourable Senator Marchand, P.C., that this bill be now read the third time.

In amendment, it is moved by the Honourable Senator Flynn, P.C., seconded by the Honourable Senator Grosart, that this bill be not now read the third time but that it be amended at page 12, line 43, by striking out the words "in and" and substituting the word "related".

Is it your pleasure, honourable senators, to adopt the motion in amendment?

Senator Langlois: Honourable senators, I wish to say a few words in connection with this motion by Senator Flynn. I would open my remarks by saying that in committee I supported his amendments.

Here we are dealing with two amendments which were made in committee, as Senator Flynn has mentioned, and we are now correlating those amendments to the other clauses of the bill. My first remarks concerning these amendments, in relation to clauses 3(c) and 23.1, were to the effect that we were not using the same language in both clauses. I never like it when you are dealing with a particular subject and you change the wording in succeeding clauses. There is a strong principle of interpretation by our courts that the legislature never speaks for nothing. We are putting a question mark in the mind of the tribunal right away: "Why have they changed the wording from one clause to another? There must be a reason for it." We are opening the door to various interpretations of the clauses in question.

● (1510)

In this respect I must point out that in clause 3(c) we speak of "native claims," whereas in clause 23.1 we speak of "native claims, right, title or interest that the native people of Canada may have". We are adding new words to the subject matter. We change the words "related to" for the words "in and to".

As I said, to my mind this is very likely due to speedy consideration of the drafting of a clause in committee without too much thought to the effect of the amendment that this amended clause could bring to the rest of the bill. I think that in the past both houses have followed the bad practice of accepting amendments in a speedy manner without correlating them to the balance of the legislation under consideration.

I went further than this in committee and compared the English text with the French text. In clause 3(c) the French text referring to native claims reads:

portant sur les terres que traversera le pipe-line.

This is pretty close to "related to." To my mind, it goes even further than "related to," which we wanted to use in the English text. In clause 23.1 the French text reads:

en ce qui concerne des biens fonds.

This means, "concerning the land," to give a loose translation of the French wording. There again, we are coming closer to "claims, right, title or interest related to the land" when we say "concerning the land". I also think it has a broader meaning than that of the present wording. My sole consolation when I saw these two amendments defeated in committee was that, since both texts are of equal value, in my opinion as a lawyer I would choose the French text if I ever had occasion to go to court in connection with this bill. It is up to anybody to do that. Those are the only remarks I wish to make at this stage.

Senator Flynn: As you mentioned, the words in the French text in clause 3(c) are "les terres", which is much wider than "biens fonds". That is why I think even the French text of clause 23.1 is restrictive.

Senator Smith (Colchester): Honourable senators, I think the persuasive remarks of my leader carried conviction to all who listened and followed, and consequently I do not want to take any risk of confusing the impression that I am sure he created. However, there is just one point I should like to add.

It is clear, as Senator Langlois has pointed out, that some attention ought to be paid to this difficulty. There is no doubt in my mind—and I find it difficult to think there could be any great doubt in anybody's mind—but that these words "in and to the land on which the pipeline will be situated," which are now in the text, confine the effect of clause 23.1 to the very land on which the pipeline is built, and they affect no other land. I may say that when I put this interpretation to the witness who appeared before the committee as the person in charge of drafting, it was in his mind the correct one.

Then we get to the point that it seems pretty clear that at any rate this house, and I think the other place as well, would wish to make sure that nothing done under this bill, or nothing in the bill itself, adversely affects the native claims in the whole area, not merely on the sixty feet, or whatever it may be, of the width of the land on which the pipeline may stand. It therefore seems to me that if we want to carry out what appears to be the perfectly clear object of this clause we ought to make sure that the words are adjusted so that they achieve that object. From what I heard in committee, and from what Senator Langlois has said both in committee and here, I think there would be very little contention about the object. I think everybody felt that there should be something in the statute to make sure that it and things done under it did not have any adverse effect on the rights of the native peoples.

If I am correct in believing that is not in contention, I do not have much hesitation in suggesting that we should try to find some words that would make sure this common objective is achieved. With the admission of the chief draftsman that the words do not achieve that, but affect only the lands on which the pipeline is built, I believe we could probably also agree, without much dispute, that the objective is not achieved by these words.

Senator Hayden: Honourable senators, I would like to suggest some wording to Senator Smith to see what he thinks about it. Suppose we used the words, "arising by reason of the ownership of these lands." That is in the broadest terms, if you are concerned about any words of limitation, is it not?

Senator Smith (Colchester): Except for the word "ownership." I see exactly what Senator Hayden is suggesting. If we were dealing with lands in respect of which there was registered title or registered ownership, I would certainly accept what he says as an excellent solution. However, I heard in committee the argument, which I think is pretty strongly held by some people—I do not pass any judgment on it—that really we are not dealing with land to which the ordinary concept of ownership as we understand it applies. For that reason I have some reservation about quick agreement with Senator Hayden's suggestion, although it is the kind of suggestion that I believe would help solve the general nature of the problem.

Senator Hayden: Would my friend think in terms of using the word "rights" instead of "ownership"?

Senator Smith (Colchester): I would indeed. My answer would be very quick to that. Yes.

Senator van Roggen: Honourable senators, this afternoon I can do little more than reiterate what I said in committee, just as the Leader of the Opposition has reiterated the argument he put forward in committee.

I would suggest it is important to keep in mind that this is not a bill dealing with Indian land claims. It is not even a bill dealing with compensation for the taking of property, whether it be native or other peoples' property.

● (1520)

The objects set forth in clause 3(c) clearly spell out that the bill is "to facilitate the efficient and expeditious planning and contruction of the pipeline". Then it goes on to say—and you might also add the word "naturally"—"taking into account local and regional interests, the interests of the residents, particularly the native people", and so on. We then go through the bill clause by clause and see that at no point does it then deal in any way with Indian land claims. In no way does the bill state that it impinges on Indian land claims or, for that matter, on other people's claims to their own land.

I might say that this particular bill, unlike some statutes of this nature which contain their own provisions for expropriation procedures, leaves the procedures as to compensation and expropriation of private land to other statutes already in existence, one being the Railway Act, I believe. So the bill would stand on its own feet quite reasonably without the inclusion of clause 23.1 at all.

Senator Flynn: Let us delete it.

Senator van Roggen: The point I am making is that if this were an expropriation act, if it were an act dealing with compensation, then, indeed, we would require not only clause 23.1, but that clause would require to be more broadly and

carefully worded than it is now because this would be the section under which determination would be made of the quantum and nature of the compensation being given on the expropriation being authorized. That is not the case. This is not a compensation act, and this is not a compensation section of this act. This is not an expropriation section, but simply a saving clause in case someone might stretch their mind so far as to divine that some other provisions of this legislation, which are not even pointed out or suggested, might be interpreted at some point by some court as impinging on native land claims that now exist.

It has, therefore, been made clear that this legislation is not to be interpreted as impinging on native land claims, which land claims are to be settled by negotiation of the government with the native peoples concerned as an act which is quite extraneous and separate to the statute. So on that reasoning, honourable senators, I would suggest to you that this clause has been included in the legislation to simply make it abundantly clear that it does not deal with native land claims. It makes that abundantly clear and is sufficient in its present form.

Senator Grosart: Honourable senators, in support of the motion made by the Leader of the Opposition I would like to make this comment, that it seems to me to be a very reasonable and necessary amendment to the bill. I listened with interest to what Senator van Roggen just said, and was very surprised when he said this legislation does not deal with native land claims when, in fact, it does. There is a clause headed "Native Claims" and it deals with native claims, particularly the objectives in addition to this particular clause.

Senator van Roggen also suggested that this is not a bill dealing with expropriation. Of course it is not. Expropriation would be completely incidental to the bill and would, in effect, indicate a failure of the objects of the bill. To suggest that it is not an expropriation bill—and, therefore, there should not be clauses in the bill which would protect those who might be expropriated under a federal expropriation act—does not seem to me to be relevant to the amendment suggested by Senator Flynn.

It seems to me quite obvious that the conflict is just a matter of wording, or semantics. However, semantics are very important when there is a difference between the intention indicated by the government, which we find in clause 3(c), and the actual enactment under clause 23.1. In the one case, clause 3(c) expands the protection of native rights, it seems to me, very widely. It says "any native claim related to the land", which does not mean a claim with respect to that specific piece of land, but a claim related in any way to the land.

However, as Senator Flynn has pointed out, when we come down to the operative clause it says "in and to", which would make it quite specific, it seems to me. So that the effect of clause 23.1 is actually restrictive of native rights, and I believe that is the basis of Senator Flynn's amendment, that we do not wish to include in a bill such as this anything that would appear to be, as it does appear to be from the wording—which may be only a mistake in the wording—a restriction of native rights in respect to the objectives.

[Senator van Roggen.]

I would agree entirely with the objective as provided in clause 3(c) that there should be protection of native rights, and that any claim—a claim is not necessarily a right. The provision is as follows:

> —that any native claim related to the land on which the pipeline is to be situated is dealt with in a just and equitable manner;

However, when we read clause 23.1, there is a definite restriction of this. For that reason I entirely support the amendment proposed by Senator Flynn, which, in my opinion, would be in line with the general approach of the Senate to the question of minority groups in Canada.

Although I was not present at the committee hearings, I read very briefly the discussion which took place there and was delighted to know of the attitude taken by Senator Langlois. I hope he has not changed his mind, and I am sure that he has not. Therefore, I support the amendment and hope that it will have the support of the Senate.

Senator Flynn: I wish to say one word now, after having listened to Senator van Roggen. In committee the legal adviser or draftsman for the government, Mr. Garneau, said that by this amendment we would be enlarging, and the minister also—not Mr. MacEachen, but Mr. Faulkner—refused the amendment because he said that we would be adding something. Therefore, I suggest to the Senate that this attitude bears out my contention that this text is restrictive. Even if it is not the object of the bill to protect the rights, it may incidentally restrict them, and that is what we wish to make sure we are not going to do. If you think we are going too far with this amendment, I would like you to tell me that we are going too far. If you think we should not be doing this because the session is ending, I would like you to tell me that the house would refuse an amendment such as that which we propose.

Senator van Roggen: Senator Flynn, I have no idea what the house would do. I can only say, in so far as the comments of the minister are concerned, that at the time he made it clear that he is not a lawyer. I cannot add anything to the argument I made a few minutes ago relative to this clause.

Senator Forsey: Honourable senators, if the Honourable Senator Flynn has not closed the debate—I was unfortunately called out for a moment or two—I should like to express my entire concurrence with the amendment which he has proposed, and my belief that the Senate has no higher duty and can perform no finer task than to do everything possible to protect the rights of the native peoples of this country. Once before, on the James Bay Agreement bill, some of us tried, under the leadership on that occasion also of Senator Flynn, to provide some further safeguard for those rights. I think that on this occasion we should follow the same path and I therefore support unreservedly and strongly the amendment moved by Senator Flynn.

● (1530)

Senator Steuart: I should like to add a few words. I, too, was a member of the committee. The committee was very concerned about the rights of not only native peoples but of other peoples as well. In fact, as a result of this concern, it was recommended that the rights of those native peoples in British Columbia, the farmers in Alberta and Saskatchewan, about which the bill was silent, be the concern of an ongoing committee which would be established to protect these rights.

That recommendation was accepted by the Minister of Indian Affairs and Northern Development who appeared before the committee on behalf of the Honourable Allan MacEachen. I also recall that a law officer from the Department of Justice accepted this recommendation. This would, in fact, guarantee their rights.

Senator Flynn: No.

Senator Steuart: That is my recollection. I attended all the meetings of the committee. The Honourable Allan MacEachen was responsible for piloting the bill through the House of Commons and negotiating with the Americans. He did a great deal of work on this bill.

I agree with the Leader of the Opposition when he says that "it won't hold any water in the courts," but neither will the utterances of the Leader of the Opposition or other people speaking in favour of this amendment.

I take second place to no one in this chamber, and no member of the committee, when it comes to concern for the rights of native peoples or any other groups who might be affected by this pipeline.

While this bill deals specifically with the right-of-way, I point out that the government is, in fact, carrying on negotiations, and has been doing so for some time, with respect to the general rights and claims of native peoples in those areas, including the Yukon Territory.

I do not think the amendment is necessary. I think it will unnecessarily impede passage of this bill. I do not think it is necessary to say this, but I want to make it perfectly clear. The rest of us are just as concerned about the rights of native peoples as are the members of the opposition.

Senator Smith (Colchester): I wonder whether the honourable senator would permit a question. I should like to ask him whether Mr. Garneau did not agree that the only protection which would be extended to native claims by clause 23.1 related to the very land on which the pipeline was built?

Senator Steuart: I do not recall, but he may have said that. I do recall that one other law officer from the Department of Justice, when asked whether, in his opinion, it protected native rights, said that he thought it did.

Senator Flynn: You have a convenient memory.

Senator Smith (Colchester): Would the honourable senator permit a further question? Does he agree that, although the minister may have the very best intentions in the world, his views, in the final analysis, will carry no more weight with the courts than the views of the members of this house, unless there are words in the statute which reflect those views.

Senator Steuart: Of course I agree with that. I said that in my remarks. I believe the minister who piloted this through all its stages, the Honourable Allan MacEachen; the minister who appeared before us, the Honourable Hugh Faulkner, and the law officer from the Department of Justice took that stand. I am prepared to state that their words will have no more weight with the courts than yours will. It is a matter of opinion. I happen to follow their opinion.

Senator Grosart: A vote with the government, for sure.

Senator Williams: Honourable senators, there are a few things which concern me deeply with regard to this matter. Not being a lawyer, it is difficult for me to understand the laws of this country with respect to land claims. Indian reserve lands are crown lands vested in Her Majesty and are for the use and benefit of Indians. As far as I am concerned, this means the final stages of negotiation must be done with the government and not with the Indians, because the Indian has nothing which would be in any way equivalent to the farmer's deed. It bothers me greatly as to where the final negotiations will rest.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt Senator Flynn's motion in amendment?

Some Hon. Senators: Yes.

Some Hon. Senators: No.

The Hon. the Speaker: Will those honourable senators in favour of the motion please say "yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion please say "nay"?

Some Hon. Senators: Nay.

The Hon. the Speaker: In my opinion the "nays" have it.

And more than two honourable senators having risen.

The Hon. the Speaker: Please call in the senators.

● (1540)

Motion in amendment of Senator Flynn negatived on the following division:

YEAS

THE HONOURABLE SENATORS

Asselin	Hayden
Bélisle	Langlois
Bell	Macdonald
Buckwold	Marshall
Cameron	Molson
Flynn	Phillips
Forsey	Roblin
Fournier (Madawaska-Restigouche)	Smith (Colchester)
Grosart	Walker—18.

NAYS

THE HONOURABLE SENATORS

Anderson	Laird
Argue	Lucier
Bird	Marchand
Bonnell	McElman
Bosa	McGrand
Bourget	McIlraith
Connolly (Ottawa West)	Michaud
Cook	Molgat
Cottreau	Olson
Croll	Perrault
Davey	Petten
Denis	Riel
Deschatelets	Rizzuto
Desruisseaux	Rowe
Everett	Smith (Queens-Shelburne)
Fournier (de Lanaudière)	Stanbury
Goldenberg	Steuart
Hicks	van Roggen
Lafond	Williams—38.

The Hon. the Speaker: I declare the motion in amendment lost. The question is now on the main motion.

Hon. Raymond J. Perrault: Honourable senators, I wonder if I might say a few words before the question is put on the motion for third reading of this bill. It may be relevant that I take this opportunity, on behalf of the government, to comment on the recommendation of the Special Committee of the Senate on a Northern Gas Pipeline that an independent inquiry be undertaken to examine the social and economic effects of the project on those living within the vicinity of the pipeline route, and I do not do so by way of any criticism.

● (1550)

I think we all share in the great appreciation we feel toward members of that committee—particularly the chairman, Senator Olson—who have done such an excellent job on this important bill. But the information that I have may serve to clarify some of the government's intentions with respect to the protection of the rights of the people who may be affected by the construction of the line. Whatever may be involved in the terms of reference of the suggested independent inquiry and whatever the scope of such an inquiry, as the recommendation is worded it would seem that such an inquiry would apply over the approximately 2,000 miles that the main pipeline system would extend throughout Canada, which, as honourable senators will appreciate, would be an enormous undertaking.

As members of the Senate are aware, an examination of the socio-economic impact of the pipeline on the Yukon was undertaken last year by an inquiry headed by Dean Kenneth Lysyk. This special inquiry was undertaken in the Territory at the initiative of the federal government, because of its special responsibility for the Yukon and the exceptional impact that such a huge project could have on its small population and its relatively limited infrastructure.

[The Hon. the Speaker.]

Many honourable senators, I know, are particularly concerned about the impact of the pipeline project not only on the Yukon, but also on the sparsely settled areas of the northeastern part of British Columbia through which the pipeline will pass, but it has always been the view of the federal government that the undertaking of any special inquiry in British Columbia similar to that conducted by Dean Lysyk would require the active co-operation, if not the initiative, of the provincial government.

The special committee has recommended that an independent inquiry be undertaken into the social and economic impact of the pipeline. The motivation for such a proposal is very commendable and very understandable. However, I think it is important for members of the Senate to be aware that in his report Dean Lysyk himself recommended that further examination of this question in the case of the Yukon be undertaken by the regulatory agency which he proposed should be established to oversee planning and construction of the system. The Lysyk report made it clear that the primary objective of this further examination should be to develop the specific terms and conditions governing the planning and construction of the pipeline that would maximize the social and economic benefits of the project for the people along its route, and at the same time minimize its adverse effects.

In the hearings before the special committee, as well as in statements in the other place, I believe it has been made clear by the government that every opportunity will be provided for those affected by the pipeline to have an input into the development of those terms and conditions so as to ensure that the benefits of the project are maximized, and its detrimental effects are held to the lowest possible level.

Even before the passage of this legislation and the establishment of the Northern Pipeline Agency, work has been going forward in developing draft social, economic and environmental terms and conditions by interdepartmental committees under the direction of the office of the Northern Pipeline Commissioner. The minister responsible for piloting this legislation through Parliament, the Honourable Allan MacEachen, and the pipeline commissioner, Mr. Robinson, have indicated that it is the intention to have a draft of these detailed terms and conditions governing construction of the pipeline completed within 30 days and submitted to all provincial and local governments, native organizations and other public groups which have a particular interest in the project, for their comment. This is a commitment which I want to give on behalf of the government.

The proposed terms and conditions will subsequently be redrafted to take full account of these initial submissions. Subsequently, a revised draft will be produced by the Northern Pipeline Agency to form the basis for a series of public hearings this coming summer in communities affected by construction of the pipeline system. That is another commitment which I want to state and reiterate.

I have no doubt that as a result of these hearings the detailed terms and conditions will be further refined to take

account of the views of the public before they are finally adopted by the agency.

Honourable senators, if this immense project which promises so much benefit to the whole of Canada is to proceed expeditiously, it is important that we should act with all reasonable dispatch to establish the detailed terms and conditions which the company will be required to comply with in proceeding with the building of the system. There is, I must say, some concern about the proposal to establish an independent inquiry into the social and economic effects of the pipeline throughout its length in Canada. The feeling is that this could create enormous problems and certainly no such inquiry could be undertaken without the consent and approval of the provincial governments concerned. It is obvious that to undertake such an inquiry with any reasonable degree of thoroughness could take a considerable period of time, and in turn, could seriously impede the development of the project. In saying this, we all understand that this is merely a suggestion from the committee, but there are some difficulties of a practical nature from the standpoint of the government.

Senator Grosart: You are rejecting it.

Senator Perrault: No, senator, we do not reject the report at all. We think it is excellent, but these are some of the concerns felt with respect to the establishment of a full-fledged independent inquiry.

Senator Grosart: You are rejecting the recommendation.

Senator Perrault: But perhaps most critical of all would be the immense confusion that might be created if an inquiry of this nature were under way at the same time as the Northern Pipeline Agency was proceeding to obtain widespread input from provincial governments, municipalities, local communities and the various public interest groups involved in finalizing the detailed terms and conditions which, in the final analysis, will be the main determinant of the project's impact on people and the environment.

● (1600)

Before I conclude, I should note on behalf of the government that some honourable senators expressed concern that native people in the northeastern part of British Columbia might find difficulty in formulating their views on the proposed terms and conditions because of a lack of expert help. This misgiving might be met by the assurance, which has been given by the Minister of Indian Affairs and Northern Development, that he is actively exploring means of providing native groups with sufficient funding to assist them in the process of developing terms and conditions which will provide the greatest possible degree of protection for their interests.

Hon. George I. Smith: Honourable senators, I am both pleased and, at the same time, slightly disappointed in the firm statement just made by the Leader of the Government. At least, to my mind it was a firm statement. I can see what he means by his reference to the whole length of the pipeline, and I agree that the wording of the recommendation justifies that comment. But the essence of the interests of the members of the committee in the inquiry is more accurately pinpointed by the words "particularly in those areas where no previous inquiry has been undertaken."

I think I can explain the appearance of those words quite well by referring briefly to some of the comments made by the witnesses before the committee. Their evidence, I believe, was accepted—in any event, I heard no contradiction of it—and it was to the effect that in the northeastern part of British Columbia, for instance, no independent inquiry of any kind has heretofore been made. This was a matter of considerable concern to those witnesses who spoke on behalf of the people of that part of the province, and it is of concern, I think, to all members of the committee. It is not of concern to just one or two members, but to all members of the committee.

It seemed to some of us, at least, and I suspect pretty much to most members of the committee, that, if it were at all possible, the people who live in the area ought to have as much attention in the way of an inquiry to see how their lives would be affected as was focused on the people of the Yukon by the Lysyk inquiry. That, I think, was the real moving influence behind the view that there should be some independent type of inquiry.

It is quite true that the evidence before the committee was to the effect that the agency, or some government instrument at any rate, was to draft terms and conditions which would have to be followed by those involved in the construction and operation of the pipeline. Those terms and conditions would relate to the way the whole enterprise affected the lives and well-being of the people who live there. I will not say it was justified, but there was clearly a feeling on the part of some of the people who were speaking for those who live there that it was one thing, as one alternative, to have an agency of government come and give them a draft of what would be good for them, without their having any particular input into it, and it was quite another thing, as another alternative, to have a Lysyk-type of inquiry to be made by an independent person, without the natural inclinations of government of any kind. In the second alternative, an independent inquiry in the first instance would ensure that the people there themselves would have some type of information which they could be prepared to regard as relatively independent, unbiased and free from the compelling desire to get on with the work. That is something they should have before being confronted with draft terms and conditions.

Senator Perrault: That was done.

Senator Smith (Colchester): It does seem to me—and this was repeated to us more than once by witnesses representing the pipeline and/or agencies of the government—that the present intention is that, without any particular consultation with the people in the northeastern part of British Columbia, members of the public service, or people in similar positions, will sit down and draft a set of terms and conditions which they will then present to the people who live there and about which they will then ask, "What do you think of these terms and conditions?" It seems to me that that is a different proposition from going to those same people in the first place and saying, "Well, now, let us see what the problems are that

you will have to face. What is there that we can do to help pinpoint your views on these problems and get them over to us?"

I think, too, it is a situation that is properly referred to in terms of the old saying, well known to people in public life and in the law, that it is not only necessary to do justice but it is necessary to make sure that all of the people concerned with the particular matter understand that justice is being done. They must see that justice is being done. It seems to me that that is an important factor which has to be kept in mind.

I said I was pleased to hear the leader's commitment that certainly substantial efforts will be made to submit these draft plans, draft terms and conditions, to the people concerned, and then account taken of their views in altering the draft plans. I am pleased. That is certainly a great deal better than not making any efforts. But I am sure the Leader of the Government, having been both on the outside looking in and on the inside looking out, will understand perfectly well that it is one thing to go to a government representative, or a government group, and say, "Well, now, this is what we would like you to do; here is our proposition", and it is quite another thing to go to the same people and say, "Look, we do not like this plan you have made your mind up on." Those are two entirely different propositions.

I suggest that in the long run it would be more helpful to all concerned, including those who will be involved in the construction and operation of the pipeline as well as the representatives of all of the governments concerned, if the first type of alternative were followed.

I do not think it need take any great length of time, either. I do not profess any particular knowledge, except that I know that it did not take Dean Lysyk any great length of time to cover a large expanse of territory to do the same sort of thing we are talking about. And I would be greatly surprised if an inquiry in British Columbia that took as long as Dean Lysyk took resulted in any serious delay in any aspect of the pipeline.

Without departing for a moment from the view that I think the pipeline ought to be built and supported, I think it is not unreasonable to say that perhaps it is worth some time and some effort to do all that can be done to create a good feeling, or to avoid the creation of bad feeling, among the people who are going to be affected. I recognize, of course, the validity of the leader's comment that inquiries to be carried out in territories in the jurisdictions of other governments must be carried out with their co-operation and, indeed, with their consent. I accept that as being a valid problem, but it does not seem that it is likely to be one that is too difficult to overcome. So I hope that the difficulties which the leader has enumerated with regard to conducting an inquiry will be possible to overcome, because it does seem to me that the value which could result from something seen to be fairly done is worth some effort, trouble and time.

● (1610)

Hon. Eugene A. Forsey: Honourable senators, I must confess that I am disappointed that the government did not accept the spirit, at least, of the recommendation of the committee, allowing for the possibility that it was drafted in such terms as to cover rather more physical territory than I think the members of the committee had in mind, judging from what I heard of the proceedings.

I am afraid that I am unable to understand the point the leader made, with which Senator Smith (Colchester), rather to my surprise, agreed, that an inquiry would require the consent and co-operation of the provincial government of British Columbia and, if I heard correctly, the municipalities. I don't see why this should be so. No doubt an inquiry is easier if you have the co-operation of the provincial government, easier still if you have the co-operation of the municipalities, and no doubt easier still if you have the co-operation of the chambers of commerce, the trades unions and a variety of other people. But I can't see why an inquiry of this sort in any part of the country, on a matter of this enormous and, as we have been told repeatedly, national importance, should not be carried out even if the province or the municipalities fail to co-operate; and I find it extremely difficult to believe that either the province or the municipalities would, in fact, attempt to block an inquiry of this sort, and I find it very hard to comprehend why the government feels so nervous about an inquiry of this kind on those grounds.

Senator Perrault: If I may endeavour to reply, honourable senators have spoken very highly this afternoon about Dean Lysyk. He is held in high esteem by all. Dean Lysyk himself recommended that further examination of this question in the case of the Yukon be undertaken by the regulatory agency which he proposed should be established. That was a recommendation of Dean Lysyk himself.

Secondly, the statement that I have made on behalf of the government does not run contrary to the spirit of the excellent recommendation made by the committee. It would have been quite simple for the government merely to have accepted the report without comment. My purpose this afternoon was to add comment on behalf of the government to give specifically the assurance—I believe it bears repeating—that a full account will be made of the submissions that are received from all those affected by this pipeline, irrespective of whether they may be municipalities, provincial representatives, minority group interests, farmers—indeed all the people affected by the line.

There will be a series of public hearings this summer in communities affected by construction of the pipeline system. Those hearings will be held with full access to the media. There will be no *in camera* sessions held where the government will be in a position to issue ultimatums to anyone. The government further commits itself to refining the terms and conditions to take account of the views of the public before they are finally adopted by the agency. So the full light of public scrutiny will be on those hearings.

I want to provide the assurance that while the government may not necessarily accept the idea of an independent commission—it may not necessarily accept that recommendation—the government at the same time is fully in accord with the spirit

[Senator Smith (Colchester).]

of that recommendation, and within the time context, and the practical limitations of what can be done, the government will certainly co-operate fully to ensure that every interest along that pipeline route is protected—

Senator Grosart: It was not an independent commission; it was an independent inquiry.

Senator Perrault: —and I have been at pains this afternoon to make that very clear. The statement I made today speaks in terms of "widespread input from provincial governments, municipalities, local communities and the various public interest groups involved in finalizing the detailed terms and conditions which, in the final analysis, will be the main determinant of the project's impact on people and the environment."

Honourable senators, it may well be that there is some technical power possessed by the federal government which will enable it to proceed unilaterally to initiate the investigation in any fashion it wishes, but I hardly think that course of action would be within the spirit of co-operative federalism that we have all endeavoured to promote in recent months.

The budget proposals last night were an example of where the federal government, for the first time in history, discussed with the provincial ministers of finance a joint course of action which might benefit the whole of Canada. This is the spirit in which we should undertake this project, the largest of its kind ever undertaken in the history of North America.

Senator Smith (Colchester): Honourable senators, perhaps I may be permitted to make a comment which will clear up an impression which I obviously left in the mind of Senator Forsey, and very likely in the minds of many others. I did not intend for one moment to suggest that the federal government did not have the constitutional right to make an inquiry within the territorial boundaries of British Columbia or any other province in a matter which clearly comes within federal jurisdiction. I was merely pointing out—or thought I was—what the Leader of the Opposition now makes me want to get angry about, which is that it is better to move along in co-operation and goodwill with provinces when we are doing something so very important and of such great compass as this. It is my belief, for what it is worth—it is worth no more than my belief to the contrary, I suppose—that the constitutional authority does rest within the Government of Canada; but sometimes it is not always in the long term best interests of a government which possesses the authority to exercise it. That is my only comment on that point.

I wish the Leader of the Government had not tempted me with his excursion into budgetary co-operation, because it makes it very hard to resist finding some very vigorous remarks with which would take issue with him on that point. However, there is no need for me to be irrelevant just because he was, so perhaps I will deny myself that pleasure for the time being.

Hon. H. A. Olson: Honourable senators, if I speak now, I presume I will close the debate on third reading?

The Hon. the Speaker: No. The honourable senator will not be closing the debate.

Senator Grosart: Why not?

Senator Olson: I simply wish to express my appreciation to all those honourable senators who have participated in the third reading debate, including those who spoke on the amendments that were discussed previously in committee. I certainly do not agree with all the interpretations or arguments that were made on a number of the points raised, but I certainly do accept the sincerity with which they were put.

I should like to say also that I both understand and appreciate the comments made by the Leader of the Government with respect to the matter of the independent inquiry. That probably adds even more weight to the argument and support to the motion that I shall move tomorrow in keeping with the recommendations of the committee, that there be a special committee of the Senate to watch over and inquire into any matter that appears to be going against some of the people involved. I hope that that is an indication that the motion I shall move tomorrow will be adopted. If it is, we will have an on-going mechanism for making sure that all the commitments made by the government, the agency, the company, and everyone else involved affecting people along the right-of-way will, in fact, be fulfilled.

• (1620)

THIRD READING

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion for the third reading of Bill C-25?

Motion agreed to and bill read third time and passed.

FARM CREDIT ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-29, to amend the Farm Credit Act.

Bill read first time.

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

Senator Perrault, with leave of the Senate, moved that the bill be placed on the Orders of the Day for second reading at the next sitting of the Senate.

Motion agreed to.

ANTI-INFLATION ACT

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the debate on the motion of Senator Hicks for the second reading of Bill C-18, to amend the Anti-Inflation Act and guidelines.

Hon. Orville H. Phillips: Honourable senators—

Senator Hicks: Honourable senators, perhaps, before Senator Phillips proceeds with the debate on this bill, I might be

permitted to answer more completely and properly the question put to me last evening by Senator Phillips and Senator Grosart.

Hon. Senators: Agreed.

Senator Hicks: This question arose out of my observation that Bill C-18 did not mention the date April 14, which is the date when the decontrol process commences, but that the date was prescribed by regulations under the present legislation. This prompted Senator Grosart to ask, very properly, why then did I assert that it was urgent that this bill be passed so as to become effective on April 14. Aside from the general desirability of having all the laws relating to the decontrol process consistent from its inception, there is one paramount reason why this bill should be in force by April 14. This has to do with clause 5 of the bill. Were it not for the provisions contained in clause 5 of the bill, all those agreements between employers and employees where the Anti-Inflation Board had rolled back the agreed level of wages could automatically go back to the negotiated amounts on April 14. Under the provisions of the bill, the Anti-Inflation Board roll-back decisions will obtain, or the decisions of the administrator will obtain, during the lifetime of the agreement, with certain exceptions that may be renegotiated.

Senator Grosart: Thank you.

Senator Phillips: Honourable senators, I have become accustomed to getting annual reports from various departments which enable one to review, as it were, the activities of the departments in question for the past year. I enjoyed very much receiving the second year report from the Anti-Inflation Board. The tone of this report was simply to the effect that if it were not for inflation the anti-inflation legislation and the Anti-Inflation Board could be considered successful; but we did have inflation, and therefore its effectiveness is somewhat dubious.

The sponsor of the bill, last evening, spoke of various improvements in the economy. I rather had the feeling that he was preaching for a call to replace the Minister of Finance, since I do not think even the Minister of Finance was as optimistic as that last evening.

The record of Canada in dealing with inflation has been a disaster, and this despite all the various slogans that we have had: "Kick the habit, "Beat inflation," and so on. I often wonder if the government read their own slogans, and if they do why they do not practise what they preach. When the Anti-Inflation Board was established, the inflation rate was 10 per cent. Today it is 9.5 per cent. That is hardly a sensational reduction. A baseball player with a batting average like that would be shipped out to the minor leagues. I was going to suggest that the government should be returned to the minor leagues, but then I reviewed the situation and decided that they never left the minor leagues.

When we consider the fact that the government have really never explained to Parliament why inflation is so rampant in Canada, we can only come to the conclusion that they do not understand the problem. They still seem to adhere to the Prime Minister's statement that inflation is licked, but if Muhammed Ali had bounced back from his licking the way inflation bounced back, he would be world champion today.

The Liberal Party came into power in 1963 with the aid of the late Mr. Raoul Caouette and the Social Credit Party. Obviously, it was part of the agreement that the government, the Liberal Party, would adopt certain Social Credit doctrines. As honourable senators know, we quite often refer to the Social Credit philosophy as "funny money." The federal government seems to have adopted the idea of turning the printing presses. The money supply between 1968 and 1977 was increased 156 per cent. At the same time our real growth in production was 55 per cent, and the total inflation was 100 points. It is rather interesting that the amount of inflation equals the amount of surplus money printed. The Bank of Canada has printed money to supply one-third of the federal expenditure in the last five years.

The love of spending by this government is as great as its love of unemployment and national disunity.

• (1630)

When the legislation was introduced, the government gave every indication that the figures in federal spending would be limited to the guidelines set out in the anti-inflation legislation. Federal spending has increased by 28 per cent in two years and has far exceeded the guidelines set out in the legislation. During the same two years the government's operating cost has increased by 37 per cent. The result is an unnecessary expenditure of $2 billion.

Honourable senators are familiar with the fact that various micro-organisms enter the blood stream and settle in the weakest part of the body and set up various types of infections. The inflationary element entered the blood stream of the Liberal Party and circulated throughout it and then settled on the weakest point in the Liberal Party, which is the Prime Minister and the Cabinet. As a result, we have had a case of infectious inflation ever since. The government has used many excuses to justify our large rate of inflation. Everybody is out of step except our Prime Minister and, of course, he is not moving very much. He is like the Canadian dollar—sliding downhill.

Let us look at the international picture as it relates to control of inflation. Naturally, we look first to the United States because of our nearness to that great nation. In the United States the inflation in 1977 was 6.6 per cent; in Canada it was 9.5 per cent. In Japan, in the same 12-month period, inflation was 4.9 per cent and in Canada 9.5 per cent. In Germany the inflationary rate 3.9 and again, I repeat, ours was 9.5. Therefore, I find it rather difficult to understand the governement's argument that inflationary forces outside this country are causing inflation.

The government also blames pressure on the so-called "floating dollar." I am not exactly certain that the dollar is floating; in my opinion, it is beginning to drown. The Governor of the Bank of Canada stated, on April 3:

> The government expenditures to rescue the drowning dollar over a short period would not be helpful in restoring the international trust in our dollar.

In other words, the drowning dollar has become caught in an undertow.

We have had as many ministers of finance as we have had postmaters general. Despite all of the illustrious failures that we have had over the last few years, we now have a part-time Minister of Finance. At a time when the finances of this country need a great deal of attention, most of his efforts are spent elsewhere.

Certain events are anticipated, so I will shorten my criticism of the government's abject failure in dealing with inflation, and turn to the administration of the Anti-Inflation Board.

The first administrator was hardly settled in his office when he was removed to become Co-Chairman of the National Unity Commission. The next chairman, Mr. Tansley, had hardly found his office when he was made Chairman of the Fisheries Research Board and Associate Deputy Minister of Fisheries. This raises a rather interesting question: Did we have a fisherman in charge of the Anti-Inflation Board or do we have an accountant in charge of the Fisheries Research Board?

During the introduction of the legislation establishing the Anti-Inflation Board, the government said they would need approximately 200 temporary employees to operate the board. We now have over 700 employees and the government has guaranteed those personnel that they will not have to take a drop in pay or lose their positions. In fact, one young individual on the board informed me that he wanted to return to university this fall to obtain his Masters degree in Business Administration. He had rather a rough time retaining his position until September. The board wanted him to resign now so that it could replace him. I find this rather strange when the board is supposed to be winding down. I think the government has deliberately created this impression with certain approaching events in mind.

Let us have a look at the facts. The Chairman of the Anti-Inflation Board, before a committee of the other place, stated that in October of this year 70 per cent of the labour force would be covered by the regulations; 75 per cent of the professionals would be covered; and 80 per cent of the companies. This does not sound like a very urgent winding down of the board, Senator Hicks.

There are a number of amendments proposed in the bill before us. I fail to see why some of the powers have to be extended, especially when the government can, if it wishes, ask Parliament by resolution to provide for an extension of the powers. The so-called "ghost clauses", I feel, are a very dangerous principle to establish, and we should take care that those do not return to haunt us in the time ahead.

Last evening Senator Hicks mentioned that the Economic Council of Canada would probably assume the monitoring of wage and price settlements in the future. I hope that they will be far more successful than the Prices and Incomes Commission.

In reading the minutes of the committee meeting in the other place, I was disturbed to find that three draft bills were presented before the committee. They were three draft bills that no one seemed to know anything about. No one assumed paternity of those three draft bills, yet they carry extensive powers. I ended up by being rather suspicious that the government is holding something back, hoping that they will have an opportunity to introduce them in the fall. I can only say I will do my best to make sure that they do not have that opportunity.

• (1640)

I hope the Minister of Finance will appear before the committee and explain why we still have a 9.5 per cent inflationary rate when the program called for 4 per cent. I believe last evening Senator Hicks was saying that there was no need for this bill to go to a committee. I should like to see it go to a committee and have the Minister of Finance give his explanation. I believe earlier today Senator Perrault stated that there would be lots of opportunity to debate the budget in this chamber, so I presume that we have time to send this bill to a committee.

On motion of Senator Grosart, debate adjourned.

PRIVATE BILL

BELL CANADA—SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Deschatelets for second reading of Bill C-1001, respecting Bell Canada.

Hon. Allister Grosart: Honourable senators, the bill before us was introduced by Senator Deschatelets, who gave us a very interesting account of the provisions in the bill. But I am sure he will not mind my saying that I wish he had given some further explanation of the fate of the original bill, Bill S-2, as it was passed by the Senate, and why the bill now before us is a mere shadow and skeleton of the bill approved by the Senate after exhaustive examination in committee. I think it important that some attention be called to the great changes that have been made, and that perhaps there should be some consideration of the reasons why those changes appear to have been made.

I should say first of all, however, that a question was raised by Senator Langlois, which perhaps should be cleared up now, about the "authority" which now has a certain regulatory power in respect of the affairs of Bell Canada. My recollection is that Senator Deschatelets said the regulatory authority that is now effective is the CRTC, and Senator Langlois suggested that that was a slip of the tongue, that it might be the CTC, the Canadian Transport Commission. I believe Senator Deschatelets was right. I think the regulatory authority referred to in this bill is the CRTC. Perhaps Senator Deschatelets would like to confirm or further explain that, because I think it is relevant to the bill.

Senator Deschatelets: I think the misunderstanding arose because of the fact that up until, I believe, November of 1976 the CTC had jurisdiction over the company, Bell Canada, and at that time this jurisdiction was transferred to the CRTC. I understand that in the past Senator Langlois had much to do with the CTC when Bell Canada was involved. However, the jurisdiction has changed. Since about 1976 the CTC has had no jurisdiction over Bell Canada. It is now the CRTC. Under its jurisdiction, the CRTC has to approve the rates and also the capital stock of the company. I think that answers the question.

Senator Grosart: Thank you, Senator Deschatelets. This is, perhaps, of some interest, because the role of the CRTC in certain aspects of controlling the affairs of Bell Canada is relevant to the history of the bill and the changes that have taken place between the consideration of the original Bill S-2 and the present bill, Bill C-1001.

Somebody has said that the title of this bill, which is a private bill introduced in the House of Commons, raises memory of "The Arabian Night", the "One Thousand and One Nights", and there seems relevance in that comparison, because what happened was that the Senate considered Bill S-2, which would have provided Bell Canada with some changes in the present regulations respecting its method of operations in some aspects of its business in four major categories, which I will indicate in a moment. This bill now before us is reduced to a request for perhaps one and a half of those major categories, but no more.

The sponsor of the new bill in the other place withdrew Bell Canada's request for certain provisions in the bill. The bill that was introduced in the House of Commons was in the exact form of the original Bill S-2. What is, of course, of interest to honourable senators is why the House of Commons, in its wisdom, decided to make fundamental changes in the decision made by the Senate, and why Bell Canada apparently, and I would think obviously, agreed to the withdrawal of some of the provisions it requested in Bill S-2, and originally in Bill C-1001. The answer is quite simple.

● (1650)

What happened was, Senator Forsey made a reference to it, perhaps accurate but not an entirely complete reference, when he said in his wisdom the other parties in the other house—I think his phrase was—raised such strong opposition. Well, I do not think they raised such very strong opposition.

Senator Forsey: They moved the six months' hoist.

Senator Grosart: I was about to enlarge on your comment. What happened was that they talked the bill out over successive sessions of the private members' hour, running over a long period of time, so that it was quite impossible for any other private members' bills to be discussed in that committee. Now, I am not saying that they did not have the right. One would have some doubts as to whether this was an abuse of the procedures; in my opinion it was. As Senator Forsey says, they did move a six months' hoist. In one particular case, in fact in the particular case of the six months' hoist, the purpose of moving the six months' hoist, as clearly explained at the time by Mr. Knowles, was that one member, Mr. Peters, who was then speaking, had run out of his time, had sought permission to proceed and had been refused by the House of Commons. Then Mr. Knowles made the motion for the six months' hoist which, of course, allowed Mr. Peters to continue his obstruction to the passage of the bill.

I only say that because I do not believe for one minute that the changes that have been made between Bills S-2 and C-1001 represent in any way the judgment of the majority in the House of Commons. What surprises me is that no one on the government side, no minister rose to defend the provisions of the bill as presented to the House of Commons, in spite of the fact that we had evidence in our committee, clear evidence that the major provisions of this bill had been approved and accepted by the government. I am not saying all, or that we had a statement, but we had evidence to that effect. It was on that basis, as far as I am concerned at least, because I was in attendance in the committee, that I was prepared to vote to give the Bell Telephone the powers that it requests. I do not know why the government did not stand behind this. It had been clear that the government understood why these provisions were important to Bell Telephone and important, perhaps, to the economy of Canada in some respects. However, I leave it at that. There was no voice from the government other than that, of course, of the sponsor of the bill, who was a former cabinet minister, but in that capacity was not speaking for the government. He was the one who finally proposed the amendments which would, in effect, be a withdrawal of the request of the Bell Telephone Company of Canada.

Perhaps I should say at this point that I have no brief for the Bell Telephone Company of Canada. I have many reasons to quarrel with it from time to time. It annoys me, it upsets me and charges me more money than I think I should pay at times. However, that in no way affects the view I have at this time that it is unfortunate that this original bill, the Senate Bill S-2, has been watered down to the extent it has. To give a rough indication, there were four major requests, which I believe is the proper word, because the bill was a petition originally, from Bell Telephone. One was to increase the maximum authorized capital of the company from $1.75 billion to $5 billion, on the grounds that by the end of this year Bell Telephone would run out of money for capital expansion, and the $1.75 billion would, in effect, so far as they could judge be used up at the end of the year. The request was for an increase to $5 billion which, in the evidence that they gave our committee, they believed would be adequate for the decade from that time. In my opinion, it would be important to ask the officials of Bell Telephone whether that $5 billion which this bill would grant them will be adequate now.

The second request was for the same general range of financing options in the financial markets of Canada and elsewhere as those that were available to their competitors. They asked, for example, which would seem to be a reasonable request, that they should be able to proceed to normal borrowing if they had a general by-law of their shareholders and that

they should not be restricted, as they were and are, to a specific meeting of shareholders every time they want to borrow, which is the type of situation with which most companies would find it very, very difficult to live. They asked then, which is why I raise this other matter, to be able to issue capital stock without CRTC approval. Now, they were not asking to be completely out and away from any control by the CRTC. They were merely asking that once there was an approval by Parliament for them to raise capital they should then be allowed to go ahead and make these individual issues without having to go back each time to the CRTC. They were prepared to admit that the CRTC should still have some control over the amount, the terms and the conditions, but not of the actual normal business of raising that capital on the market. There was a reason for that specific control many years ago, because at that time the tendency was to look at the number of shareholders of Bell Telephone and apply this to the income, much of which, of course, would come from their rates. There was a fear at one time that the uncontrolled issue of shares would in time affect the rates to consumers. This no longer applies, because at the present time the CRTC assessment, if that is the right word, is based not on the number of shareholders but on their income with respect to the investment in the company.

The third request was that they be treated as any other new company starting up in the communications business, which today would apply for letters patent through the Department of Consumer and Corporate Affairs. If they had changes that they wished to make as time went on, they would apply to make these changes by letters patent instead of the present requirement, which is still in existence, that Bell Telephone, because it is incorporated under a special act, must come to Parliament every time it wishes to make certain changes. In the normal course of business it seems to make no sense for them to have to come to Parliament when, for example, as I say, in the matter of increasing the number of directors they may have to wait eight months, ten months, or a year and a half before this matter can come before Parliament by means of a private bill.

● (1700)

They also asked, as any other company would, to have the right to invest in a subsidiary in their general line of business. They are restricted now to a rather limited range of businesses. This would exclude them from—and this is a problem to them—a company in the computer software business as a subsidiary. Bell Canada has developed a tremendous expertise in this field and would like to sell that expertise. It certainly would be to the benefit of the Canadian economy, and to the benefit of Canada generally, if they were permitted to sell this expertise and other similar types of sophisticated technology which they have developed on their own and through existing subsidiaries.

The final and fourth request was that they be permitted to alter their capital structure, objects, powers and share capital by letters patent. This was similar to the request that they be brought under section 16(*a*) of the Canada Corporations Act.

This particular request has been kicked around and misinterpreted. Over and over again it has been said in the debates in the other place that Bell Canada wants to get out from under parliamentary control. I raised that question when the matter came before the Senate. I indicated that Bell Canada, after all, was a monopoly, and that that seemed to be a good reason why Parliament should maintain a high level of scrutiny of the affairs of Bell Canada. Representatives from Bell Canada agreed with that. Their proposal was that while they would still be permitted to change their objects, powers and share capital by letters patent under one or the other of the companies acts, any change granted by letters patent would be subject to negative resolution in the House of Commons or the Senate. Because of what happened in the other place, and because of the failure of the government to stand by changes that it seemed to have approved—and I should add that the evidence seems to be that all of these things were approved by various cabinet ministers—we now have this skeleton.

In effect, what this means is that they have the power to increase their authorized capital from $1.75 billion to $5 billion with the approval of the shareholders. Perhaps they have part of the second request. This bill will grant them the right to split shares. The request to come under section 16(a) of the Canada Corporations Act is out, and their request to maintain their responsibility to Parliament, only via the negative resolution route, is denied.

The Senate is in the position of having agreed before that it was a good bill. Now the Commons sends us another bill, with which Bell Canada apparently agrees, which would indicate that they think the Senate was wrong and that it went too far. However, I do not believe it did.

I believe that Bell Canada, in this case, was obviously put into an impossible position. I should say that I have not spoken with any representatives of Bell Canada. I was advised only yesterday that this bill was being assigned to me.

As I say, it seems to me that Bell Canada was put into an impossible position. Apparently, they had to have this increase in capital. Their testimony was that they would run out of funds by the end of the year, and that they could not wait to fight for what they believed to be correct, and no one in government would fight for them. Without protest from any of the parties, the House of Commons gave in to this kind of—well, I won't call it "blackmail," but it does seem to me to be an abuse of the rules when others are denied the use of the time of Parliament.

If honourable senators are wondering why I make this objection, all they have to do is read the House of Commons *Hansard*. They will find that members of the House of Commons arose one after the other saying exactly the same thing. It was a sheer case of stalling. I, as a member of the Senate, and one who took some time with others to decide that the original bill was a good one, resent the fact that it is coming back before us in this emasculated form for the reasons I indicated. However, I have no option but to support it.

I would be very interested in hearing from representatives from Bell Canada as to where they are now. They did make a case that they urgently needed all of these provisions. Do they? Will they be able to carry on in their computer software programs? Have they been unduly restricted in terms of the contribution they can make to the economy? I do not know the answers to those questions.

I am not going to insist that the bill be referred to committee, but I would ask the sponsor to consider the suggestions I made, because I believe that the Senate might still make a contribution to the solution of what I consider to be an important problem in relations between Parliament, the business community and the customers of the business community.

Hon. Jean-Paul Deschatelets: Honourable senators—

The Hon. the Speaker: I wish to inform the Senate that if the Honourable Senator Deschatelets speaks now, his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator Deschatelets: Honourable senators, first of all, I should like to thank Senator Grosart for his thoughtful remarks. I can agree with three-quarters of them, and I wish to answer as briefly as possible some of the points he raised.

Last evening Senator Grosart asked me a supplementary question, which is reported at page 551 of *Hansard* as follows:

> SENATOR GROSART: Supplementary to that question and explanation, I wonder if, just for clarification, the sponsor of the bill would agree that the effect of the amendments made by the Commons was to deny Bell Telephone the main benefits that they sought in Bill S-2 of the last session?
>
> SENATOR DESCHATELETS: I would have to agree with that.

● (1710)

I must make a distinction here, if I am so permitted, to say that I have expressed a personal opinion which is not the opinion of the officers of the company. I still believe—and here I join with Senator Grosart, I think—that in the long run the original powers asked by Bell Canada will be found to be fundamental to the best interests of the company. However, I must say that the officers of the company at this time are more interested in the short term benefits of the bill as it now stands, because it will permit them to proceed with their expansion program. In their view, the amendments made by the Commons do not deny the company the main benefits sought in Bill S-2 of the last session. I want to make that point very clear, because the company, as I have explained on a few occasions, has a very large expansion program and the important thing for them is to have the power they seek to get on with the job. This means an increase in the authorized capital from $1.75 billion to $5 billion.

Honourable senators, I should tell you that since 1945 the company has come to Parliament seeking the passage of a private bill approximately every 10 years or so for the primary purpose of increasing its authorized capital. The last time this happened was in 1967-68.

[Senator Grosart.]

I should like to make one other point very clear, and that is that we have passed Bill S-2. That bill was referred to the Transport and Communications Committee, and the president of the company appeared as a witness. I think we have done a very good job in examining in depth the problems facing the company. Bill S-2 was not amended in any way, and I want to make that clear to all honourable senators. It was talked out in the House of Commons. Then, when Bill C-1001 was introduced and referred to committee, some honourable members thought that some of the provisions were more or less contentious, and that they were not essential at this time for the company to go ahead with its expansion program. That is why there was a compromise and we received Bill C-1001 with those powers deleted.

Now I should like to tackle the last point raised by Senator Grosart. Of course, he has raised so many—

Senator Grosart: Before you leave that last point, and so that there will be no confusion, would you not agree that originally Bill C-1001 was in exactly the same terms as Bill S-2? Would you not also agree that it was introduced and amended, and the amendments were agreed to only at the very last minute?

Senator Deschatelets: Of course, I agree absolutely; it was in the same terms without an iota of change.

Another point Senator Grosart raised was that he felt that somewhere along the hard road travelled by this bill in the Commons the Minister of Consumer and Corporate Affairs might have become involved in it. We must not forget that we are dealing with a private bill which here, as well as in the House of Commons, had to be introduced by a private member, and it was left to the responsibility of the members to deal with the bill as we dealt with it here in the Senate.

So, honourable senators, as Senator Grosart has said, this bill comes back as a skeleton of the bill we had originally, but I do not have to stress that the company is satisfied with it even with the amendments which were made. They are satisfied that with this bill they can go ahead with their expansion program which will mean a great deal for the Canadian economy. This is why I ask you to support the motion for second reading.

Senator Grosart: May I ask the honourable senator a question? He says that the Bell Canada company officials are satisfied, and I am delighted, but would he not—

Senator Deschatelets: If you will permit me to interrupt at this stage, I want to make it clear, because it is very important to make it clear, that they are satisfied for the time being.

Motion agreed to and bill read second time.

SUSPENSION OF RULE 93

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

Senator Deschatelets: Honourable senators, here we are dealing with a private bill and, unless you insist, I ask that it

not be referred to a committee, because we have already examined it thoroughly and in depth.

So I move, with leave of the Senate and notwithstanding rule 45(1)(a), I that rule 93 whereby a private bill, after its second reading, shall be referred to a committee, be suspended with respect to Bill C-1001, intituled: "An act respecting Bell Canada."

Senator Grosart: Before leave is granted, may I ask the honourable senator if that means his intention is not to send it to committee?

Senator Deschatelets: We are dealing with a private bill and under rule 93 a private bill must go to a committee, but here I am asking that rule 93 be suspended in relation to this bill.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

The Hon. the Speaker: When shall this bill be read the third time?

On motion of Senator Deschatelets, bill placed on the Orders of the Day for third reading at the next sitting of the Senate.

Motion agreed to.

• (1720)

[*Translation*]

CANADIAN LABOUR CODE

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. Jean Marchand moved the second reading of Bill C-8, to amend the Canada Labour Code.

He said: Honourable senators, on Friday, April 7 last, Bill C-8, to amend the Canada Labour Code, reached third reading. I am now pleased to submit it for your consideration and hopefully your approval.

The bill is based on some principles in which the government believes and to which it gives its support, the most important being that the worker is entitled to the best working conditions which the economy can provide. That principle is without any doubt approved by all senators now in this house.

The bill affects workers in the private sector who come under the federal authority, and whose number is estimated at some 550,000, in activities such as railways, airlines, banks, trucking, radio and television, grain handling, communications and ports.

The amendments are mainly aimed at increasing protection for workers, especially non-unionized workers; at giving greater satisfaction at work and thus improve productivity, management and labour relations and devotion to work; and also at reducing conflicts in labour relations.

I imagine you are already familiar with the provisions of the bill since it has been the subject of considerable literature, great publicity and an in-depth study. It would therefore be useless, I am sure, to review it in its every aspect and detail. I shall, however, summarize its main points.

Part III of the Code legislates provisions dealing with the protection of the employee with regard to hours of work, paid holidays, termination benefits, overtime, etc. First of all the bill will extend the application of all provisions, with the exception of those dealing with hours of work, to managers and specialists, thus granting them for the first time statutory rights on such basics as paid annual leave, paid holidays, etc.

Second, it will forbid the employer from laying off or dismissing an employee solely on grounds of pregnancy. Present standards allow an employer to fire a pregnant worker with less than 12-months' seniority.

Third, it will grant bereavement leave in the event of the death of a member of the immediate family of a qualified employee.

Four, it will protect the job of a worker who is absent because of a lengthy illness.

Five, it will give the right to appeal in the case of unjust dismissal, except at management levels.

Six, it will require the payment of wages owed the employee within a reasonable period.

Seven, it will increase to nine the number of general holidays; in short, Boxing Day is being added.

[*English*]

Part IV: This part of the Code provides comprehensive measures for protecting the safety and health of workers. The bill would:

> (a) enable the establishment of employer-employee safety and health committees. These committees would identify and ensure the correction of work hazards. They would also provide employees with a voice in matters related to safe working conditions.
>
> (b) give workers the right to withdraw, without loss of pay, from work situations which they consider pose imminent personal danger. This would be a mechanism by which individual employees could exercise a responsibility, and right, to remove themselves from work situations which they judge threaten serious injury to themselves.

Part V: This part of the Code provides a legal framework for regulating the system of industrial relations. The bill's amendments to part V are intended to:

> (a) reinforce the collective bargaining system in order to reduce tensions between labour and management.
>
> (b) improve the grievance arbitration system in order to reduce tensions between employer and employee.
>
> (c) reduce tensions arising out of the relationships between the individual employee-union member and the bargaining parties, employer and unions, by increasing the protection of the rights of the individual.
>
> (d) reduce the impact of the adversarial nature of the labour relations system upon the public by affording

greater protection of the public interest, and to improve the administration of Part V.

(e) reduce the number of unnecessary delays and procedures in the administration of the collective bargaining process.

The bill would:

(a) require unions to furnish members with financial statements.

(b) give the Canada Labour Relations Board more discretion to order representation votes.

(c) remove administrative obstacles to certification of councils of trade unions so as to facilitate the creation of broader-based bargaining units.

(d) require that unions fairly represent members of the bargaining unit.

(e) ensure fair and objective referral procedures by union hiring halls.

(f) authorize the CLRB to establish the terms of a first agreement, on referral from the minister.

On that last point I should mention that it is understood that the minister would have the power to settle the terms and conditions of a first collective agreement between a union and an employer because, of course, experience proves that when it is a first agreement the parties very often do not agree because they are unused to bargaining. Also there are a number of grievances, and it is very difficult to reach a first agreement. That is the philosophy behind it. Of course, I know there is another philosophy which says that if there is recourse to the minister who has the authority to decide the parties may not make an effort to solve the matter themselves. They say, "Why take the responsibility? Someone else can do it." There is, therefore, a different aspect to this problem. I know that it has been discussed in committee, and I presume that honourable senators may have different opinions on the matter. Certainly I have my own opinion, but this is not the time to express it.

As honourable senators are aware, the bill has been carefully examined by the Standing Committee of the House of Commons on Labour, Manpower and Immigration, which also considered some 13 presentations by groups principally affected by its content, including employers and employees. These submissions were given full consideration and are duly reflected in the bill now before us.

● (1730)

In conclusion, I respectfully move the second reading of this bill. I know that all senators will be aware of the timeliness, indeed, the urgency, of its passage.

Senator Macdonald: On behalf of Senator Bélisle, I move the adjournment of this debate.

Hon. David Gordon Steuart: I wonder, honourable senators, if I may make a brief interjection before the debate is adjourned.

Hon. Senators: Agreed.

[Senator Marchand]

Senator Steuart: Honourable senators, while there are a great many aspects of this amending bill that I agree with, there are some changes proposed that I think should be looked at very closely. Senator Marchand referred to one of them, and that is the imposition of the first contract by the minister under certain conditions.

I believe some of the amendments are unnecessary and will add to the cost of doing business in some cases, and, in fact, to the friction that already exists between some labour units and some employers, without really accomplishing anything concrete either for the employees or the employers. Let me cite one example. I cannot see the purpose of establishing this additional administrative obligation for employers in respect of the present situation where, under certain circumstances, employers can require employees to work longer than a 40-hour week. This is now being changed. The bill requires that a permit be applied for and obtained before the lengthening of the work week can take place. I believe the present section of the code is working well in most cases, and I am concerned that the permit system will merely increase employers' operating costs and result in another layer of bureaucracy which will be required to administer the permit applications.

If the rationale for the introduction of permits is to allow the department to intervene in situations where an employer is resorting to an averaging program when it is not entitled to do so, I believe that the appropriate remedy might be a more vigorous enforcement of the current provisions of the Canada Labour Code.

Section 69 of the Canada Labour Code now provides that every person who violates any provision of Part III is guilty of an offence and liable to a fine and/or imprisonment. The remedy which the department requires to deal with those few employers who might abuse the averaging program is, I think, already available.

I am also concerned about the right which is retained by the minister under the proposed subsection 29.1(3) to cancel permits where "the circumstances prescribed by the Governor in Council (the cabinet) that existed at the time the permit was issued no longer exist." I think this kind of legislation is objectionable, and it raises questions. For example, what circumstances will be prescribed by the Governor in Council? My concern is that this not only allows the Governor in Council to determine what circumstances shall entitle the employer to the issuance of a permit, but also to determine arbitrarily and unilaterally when those circumstances no longer exist.

In summary, the proposal with respect to averaging will alter a system which is currently functioning well by superimposing a costly administrative procedure and by allowing the creation of a new and as yet unknown guideline governing the entitlement of the averaging program.

I am going to use the example of the elevator system in western Canada. I think honourable senators will recognize that there are times of the year when the elevator system is hardly used—in the winter, for example. During those times the employees are allowed to take a great deal of time off.

Later on, perhaps in the fall or at some other time of the year, when the farmers' quotas are open and the farmers want to use the elevator system for long periods of the day—perhaps 10 or 12 hours—and it might run five and six days a week. In those circumstances the averaging provision now under the Canada Labour Code is made full use of.

This may not be denied. I do not suggest the amendments contained in this bill will deny the elevator operators the use of averaging, but if every elevator operator has to get a permit, and that permit can be cancelled arbitrarily, then we all recognize it will not be done by the cabinet or by the Governor in Council; it will be done by a civil servant in the Department of Labour. The people operating the elevator systems are afraid that it will add another bureaucratic impediment to the normal operations of the elevator system. What is true of the elevator system is true of a great many other small businesses.

I remind honourable senators that small towns across this country, but especially in the prairies, are having a difficult time. Hundreds of them are disappearing and hundreds more are threatened. The elevator, in all cases, is important to the small town. If it disappears, it may well be the straw that breaks the camel's back.

In recent years we have seen the number of country elevators decline from something over 5,000 to somewhere around 3,000. Therefore, any move that will hasten the closure of elevators, and place an added burden on many of our small rural communities and hasten their demise, I think, must be looked at very closely. I am not saying this necessarily will happen, but a good many of the people involved in the elevator system feel it might happen, and could well happen.

Let me also point out that in the years I have been involved in moving around Saskatchewan I have yet to hear a complaint from an elevator operator—that is, an employee—about the averaging of his work week; about the fact that some weeks he may work 60 or 70 hours, and this is averaged out in other weeks when he may work far fewer hours. Most of them recognize that this is the nature of the work and they fully subscribe to it. In fact, in order to give the service to the farmers, who they know work the same kind of hours, they are more than ready to comply. I just hope that by passing this bill, and giving this new power to people in the Department of Labour who may mean well but who may not have knowledge of conditions in the elevator system, we do not work a great deal of harm.

Many provisions of this bill have been supported by employer groups, but a great many have not been supported. As Senator Marchand pointed out, many employee and employer associations, made representations when this bill was in the committee of the other place.

I recently became aware of the fact that the Canadian Trucking Association, for example, took strong exception to one clause that they maintained was amended after the hearings. I will just read what they have to say in this regard.

> We also wish to go on record objecting strenuously to the last-minute addition of a provision giving retroactive application to the imposition of a first agreement.

The truckers claim that the introduction of such an amendment after the hearing stage before committee is a serious abuse of the parliamentary process. Whether they are right or wrong, I think that giving the minister this kind of power and making it retroactive has very serious implications.

In view of this and other representations that have been made, I hope that the Senate will give this bill serious but not too rapid consideration. I know there is a desire in the other place to see this bill passed fairly rapidly. However, in view of the representations that have been made, I hope that we will proceed with some caution so that we, in an effort to improve relations between employers and employees, do not, in fact, do the opposite.

● (1740)

Senator Flynn: If Senator Goldenberg wishes to speak for a few minutes we are prepared to yield.

Senator Goldenberg: It is not with respect to this bill.

Senator Langlois: It is with respect to the next order.

On motion of Senator Macdonald for Senator Bélisle, debate adjourned.

MISCELLANEOUS STATUTE LAW AMENDMENT BILL, 1978

SECOND READING

Hon. Carl Goldbenberg moved the second reading of Bill C-41, to correct certain anomalies, inconsistencies, archaisms, errors and other matters of a non-controversial and uncomplicated nature in the Revised Statutes of Canada, 1970, and other acts subsequent to 1970.

He said: Honourable senators, my remarks will take less than five minutes.

Senator Grosart: We do not believe you.

An Hon. Senator: We have heard that before.

Senator Goldenberg: I will ask Senator Grosart to time me, and if I take more than five minutes it will be because of questions he will put to me.

Honourable senators, this is the bill version of the proposals to correct anomalies, inconsistencies and so on, which were tabled in the Senate on February 2, and subsequently examined by the Standing Senate Committee on Legal and Constitutional Affairs, whose report was tabled on February 21 and adopted on February 22. The bill contains three very minor deviations from the report of the Senate committee, which I will mention.

There were certain proposals with respect to the appointment of auditors of the Central Mortgage and Housing Corporation, which the department had sponsored and then decided to withdraw. There was a proposal to amend the Citizenship Act which would empower the Lieutenant Governor in Council

in a province by regulation to control or prohibit the sale of land to non-Canadians. This was withdrawn because it was understood, when these proposals were submitted to the Senate and to the House of Commons, that there would have to be unanimity. There was not unanimity in the other place. The only remaining change is with respect to the Tax Review Board, where for the pronoun "he" one of the lady members of the other place insisted that the word "person" be substituted. That is the only change there.

Senator Flynn: That is rather controversial.

Senator Goldenberg: It is very controversial, because she was complaining of male domination.

These are the only changes, and in all other respects the bill reflects the report of the Standing Senate Committee on Legal and Constitutional Affairs. I hope, honourable senators, that in the light of what I have said we can dispose of this measure now.

Hon. Jacques Flynn: Honourable senators, with the assurance that has been given to us by the sponsor, and also in view of its nature, I believe this bill need not be referred to committee. It is my understanding that it is not the intention of the sponsor to move that it be so referred, and I see no objection to the bill's receiving second reading today and third reading tomorrow.

Senators Smith (Colchester): Honourable senators, I am not rising to object in any way to the motion to which we are about to agree—in fact, I suppose some will say it has already been agreed to—but I wonder if the committee to which the sponsor made reference, which I have no doubt did its work very well indeed, ascertained how these 12 pages of errors came about and if, in ascertaining that, it increased their confidence in the draftsmanship to which we are constantly subject?

Motion agreed to and bill read second time.

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

Senator Flynn: At the next sitting, and you can prepare your answers.

Senator Goldenberg moved that the bill be placed on the Orders of the Day for third reading at the next sitting of the Senate.

Motion agreed to.

The Hon. the Speaker: Honourable senators, it being 6 o'clock, pursuant to rule 12, I will now leave the Chair until 8 o'clock this evening, unless the Senate by unanimous consent decides to complete today's business now. What is the feeling of the house?

Senator Flynn: We are at the end of the Order Paper.

Senator Langlois: It is complete.

Senator Flynn: All the remaining items stand.

NATIONAL FINANCE

CANCELLATION OF COMMITTEE MEETING

Senator Langlois: Before moving the adjournment of the Senate, honourable senators, I would like to inform you that the meeting of the National Finance Committee scheduled for this afternoon has been cancelled.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, April 12, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

ROYAL ASSENT

NOTICE

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

RIDEAU HALL
OTTAWA
GOVERNMENT HOUSE

April 12, 1978

Madam,

I have the honour to inform you that the Honourable Wishart F. Spence, O.B.E., Puisne Judge of the Supreme Court of Canada, in his capacity as Deputy Governor General, will proceed to the Senate Chamber today, the 12th day of April, at 5.45 p.m., for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Madam,
Your obedient servant,
Edmond Joly de Lotbinière
Administrative Secretary to the
Governor General

The Honourable
The Speaker of the Senate,
Ottawa.

PRIVATE BILL

ROYAL CANADIAN LEGION—MESSAGE FROM COMMONS

The Hon. the Speaker: Honourable senators, a message has been received from the House of Commons to return Bill S-10, respecting the Royal Canadian Legion, and to acquaint the Senate that they have passed this bill without amendment.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Department of Industry, Trade and Commerce for the fiscal year ended March 31, 1977, pursuant to section 8 of the Department of Industry, Trade and Commerce Act, Chapter I-11, R.S.C., 1970.

Report of the Minister of Industry, Trade and Commerce under the Corporations and Labour Unions Returns Act (Part I, Corporations) for the fiscal periods ended in 1975, pursuant to section 18(1) of the said Act, Chapter C-31, R.S.C., 1970.

Report of Petro-Canada, including its accounts and financial statements certified by the Auditors, for the year ended December 31, 1977, pursuant to sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Report of Eldorado Nuclear Limited and its subsidiary, Eldorado Aviation Limited, including their accounts and financial statements certified by the Auditor General, for the year ended December 31, 1977, pursuant to sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. Domtar Chemical Limited, Sifto Salt Division and their mine employees at Goderich, Ontario, represented by the Canadian Chemical Workers Union, Local 16, dated April 10, 1978.

2. Borough of Etobicoke and its public health nurses group, represented by the Ontario Nurses Association, Local 29, dated April 6, 1978.

3. Coca-Cola Limited and its Regina plant personnel, represented by the Canadian Union of United Brewery, Flour, Cereal, Soft Drink and Distillery Workers, Local 319, dated March 28, 1978.

4. Oland's Breweries (1971) Limited and its Halifax, Nova Scotia plant personnel, represented by the Canadian Union of United Brewery Workers, Local 361, dated April 6, 1978.

TRANSPORT AND COMMUNICATIONS

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(a), I move:

That the Standing Senate Committee on Transport and Communications have power to sit while the Senate is

sitting today, and that rule 76(4) be suspended in relation thereto.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Senator Langlois: Honourable senators, perhaps a brief explanation would be in order before the question is put. Contrary to the notice of meeting that went out, this committee will sit at 3.30 p.m. and not when the Senate rises. That is the reason for this motion.

Motion agreed to.

AGRICULTURE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(a), I move:

That the Standing Senate Committee on Agriculture have power to sit while the Senate is sitting today, and that rule 76(4) be suspended in relation thereto.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Senator Langlois: Before the question is put, I understand that the chairman of the committee at whose request I have made this motion has an explanation to offer.

Senator Argue: Honourable senators, for some time now we have had this committee meeting arranged to hear the annual presentation to the Parliament of Canada by the Canadian Federation of Agriculture. They have followed the practice in recent years of presenting to the Standing Senate Committee on Agriculture their submission to the government and to Parliament, and this is the last time they can appear before our committee because they are leaving Ottawa later this afternoon. So I think we should be able to hear them this afternoon.

Senator Flynn: That is too bad, but I can understand their wanting to leave Ottawa.

Motion agreed to.

[*Translation*]

NATIONAL FINANCE

PROVINCIAL SALES TAX—QUESTIONS

Senator Flynn: Honourables senators, I should like to put a question to the Minister of National Revenue, our new colleague, Senator Guay.

I think this is the first time since the last world war that we see the federal government directly or indirectly appropriate, with or without the consent of the provinces, some strictly provincial sources of revenue in lieu of direct payments.

[Senator Langlois.]

I would like to ask the minister whether, to his knowledge, there have been other occasions since the war when the federal budget proposed strictly provincial tax reductions and whether the decision or the government proposal in the budget of Monday last is an attempt to return to that time when the federal governement determined the provincial tax rates and even replaced them? Is that the government's intention?

Senator Guay: Honourable senators, rather than asking such information of the Minister of National Revenue, I think this question should be directed to the Minister of Finance who could provide better explanations and state his ideas.

As you know, I am only the collector. The Department of Finance moves the legislation and presents the budget while I only collect the funds.

Senator Flynn: There is at least one part of my question you could answer.

Senator Guay: Honourable senators, I would still like to take the question as notice, and I shall give a more definite answer tomorrow.

Senator Flynn: There is at least one part of my question the Minister of National Revenue can answer, namely whether it is the first time since the previous war that we have had such a proposal, because I am sure the minister knows exactly how federal taxes are levied and how deductions are granted.

Senator Guay: Honourable senators, I mentioned that I shall be in a position to give a more definite answer tomorrow.

• (1410)

[*English*]

NATIONAL UNITY

FINANCIAL ASSISTANCE TO QUEBEC ORGANIZATIONS SUPPORTING FEDERALISM—QUESTION

Senator Flynn: Honourable senators, I should like to direct a question to the Leader of the Government. In view of the negative reaction among most of the Quebec groups organized to defend federalism in the future referendum in Quebec, could the leader please tell us if the federal government is planning to reconsider its position with regard to providing financial aid to these organizations?

Senator Perrault: Honourable senators, I must take that question as notice. I know that all honourable senators are deeply concerned with the issue of preserving the unity of this country. Naturally, we want those efforts to flow in the most constructive channels possible.

RULES OF THE SENATE

RULE 46(G)—QUESTION

Senator Flynn: Honourable senators, I should like to direct a question to the Chairman of the Rules Committee, my good friend Senator Molson.

Senator Molson: I may not be such a good friend afterwards.

Senator Flynn: In view of the confusion with which we were faced yesterday when Senator Phillips moved the adjournment of the house under rule 46(g), and because confusion also arose on previous occasions when similar motions were moved: once by Senator Molgat and once as a result of the inspiration of Senator McElman, and in view of the obvious conclusion that it is not too clear just what rule 46(g) really means and how it should be applied, may I ask the chairman if his committee intends to review the situation so as to clarify the rule or bring forth a new rule, in order to avoid in future what has happened in the recent past?

Senator Molson: Honourable senators, in replying to my honourable friend, I find myself in the happy position—and I think perhaps it is the first time I have ever been in such a position—of being able to say that I have already taken action in the direction he suggests.

Senator Flynn: Bravo!

Senator Molson: I have suggested to the Law Clerk that we consider this matter and deal with it as soon as we can after an appropriate delay.

[*Translation*]

NATIONAL UNITY

FEDERAL GOVERNMENT GRANT TO UNITY CANADA—QUESTION

Senator Asselin: Honourable senators, I would like to ask a question, perhaps supplementary to the one Senator Flynn has put to Senator Perrault, dealing with federal government contributions to certain organizations concerned with the defence of a united Canada.

Is the government leader aware that yesterday all parties in the Quebec National Assembly, including his colleagues in the Liberal Party, unanimously adopted a motion requesting the federal government to withdraw the $265,000 contribution which had initially been granted to the Unity Canada Committee through its president, Mr. Maurice Sauvé?

Senator Marchand: The Honourable Maurice Sauvé.

Senator Asselin: Yes, the Honourable Maurice Sauvé, the husband of the Honourable Jeanne Sauvé who sits in the other place.

Given that action, will the government leader ask his cabinet colleagues to request the Honourable Marc Lalonde to withdraw that amount of $265,000 to allow Quebecers to settle freely their problems between themselves in the interest of Quebec as a whole?

Senator Côté: That should be the Secretary of State.

[*English*]

Senator Perrault: Honourable senators, I have not been provided with a text of the resolution referred to by the honourable senator. For that reason I am unable to comment on the nature of the resolution or initiative in the Province of Quebec. However, the honourable senator's comments will be carefully noted and his views transmitted to the appropriate sources in the government.

THE ESTIMATES

DOCUMENT ENTITLED "FEDERAL SPENDING PLANS, 1978-79"—QUESTION ANSWERED

Senator Perrault: Honourable senators, yesterday the Honourable Senator Smith (Colchester) stated that he had been honoured by the delivery to him of a document entitled "Federal Spending Plans, 1978-79." He stated that the estimates show restraint. He wanted some information about the nature of the publication, and he asked under whose authority the document was published.

The document entitled "Federal Spending Plans, 1978-79" really constitutes an earnest attempt by the government to communicate useful information to the people of Canada. It was published at public expense under the authority of the President of the Treasury Board.

I am pleased to be able to inform honourable senators that copies, in both official languages, are being placed on display in federal buildings, post offices and some railway stations. Approximately 200,000 copies are available to the public in this way.

I want to assure the honourable senator that additional copies are available to him and to other honourable senators for distribution should they desire them.

Some schools and universities make use of this tabloid in their classrooms, usually in the fall of the year, to inform the students about how tax dollars are allocated in this country. A total of 300,000 copies were printed; typesetting costs were $7,000; printing costs, $33,000. The estimated total production cost is $44,000.

I should say that this represents an attempt by the government to demonstrate its own sense of restraint—

Senator Flynn: It takes a lot of money to do that.

Senator Perrault: —because the tabloid replaces the substantially more expensive booklet "How Your Tax Dollar is Spent," which was printed last year at substantially higher cost. Distribution of this publication was by the same method. Reaction to it was so favourable last year that it was felt a similar document should be printed this year in greater number; but an attempt has been made to reduce the cost by making a less expensive format.

Senator Smith (Colchester): Honourable senators, I wonder if I might ask the Leader of the Government if the document to which he referred as having been distributed previously, namely, "How Your Tax Dollar is Spent", is not very different, in its attempt to deliver propaganda to those who need it, from this document with which I honoured him yesterday?

Senator Perrault: The publication "How Your Tax Dollar is Spent" has, of course, been used by members of committees. It is usually regarded as a very authoritative source. The publication "Federal Spending Plans, 1978-79" follows very closely in the path of that splendid publication last year.

Senator Smith (Colchester): Honourable senators, I wonder if I might ask the Leader of the Government if it is correct to infer from his reference to the publication "How Your Tax

Dollar is Spent", as being "something that happened in previous years," that its publication is being discontinued?

Senator Perrault: I have received no information that there will be an edition this year of that publication in the form in which it appeared last year.

NATIONAL REVENUE

NEGOTIATIONS RE CANADIAN CO-OPERATIVE IMPLEMENTS LTD.—QUESTION

Senator Olson: Honourable senators, I have a question which I should like to direct to the Minister of National Revenue. It relates to a matter that is extremely important to the whole of the prairie region of Canada. I ask this question because there are a number of deadlines, or proposed deadlines, that have already passed. My question is: Is there any progress to report respecting negotiations and discussions between the federal government, the provincial governments of the three prairie provinces, and Canadian Co-Operative Implements Ltd., so that that company does not have to close its doors, as they indicated, because of certain deadlines that are now behind us?

● (1420)

Senator Guay: Honourable senators, the Minister of Agriculture is announcing in the other place today that funds will be provided in co-operation with the prairie provinces to make sure that this fantastic industry, which started in 1940 and which provides over 3,000 jobs, can carry on in the manner in which they have carried on over the years. The commitment is undertaken in co-operation with the provinces of Manitoba, Saskatchewan and Alberta. The federal government is to provide a total of $8 million, interest free, for 10 years, the provinces guaranteeing the remaining $7 million among them.

I believe the four governments involved have decided to provide this support to avert the possibility that the co-operative might fail. The assistance in question would make sure that this would not occur, thus maintaining a sound economy in this sector of industry in the prairie provinces, and ensuring that there would be no unemployment in that area.

Senator Olson: Have the governments of the prairie provinces agreed to participate in this commitment and these guarantees?

Senator Guay: As I understand it the three prairie provinces are participating in it as such.

THE CONSTITUTION

REPORT OF ONTARIO ROYAL COMMISSION ON CONSTITUTIONAL REFORM—QUESTION

Senator Olson: May I ask the Leader of the Government if the government has received a copy of, or been apprised of, the report of the Ontario Royal Commission on Constitutional Reform? If so, does the federal government intend to respond to this report, especially regarding those recommendations dealing with certain important federal institutions such as the Supreme Court and the Senate of Canada?

Senator Perrault: Honourable senators, I am not able to provide information on that subject at this time. I will take the question as notice.

PRIVATE BILL

BELL CANADA—THIRD READING

Senator Deschatelets moved the third reading of Bill C-1001, respecting Bell Canada.

Motion agreed to and bill read third time and passed.

MISCELLANEOUS STATUTE LAW AMENDMENT BILL, 1978

THIRD READING

Senator Goldenberg moved the third reading of Bill C-41, to correct certain anomalies, inconsistencies, archaisms, errors and other matters of a non-controversial and uncomplicated nature in the Revised Statutes of Canada, 1970, and other Acts subsequent to 1970.

Senator Flynn: Honourable senators, I wonder if Senator Goldenberg would comment on the statement made by Senator Smith (Colchester) yesterday.

Senator Goldenberg: I would be glad to.

Senator Smith wanted to know who was responsible for the errors which have to be corrected. I believe I am right in that. I will draw Senator Smith's attention to the fact that the statute deals with anomalies, inconsistencies, archaisms and errors. Anomalies and inconsistencies will naturally arise because of subsequent legislation. So far as the errors are concerned, Senator Smith has brought this answer on himself. The laws are drafted by lawyers and interpreted by judges, and this statute proves that neither are infallible.

Senator Flynn: I would say "nor is Parliament."

Senator Forsey: Nor is the Department of Justice.

Senator Perrault: That is right.

Senator Smith (Colchester): I would think it also demonstrates very clearly that it is no longer safe to entrust complete and utter faith in the draftsmen whose works we are continually being asked to scrutinize. This is a pretty good illustration of the necessity for continuing that very careful scrutiny in the future.

Hon. Senators: Hear, hear.

Senator Goldenberg: Honourable senators, this is exactly what the present government has introduced. This is the second Miscellaneous Statute Law Amendment Act. It had never been done before, but this is what is being done now.

Senator Flynn: I hope we will not hear in this house too often, as we have heard in the past, that because the Department of Justice says something is all right—and I heard it

yesterday from Senator van Roggen—and the government says it is all right, then we should accept it.

Senator Goldenberg: As far as I am concerned, I did not say that the Department of Justice is infallible, but when I referred to lawyers and judges I included the Department of Justice.

Motion agreed to and bill read third time and passed.

ANTI-INFLATION ACT

BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Hicks for the second reading of Bill C-18, to amend the Anti-Inflation Act and guidelines.

Hon. Allister Grosart: Honourable senators, I rise very reluctantly, to discuss this bill, and I am not entirely sure whether I should go ahead at this particular time.

The Leader of the Government may be able to help me if he decides to listen to what is going on in the chamber at the moment.

The problem that faces me, of course, is that this is April 14. We have been told that it is necessary for this house to pass this bill so that the order in council beginning the phasing out of the Anti-Inflation Act can commence on Friday. I would ask him if, in his view, that is a correct assumption of this intolerable situation.

• (1430)

Senator Perrault: Honourable senators, I think it would be more appropriate that the sponsor of this bill (Senator Hicks) provide a reply to that question. It is his bill. I may participate later in this debate, but that is a question more properly put to the sponsor of the bill.

Senator Hicks: Except that Senator Grosart was mistaken in saying that this is April 14—this is April 12, as a matter of fact—his interpretation is correct, that the bill should enable the regulations and transitory processes to commence on Friday, April 14.

Senator Grosart: This is April 12.

Some Hon. Senators: Hear, hear.

Senator Marshall: It should be April 1.

Senator Denis: What year?

Senator Grosart: Senator Denis asks what year. That is an excellent question, as I will demonstrate as I go along, because there is clear evidence that in presenting this bill the government is not sure when they intended it to become completely operative. I will make that point as I go along. I say it is an excellent question, because I am quite sure the government does not know the year in which they intend the phasing out of controls or their complete removal.

I said this is an intolerable situation. Of course it is. Presumably the Leader of the Government will seek royal assent some time before midnight tomorrow night. Here is a bill, if ever there was one, that should go to committee and stay there until the committee is satisfied about certain questions. I do not think there was ever a bill, in my time here, that needed more thorough scrutiny than this bill. I go further and say I do not believe I can recall a single bill in my time here, which is sixteen years now, that has been more ineptly handled by the government, and particularly by the ministers who had some responsibility for it. The fact of the matter is that the Prime Minister, followed by the Minister of Finance, announced in October that April 14 was to be the phasing out date. We are now told that that cannot be done in an orderly fashion unless we rush through this bill as has been suggested. I say this is a bill that certainly raises more questions than it answers, such as: When will the act expire? We are told that certain clauses are necessary to protect wage levels. We are told that the phasing out will not affect the majority of groups, firms and employees until the end of the year. Yet we are told that this is urgent.

I have asked—and I hope the sponsor of the bill will be able to answer the question in due course, or that it will be answered in committee—for the actual authority of the phasing out on April 14, next Friday. There is no mention of it in the bill, a fact which was mentioned by Senator Hicks. It is to be done by order in council but there is no mention of the order in council, no description of it, and no indication of what it says has been put before the Senate or, indeed, the House of Commons, if I have correctly read all the proceedings, which were lengthy proceedings, that went on there. This is relevant to the very good question asked by Senator Denis—will controls expire at the end of the year, the statutory date? We are told they will expire, but we are also told that the AIB will continue, that the administrator will continue and that the tribunal will continue. Very well, part of the statement is that this will be just to clear up. However, the statements of the minister make it entirely inconclusive as to whether that is the situation.

The minister was asked about monitoring. When this bill was before the committee in the other place an attempt was made to obtain some information as to the level, the degree and the authority of the monitoring. The chairman of the committee—who was obviously in sympathy with the position of the minister rather than that of those who were asking questions—said he did not see that monitoring has anything to do with this bill. This is the atmosphere in which we are discussing it, having the chairman of that committee say that monitoring has nothing to do with the bill. Well, surely it has. We are told that phasing out will begin, that there will be monitoring, that the monitoring will be done, if anyone can believe this, by the Economic Council of Canada, a council which has never had any such role, which for years has been regarded as a completely independent agency advising the government. It is quite true that it has given the government some advice at times which the government did not like, which suggests to me that this may be the reason it is now being converted into a control agency. Why? No explanation. I have sought the explanation, I have read the terms of reference sent

by the Prime Minister, and it is clear that the chairman, chairwoman, chairperson, of the Economic Council does not understand the terms of reference. That is the situation in which we find ourselves.

We are also facing a situation in which the controls are being phased out at a time when the utter failure of the whole AIB controls is so evident. They were introduced in April 1975 and the situation with regard to inflation and unemployment in Canada is worse today, or it is certainly no better, than it was at that time. Maybe that is a good reason for phasing out the controls. Senator Phillips indicated the dimensions of the utter failure. I can only reiterate that the evidence is there that it has failed completely. The best that the government has been able to say is that it did affect inflation expectations. I will not deny that; maybe it did, but it has not affected in any measurable way the level of inflation in Canada which today, according to the latest OECD report, is away above the average of other comparable countries; that is, western industrial countries with which we trade. Canada's inflation level is, unfortunately, far ahead of the inflation level experienced in the United States, which is our largest trading partner. That is the atmosphere in which we are asked to rush this bill through.

The Minister, the Honourable Jean Chrétien, on several occasions said that the end of controls means we will be back to the free market era. There is no question about that.

This government, as the Honourable Senator Hicks stated in his remarks introducing this bill, does not believe in intervention in the market. Perhaps I can quote some statements made by the Minister of Finance to indicate the doubt which arises in my mind and, perhaps, in the minds of many others as to whether there is any validity in these pious statements made by the minister. The minister said on one occasion—and, if I am taking a moment or two to find my references, I can only say in excuse that I have not had much time to prepare to discuss the bill. The minister said:

> With this agency—

And he is talking about the monitoring agency that will succeed the Anti-Inflation Board.

> —we want to monitor price development.

That is hardly a free market. He then states:

> One of the problems in the free-market system is this; they—

Meaning those who have reason to set prices.

> —tell the agency to go to hell and everybody else. That is what you call a free market.

This, apparently, is the official attitude of the Government of Canada towards the market and the free enterprise system. The minister took great pains to assure everybody, on the eve of a general election, that the government is really dedicated to the concept of free enterprise in the market. He went even further than that. He said:

> We are going to keep on monitoring these prices.

He does not say what he means, but he does say—and these are his words:

> Unless you want us back in control.

These are the words of the minister describing the situation which would arise under this bill, or what will happen if this bill is passed. He said:

> Unless you want us back in control.

That is the minister's statement.

Perhaps the most horrendous clauses in this bill are those which provide for the retroactive denial of the validity of collective bargaining. It may startle some senators to know that this is exactly the impact of clauses 1 and 8 of this bill.

Early last summer the Anti-Inflation Board began to be worried about the effect of the lifting of wage and price controls at some point in the future. Officials from the Anti-Inflation Board advised the government of their concern and suggested to the government certain amendments to the act. As I said, this was last summer, and nothing was done. A bill was introduced by the government during the summer but was allowed to die on the order paper. This was the bill which would have brought into effect the clauses which I am about to discuss. We are rushed now, within about 36 hours, on a matter on which the government was advised last summer but on which they failed to act. That is the position which we are in.

These clauses create a situation where it will be illegal—and that is the word used by the minister—for any employer or employee to carry out the terms and conditions of a contract solemnly agreed to between the parties. There is no question that that is the impact of it.

The official statement is:

> These clauses deem the compensation plans—

Those are the contracts. The bill and the discussions held on the government side always carefully avoid the word "contract" or even "labour agreement". They now call these "compensation plans." The statement continues:

> These clauses deem the compensation plans to be amended in line with the recommendations of the AIB Administrator. Without this amendment groups would probably be entitled to the negotiated level of wages as soon as the controls ceased to apply.

I believe a further examination of the situation made it clear that it was not a question of their probably having the right. Of course, they would negotiate contracts and agree that certain things would happen when controls were lifted.

This is an amazing statement as far as I am concerned.

The minister was given examples of specific contracts and he said in effect:

> No. If they negotiated at any time for any compensation after the controls are over, we won't allow it. I don't care what they negotiated. I don't care what they agreed. I don't care if they are solemn contracts. I don't care about collective bargaining. What we are saying here is no.

This is an extraordinary statement. The minister was asked if the contract provided that in the case of a roll-back the full

negotiated rates would apply as soon as legally permitted after the elimination of controls, and his answer was: "It is illegal . . ."

I will go back over that. The minister was asked if, in the case of a roll-back, the full negotiated rates would apply as soon as legally permitted, and his answer was: "It is illegal . . ." That quote can be found at page 8:8 in the proceedings of the House of Commons Committee on Finance, Trade and Economic Affairs dated February 7, 1978.

This is the bill we are asked to rush through. We are told that if something is done legally it is illegal. That is the clear statement. There is no getting away from that. I have given the reference so that senators may read it to make sure that I am not just quoting words out of context. There was considerable questioning leading up to this statement, and the minister said that he didn't care, that it was illegal.

This is the way this government runs this country, and this is the kind of bill we are asked to rush through, not giving the normal consideration to this bill.

● (1450)

The so-called compensation clauses represent, to my recollection, the worst case of retroactivity in my time in the Senate. I would be delighted if any honourable senator with a better memory than mine could tell me of a worse case of retroactive legislation than legislation which says a contract is not a contract and cannot be enforced, and it is illegal if one tries to carry out the terms of the contract. That is what we are faced with.

It is fair to say that the government has a reason for protecting the general wage levels in the decontrols period, and I agree with that. All I say is that this is not the way. There are better ways. There could be better ways, and I think there would be better ways, if the opportunity were given to the Senate to give the consideration to this bill that it deserves.

I am aware of the time limit that is imposed on us, but there are many other aspects of the bill to which the attention of honourable senators should be drawn. Naturally, in this kind of situation we get the old word "deemed." In respect of these compensation clauses we are asked to "deem" these contracts never to have been made.

I am not going to vote for the bill, and I cannot understand why any honourable senator would.

Hon. Henry D. Hicks: Honourable senators—

The Hon. the Speaker: I wish to inform the Senate that if the Honourable Senator Hicks speaks now, his speech will have the effect of closing the debate on the motion of second reading of this bill.

Senator Hicks: Honourable senators, I thank Senator Grosart and Senator Phillips for their contributions to the debate on this controversial bill. I am well aware that the whole subject of anti-inflation controls, as instituted in Canada and carried out, is a controversial one, and one on which it is possible for well-intentioned people to have sharply differing opinions. I would merely say, however, that whether the anti-inflation legislation has worked as well as we had hoped, it seems to me there can be little doubt that it has helped the situation, which would otherwise have been worse in Canada. I think it has had some beneficial effect.

I agree also that one could debate whether April 14 or December 31 next is the correct time for the phasing out of the anti-inflation controls and the discontinuance of the legislation. The government, in its discretion, has decided that this timing is right.

Mind you, the government has been very careful in its statements, even those concerning government intervention in the marketplace. The statement I made in my opening address was that the government does not believe in excessive intervention in the marketplace. Perhaps some members of the government are aware of the necessity of saving their position, even in relation to this matter.

Senator Grosart: You mean saving their position in an election?

Senator Hicks: No, I do not think it has anything to do with the election.

There is one other reference that Senator Grosart made that I think requires a little elaboration, and that is the matter of retroactivity. I agree with him that we should always look very carefully at retroactivity in any kind of legislation. It is not popular with me, and I do not think it is popular with most members of legislative bodies. However, the retroactivity of clauses 1 and 8 is surely not as iniquitous as Senator Grosart represents it to be.

Let me elaborate just slightly on these clauses. These clauses, it is true, will back-date to December 16, 1975 the order in council which brought under mandatory controls various groups which bargain in association, and applies only to them. This date would normally have applied except for a technicality, and I will come to that in a moment. The government has always made clear its intention to take this action, and a number of affected groups have made decisions on that basis.

To elaborate further, section 12 of the act provides that designated industries may be brought under mandatory control where the Anti-Inflation Board, after receiving a direction from the Governor in Council to conduct an inquiry, recommends that this should be done. Obviously, some time may elapse before the AIB's inquiry is completed, and section 3(3.2) of the Anti-Inflation Act provides that an order in council bringing designated industries under the act may be applicable on the day on which the minister first directed the AIB to conduct an inquiry into the advisability of such action.

In this particular case, the direction to the AIB to conduct an inquiry was given on December 16, 1975. However, a technical defect prevents the use of this section, thus restricting the application of the act to the designated industries only from April 15, 1976. I think I mentioned in my opening remarks on this bill the nature of the technical defect. In order for it to be effective under the act, the minister must give public notice in the House of Commons. In fact, the minister

mistakenly gave the notice to a Senate committee, with the result that the notice was not properly given to the House of Commons. This defect has to be corrected by this legislation.

As I said, it would have taken effect only from April 15, 1976, the date on which the results of the Anti-Inflation Board's inquiry were given effect by order in council. In view of this, Order in Council P.C.1976-910, which brought these industries under the act, is not retroactive to December 16, 1975, although from that date the industries were under notice that such action was likely to be taken. Important contracts were concluded in the interim. So that the purpose of the order in council would be obviated if it were not made retroactive to December 16, 1975.

A public commitment was made by Mr. Macdonald at the time the order in council was issued to seek amending legislation to rectify this anomaly. A number of groups have already concluded agreements on the understanding that they would eventually be placed under the act by legislation. For this reason, I suggest that this is not such an horrendous act of retroactivity as Senator Grosart represented it to be.

I think that is all I need say at the present time, honourable senators. It is apparently the wish of the chamber that the bill be referred to committee. If it receives second reading, I am prepared to move that it be referred to the Committee on Banking, Trade and Commerce, where a number of other matters could be discussed, if that is the wish of honourable senators.

Senator Grosart: Honourable senators, I wonder if I might ask one question of the sponsor of the bill in relation to the retroactivity of the bill. It is a simple question. Is it not so that the retroactive nature of this bill is to give legal validity to an order in council which is now a year old and which, in itself, was retroactive?

Senator Hicks: My understanding is that the order in council was made at the time the Anti-Inflation Board had completed its inquiry as directed by the Governor in Council—

Senator Grosart: 1976.

Senator Hicks: —and that the effectiveness, therefore, would date only from the date of the order in council, which was April 15, 1976. But in fact the machinery was set in motion on December 16, 1975, and the parties concerned were under notice that the changes would be effective from that date. Because the notice was not given in the proper place, this retroactivity is necessary. I am not denying its retroactivity; I am denying the horrendousness of the retroactivity as alleged by Senator Grosart.

● (1500)

Senator Grosart: Just to clarify the matter, what I did ask was whether these retroactive provisions were not for the sole purpose of giving validity to an order in council which itself had retroactive effect. That is all the question was.

Senator Hicks: I do not understand it to be so. I understand that there would be no question of the effect of the decision embodied in the order in council of mid-April 1976, and it was merely a matter of getting it back to December 16, 1975. I do not know that the order in council of April 15, 1976 was in itself retroactive.

Senator Grosart: Well, all I can say is—perhaps I should put it in the form of a question. Will the sponsor of the bill be good enough to check his answers with a clear statement to the contrary made by the officials and by the minister?

Senator Hicks: I shall certainly be glad to do that.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Hicks moved that the bill be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to.

CANADA LABOUR CODE

BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Marchand for the second reading of Bill C-8, to amend the Canada Labour Code.

[*Translation*]

Hon. Rhéal Bélisle: Honourable senators, allow me first to congratulate very sincerely Senator Jean Marchand for his statement regarding a very complex bill. Knowing that Senator Marchand has spent his lifetime debating labour issues, he was the most likely person to carry out such a detailed analysis of this bill.

[*English*]

Honourable senators, on October 27, 1977, the Honourable John Munro, Minister of Labour, introduced Bill C-8 in the House of Commons for first reading. This bill represents the first major revision to the Canada Labour Code in five years, and its "omnibus" nature reflects the substantial changes which have taken place in employment conditions, labour relations, and provincial labour laws. The bill also contains provisions intended to ease some of the administrative problems which have arisen since the last changes in the Labour Code because in the Labour Code, as in the case of many pieces of legislation, administrative weaknesses become apparent as times and conditions change.

Honourable senators, I say with all sincerity that the minister is desirous of bringing about a better state of industrial relations in this country. Certainly he has made a great many speeches trying to persuade the Canadian public, especially the labour movement, that this is so. The difficulty is that he has been operating under very trying conditions, most of which have been created by the actions of his own cabinet colleagues.

I should like to come to some of the points which have to be considered when one looks at labour legislation and industrial relations. I suppose that when one tries to find the key to

better relations between labour and management, labour and government, or labour, management, and government together, the first word to start with is "trust." This may not all be the fault of the Minister of Labour. His difficulty over the last several years has been largely that labour in this country no longer trusts the government of the day.

What has happened is that there has been a breakdown of any trust between the labour movement and the government, although, curiously and interestingly enough, there has been more consultation between management and labour in the last year than probably at any time earlier in our history. What does that mean? It means that management recognized that there was no way out of this morass unless they ignored the blandishments or the entreaties of the government and dealt with labour by themselves. That is exactly what has happened.

We remember the next doublecross. As honourable members will remember, the Anti-Inflation Board guidelines clearly indicated that if in 1978 inflation did not decrease to 6 per cent or less, there would be provision for allowing wage increases above 6 per cent. That commitment to labour was broken. I say with sincerity that the Minister of Labour knows the effect that had on the climate of accord which he has been attempting to establish.

It is against a background of broken promises and most serious economic difficulties that the minister has the unenviable task of trying to maintain a link between the government of the day and the labour movement. I will give him credit for trying. As everyone is aware, he is operating under difficult circumstances.

The public of Canada should be reminded that federal jurisdiction in labour matters is extremely limited. The minister referred to extra-labour propositions. These propositions will have only a limited effect if they are established, because approximately only 10 per cent of the work force in Canada comes within federal jurisdiction. There are approximately 10 million people in Canada's labour force and, of that number approximately 10 per cent come under the jurisdiction of the Parliament of Canada. The rest come under the jurisdictions of the ten provinces and are subject to various provincial labour codes. The workers within federal jurisdiction are subject to the Canada Labour Code. It is important to realize that they include federal public servants who are subject to the Public Service Staff Relations Act.

• (1510)

The 1977 figures indicate that, of the total Canadian work force, 3,149,213 are unionized. The Canadian Labour Congress membership includes 99 unions. Of these, 14 unions have 50,000 members or more. I do not need to list all the unions, but it is important to remember that in the private sector and under federal jurisdiction, and as a consequence subject to the Canada Labour Code, there are approximately 550,000 workers. The most recent figures indicate that approximately 45 per cent of these workers are non-unionized. In addition, approximately 320,000 public servants come within federal jurisdiction and are subject to the Public Service Staff Relations Act. The unionized workers within federal jurisdiction, subject to the Canada Labour Code, are represented by approximately 55 unions, excluding directly chartered CLC and CNTU unions, 40 of which are affiliated with the CLC. The unionized federal public servants are represented by 13 unions, of which eight are affiliated with the CLC.

The minister set out the general areas of federal jurisdiction. In summary, the federal jurisdiction involved 550,000 people who are private sector employees and 320,181 people who are public sector employees. If the armed forces, the RCMP and others—which comprise approximately another 100,000 people—are added to those figures—the total is just under one million. In the private sector, just over one-half are unionized and have the right to strike under the Canada Labour Code; and in the public sector, approximately 90 per cent have the right to strike. In the public sector the remaining 10 per cent are senior executives, personnel administrators, the operational methods group, and certain designated essential service employees.

The first major function of Bill C-8 is to update the provisions of Part III of the Canada Labour Code which deals with standard hours, wages, vacations and holidays. These revisions have been necessitated by changing social standards in terms of working conditions, changes in provincial legislation, and a desire to extend to unorganized workers many of the benefits which have become commonplace among organized workers.

In terms of added benefits, the bill adds Boxing Day to the list of national holidays, clause 1; extends the vacation period to three weeks for employees with more than six years continuous employment, clause 12; and increases the vacation pay to 6 per cent of annual salary from the present 4 per cent after six years employment, clause 11. The bill also allows bereavement leave to workers for any working days falling on the three days following the death of a member of the immediate family and that leave will be granted with pay to workers with more than three months' experience on the job, clause 21.

The bill also contains several provisions which are aimed at extending job security to unorganized workers in the federal jurisdiction. Workers can no longer be laid off or dismissed because of pregnancy, clause 6. This protection had previously been offered only to workers with more than 12 months employment. Employees can no longer be dismissed for absence due to illness once they have been employed for three months, providing their absence is for a period of less than 12 weeks, clause 22. The bill also establishes a greater degree of job security by providing that workers cannot be dismissed without just cause, clause 22, division V-7. Under these new regulations unorganized workers can appeal to the Canada Labour Relations Board for reinstatement if they feel they have been dismissed unjustly.

The bill also extends the protection of working conditions, except those dealing with hours of work, in Part III of the Labour Code to managers and professionals employed in the federal jurisdiction, clause 2. Another provision of the bill requires that wages must be paid within 30 days of the date they are earned, clause 22, division V-8.

I am surprised that honourable senators on the government side are not interested in what I have to say, and to see that the government side of the chamber is leaderless. They will be dissolved shortly, but I am surprised to see that no one feels that they should listen.

Senator Croll: I am interested.

Senator Bélisle: Another major change to Part III of the Labour Code is offered in clause 6 of the bill which provides for the issuance of permits by the Minister of Labour which would allow the averaging of hours worked over two or more weeks. This provision allows for averaging in industries where working hours may be irregular, but requires that permission of the employees involved be given before the permits are issued by the minister, thus protecting the interest of those employees.

I hope that honourable senators have read the statement and comments made last night by Senator Steuart, and that the government will at least recognize his contribution criticizing this bill, to the effect that it is so negative that I hope he will have the courage to stand up and say no to it.

Bill C-8 also offers several changes to Part IV of the Labour Code, that part dealing with the safety of employees. Among the provisions of the bill is an amendment which for the first time will allow employees to refuse to work where there is imminent danger to their safety pending a decision by a safety officer and/or an appeal to the Canada Labour Relations Board, clause 29. Employees are also extended the right to appeal to the Canada Labour Relations Board for reinstatement if they are dismissed for refusing to work in unsafe conditions, clause 34.

Other provisions dealing with Part IV of the Labour Code authorize the Minister of Labour to require the establishment of safety and health committees comprised of both labour and management representatives, clause 30. The minister is also allowed to encourage the voluntary establishment of health and safety committees wherever he feels it appropriate to do so, clause 31.

Part V of the Labour Code deals with industrial relations, and Bill C-8 offers several amendments to this part. One important amendment provides that the Minister of Labour can ask the Canada Labour Relations Board to impose a first agreement in a situation where a newly certified bargaining agent and an employer cannot reach an agreement and the point has been reached where a lawful strike or lockout could occur, clause 63. The bill also provides that the minister can appoint an arbitrator or a chairman of an arbitration board if a dispute arises during the life of a collective agreement and the parties cannot agree on an arbitrator, or have failed to make provision in their agreement for the appointment of an arbitrator, clause 53.

● (1520)

The bill also extends individual rights to members of unions by providing that unions cannot discriminate in referring members to employment, clause 59; and that unions must make financial reports available to their members on request, clause 72.

The bill also provides increased security to unions by providing that an employer cannot discipline a worker who attempts to organize a trade union, clause 66; and that an employer cannot change the conditions of employment while an application for certification by a trade union is pending, or for thirty days after certification is granted, clause 45.

The amendments also offer clarification of the role of the Canada Labour Relations Board in certification procedures, clause 46; and they allow the board to order an end to an unlawful strike or lockout, clause 65, where previously the board could only rule on the legality of such actions.

The bill contains many other provisions, but these are mainly changes to other sections of the Labour Code which are necessitated by the major changes mentioned above, or are changes in wording intended to clarify certain sections of the Labour Code.

In considering Bill C-8, the House of Commons Standing Committee on Labour, Manpower and Immigration heard testimony from several witnesses concerned with the provisions of the bill. The Canadian Manufacturers' Association and the Canadian Chamber of Commerce expressed their concern over several of the bill's provisions, especially those allowing the imposition of a first collective agreement in a situation where an employer and a newly certified bargaining agent could not reach an agreement. The witnesses felt that this would represent unnecessary government intervention in the bargaining process. But in his second appearance before the committee, the Minister of Labour, accompanied by his deputy minister, pointed out that such a system has been introduced in the jurisdiction of the Province of British Columbia, and that the experience of that province was that the threat of intervention was sufficient to encourage the parties to reach an agreement, and that the actual number of cases in which the imposition of an agreement was necessary was very small.

Concern was also expressed by the Railway Association of Canada, the Canadian Trucking Association and the Canadian Grain Handling Association that the requirement of ministerial permits to allow the averaging of hours worked would impose undue hardship on these industries where employees must often work long hours at peak periods to accommodate the fluctuations in activity which occur in these industries. Again I refer to Senator Steuart's intervention yesterday. The minister said that these provisions would not be harmful to the industries, since a permit would be issued almost automatically by the minister if he were convinced that the employees affected by the averaging were for the most part in agreement with the request for averaging. The minister also stressed the importance of providing protection to those groups of employees who might face averaging of their working hours but who did not wish to have such a system.

The Canadian Labour Council also appeared before the committee and expressed its concern that the imposition of a first agreement would represent a destructive form of govern-

ment involvement in collective bargaining, delaying the normalization of relations in a newly-organized work place. The CLC also expressed concern that the extension to unorganized workers of many of the rights held by union workers, including job security, additional holidays and longer vacations, would undermine the labour movement in its attempts to extend its umbrella to cover these unorganized workers.

The Minister of Labour responded to these suggestions again by pointing out the experience in British Columbia, where first agreements rarely had to be imposed and expressing the view that, since many of the fringe benefits extended by the bill had become commonplace, it was necessary that the bill extend these benefits to unorganized workers, who have a right to expect certain minimum standards of employment which are in accordance with contemporary social standards.

After its consideration of the bill it was apparent that the committee had achieved all-party agreement in principle to the provisions of the bill, and that it would be necessary to introduce only a few amendments to the bill before third reading in the House of Commons. The government agreed to entertain these amendments in the house and the bill was passed in committee.

One major amendment to the bill was moved on third reading by the honourable member for Nickel Belt, Mr. Rodriguez, to further strengthen the clause allowing the minister to establish health and safety committees by specifically outlining the powers and functions of such committees, and providing that the members of committees be allowed to perform their duties during regular working hours. This amendment specifies the requirements of the health and safety committee so that they are known *a priori,* and it is not necessary that they be established by order in council as each committee is formed. This amendment, along with another moved by Mr. Rodriguez, including exposure to excess radiation levels as a form of imminent danger under section 82.1(1) of the Labour Code, was passed by Parliament and incorporated in the bill.

The Minister of Labour, Mr. Munro, moved three amendments to the bill on third reading which were intended to clarify provisions aimed at reducing delays in proceedings before the Canada Labour Relations Board, extending to the board the power to enforce a first collective agreement, and guaranteeing the right of union organizers to access to workers in remote locations. These amendments were passed by the house.

The honourable member from Vancouver South, Mr. Fraser, also moved amendments to the bill, outlining the responsibilities of employees to report any threats made which might endanger the health and safety of other employees and the responsibility of employers to take adequate steps to protect their employees from the carrying out of any threats on their health and safety. Both these amendments were accepted by the house.

• (1530)

I believe there are no magic answers to industrial relations in Canada. What we are talking about are human relations. And anyone—labour leader, public spokesman or politician—who offers an instant answer or an omniscient remedy for the frailties of human nature is selling the public a pig in a poke.

Following the consideration and acceptance of these amendments by the house, Bill C-8 was read a third time and passed on April 7, 1978.

I am informed that requests have been made by witnesses and organizations to appear before a committee. I feel that the arguments put forward by Senator Steuart yesterday have merit, and that this bill should be referred to the appropriate committee.

[*Translation*]

Senator Flynn: If the sponsor of the bill does not intend to reply now, would he please tell us what he intends to do with regard to referring the bill to the committee?

Senator Marchand: Honourable senators, I suggest that the bill be referred to the committee, because I do not intend to reply at this time.

[*English*]

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE OF THE WHOLE

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

Senator Marchand: Honourable senators, I move, seconded by the Honourable Senator Petten, that the bill be committed to a Committee of the Whole later this day.

Senator Laird: I rise to object strenuously to that in view of what has been said by Senator Steuart, to say nothing of what has been said by other senators. There are a number of witnesses wishing to be heard on this matter, and they cannot be heard if this bill is referred to a Committee of the Whole. I feel that they should be heard and that this bill be considered carefully.

I would certainly be willing to agree to its being referred to the appropriate Senate committee, and on reading the Rules of the Senate I find that that would be the Standing Senate Committee on Health, Welfare and Science. Clearly, that committee has jurisdiction over labour legislation. As far as I am concerned, I will not consent to this bill's being referred to a Committee of the Whole.

Senator Molson: Honourable senators, I do not wish to delay this matter, but I believe that this is an important piece of legislation, and that people wishing to be heard on it ought to be given an opportunity to be heard. I agree with my colleague, Senator Laird, in that respect.

These witnesses cannot be heard if the bill is referred to a Committee of the Whole. Therefore, I believe it should be referred to the standing Senate committee that is given responsibility for labour legislation.

Senator Perrault: May I suggest what I believe to be an advantage in the process of attempting to understand the contents of this bill. It has been indicated to me by the Minister of Labour that he would be prepared to attend this chamber this afternoon to explain in detail, with assistance from his deputy, certain provisions of this bill which may be of concern to members of the Senate.

This is a procedure which has served the Senate extremely well in the past. Indeed, the offer was made by the Minister of Labour because he felt the bill represents two years of hearings which were held coast to coast, and because he thinks it is a complicated measure. He indicated to me at noon that, in an attempt to assist members of the Senate understand what the amendments are, he would be most pleased to attend before the Senate to explain the bill.

I urge you to accept this offer. This the kind of co-operative offer from the other place which we should accept. We have done so in the past, and I think it is an inestimable aid in understanding legislation.

Senator Bélisle: May I ask the Leader of the Government why there is a rush to have this legislation passed? Should the witnesses not be informed that the committee will meet this afternoon? I feel the minister should come tomorrow or at a later date. If the bill is to receive royal assent, I feel that it should be in 24 hours so that the witnesses who wish to be heard can be informed. Otherwise, it is just another whitewash.

Senator Perrault: Let me clarify the situation. The minister, of course, has a very full schedule. We have encountered this problem with respect to the Honourable Mr. Danson, the Minister of National Defence, when he indicated to us that he was available at a certain time. We accepted that offer, and it seems to me that, at least in a preliminary manner, we should have an explanation of this bill this afternoon, if such explanation is available from the Minister of Labour. It was not indicated to me whether the minister would be available tomorrow or at a later date.

Honourable senators, I, for one, am most interested in hearing an elucidation of some of the clauses of the bill. I think all honourable senators are equally interested in hearing a detailed exposition of this important measure. I know that the sponsor of the bill supports the view that the minister's presence in this chamber would be most welcome.

I have difficulty in following the suggestion by the Honourable Senator Bélisle that somehow there is merit in going from the particular to the general, rather than the other way around. It seems to me that an exposition of the bill, and a list of the witnesses which have been heard in all the provinces, should be received from the minister. If we are satisfied with that, and if we have further questions to ask of the minister or his officials, then we will have a full oppportunity to question in detail any aspect of the bill, or the manner in which the bill has been brought before Parliament.

Senator Flynn: It is quite obvious that the Leader of the Government is using this device to avoid referral of the bill to a standing Senate committee, where those witnesses who have asked to be heard can be heard. I do not mind having the minister come before us to explain the bill further, but on the condition that, after we have heard from the minister, the bill be referred to a standing Senate committee so that we may hear from the witnesses.

I do not think we can tell the witnesses who have been in touch with us that they will not be heard and that the Senate does not care because the Senate considers that they have had a complete hearing in the other place. I don't think this is the kind of impression we should leave with these people. I don't think this is the procedure we should follow. If the device is merely to avoid hearing these witnesses, then I am entirely opposed to it.

[Senator Molson.]

● (1540)

Senator Bélisle: Honourable senators, I have spoken to this bill, and I say to the Leader of the Government that referring it to a Committee of the Whole is not fair even to the senators. At the present time there are two committees sitting, and a while ago this chamber was nearly empty because senators were attending to other duties, so you would bring the senators here without their knowing what is being discussed. I might add that when Senator Steuart spoke yesterday, it was around 6 o'clock, and the chamber was nearly empty. In other words, the minister would come here and give us evasive answers, not having had time to read what I and others who have criticized the bill said. We all know that he is busy, but this is his baby, and if he cannot spend an hour with us tomorrow then as far as I am concerned it is a complete whitewash again.

Senator Perrault: Honourable senators, if there is a time problem involved for honourable senators, it could well be suggested to the honourable minister that he come this evening. However, I do suggest there are limits on the time available for the minister to come and explain this important measure.

I also want to point out to honourable senators, who suggest that somehow there is a restriction on freedom of speech involved in this process, that there have been coast-to-coast hearings held in Canada on this bill by the minister personally and by members of his department. There have been two years of these hearings, and in the other chamber the bill was unanimously supported by the New Democratic Party, the Progressive Conservative Party and the Liberal Party. That is rather remarkable.

Senator Bélisle: But the bill was introduced in 1977. How could they have had two years of hearings?

Senator Perrault: Because there were a great many preliminary activities in connection with the proposed measure. I am suggesting to the honourable senator, who obviously has a detailed knowledge of the bill, and who was his party's prime spokesman on the subject, that he will have no difficulty in posing questions to the minister in the process we have suggested.

I think we should welcome the offer of the minister to come here and to explain these clauses, some of which were referred

to by the sponsor and Senator Steuart yesterday. We should accept this offer. This is my view, and I think that generally senators feel this way. We have worked for some considerable time to encourage this process of having the minister to come into this chamber to explain complex legislation. I see nothing but good flowing from this process.

Senator Flynn: Would the Leader of the Government tell us frankly that he wants to avoid referral of the bill to a standing committee. Is that his position? Let him say yes or no.

Senator Perrault: Honourable senators, it is not a matter of saying yes or no, but it is a matter of suggesting that after we have heard from the minister many honourable senators may feel it unnecessary to refer this bill to a standing committee. Let us hear from the minister, let us hear what he has to say, and if honourable senators wish to cross-examine the minister on the subject of the witnesses who have been heard and who have not been heard, that is their right and privilege.

Senator Molson: Honourable senators, I am quite in accord with the idea that the minister should attend, but I do not quite know why we have to go into Committee of the Whole. I do not see why we should not follow rule 18 and invite the minister here to explain any matters in the bill which honourable senators find obscure or hard to understand. I do not see that it calls for the house to go into Committee of the Whole.

Senator Perrault: Honourable senators, the suggestion of the minister—and I find myself in accord with it—is that there is a greater interest outside of merely the committee membership in the details of this particular bill, and the offer was made on the basis that even those senators who are not members of the committee will have a full opportunity to ask questions of the minister. That is the nature of the offer.

On previous occasions, when ministers of the crown have come to this chamber, there has been total agreement that it aided in the understanding of all honourable senators of proposed legislation. I recall, for example, the appearance of Mr. Danson, now the Minister of National Defence, when he came to this chamber to explain housing legislation.

Senator Flynn: We know all about that.

Senator Perrault: Then, senator, if you know all about that you will recall that you were an enthusiastic supporter of the process and found it infinitely important.

Senator Flynn: Why don't you answer the simple question I put to you? Do you want to avoid this bill's being referred to the standing committee? Say yes or no. Is that difficult?

Senator Perrault: Senator, I am not on the witness stand today in a court where you are the prosecuting attorney. I am suggesting that all senators have a right to an understanding of this bill, and it should not be restricted to members of a committee.

Senator Flynn: Well, if I don't get that assurance I won't go for the motion.

Senator Molson: Honourable senators, may I ask again why the procedure of having a minister to attend and explain a bill, as outlined in rule 18, is not a perfectly happy compromise in this situation? We are not committed to any later action, but the minister has an opportunity to come and explain the bill.

Senator Godfrey: Honourable senators, I would draw Senator Molson's attention to the fact that rule 18 says that the minister may take part in the debate. But the debate is already over on second reading, the bill has received second reading, so there is no debate in which he can participate in the Senate at this time unless we do go into committee.

Senator Cook: Honourable senators, if this means that there are witnesses who want to be heard by a Senate committee, and who will not be heard, then that will be the first time that such a thing has happened in the 14 years that I have been in the Senate, and I will not agree to it.

Senator Côté: Who are these important witnesses who want to be heard?

Senator Flynn: I know of some, but the chairman of the committee has received several letters. I know that representatives of the Canadian Motor Coach Association and the Canadian Bankers Association have asked to be heard. I don't know whether you would call them important. The Canadian Broadcasters Association have also asked to be heard.

Senator Perrault: Honourable senators are all aware that almost all of these witnesses have been thoroughly heard in the other place, and have been conferred with from coast-to-coast. I am not suggesting that these witnesses do not have a right to be heard, but we have never assumed in Parliament that there is an automatic right for witnesses to be heard in the other place, and then heard before a Senate committee. The committee has the power to decide whether or not a witness shall be heard, and the right to determine whether or not a brief which has been submitted in the other place is sufficient in terms of providing information to honourable senators here. There is no absolute right to any group in this country to be heard by any committee in either house of Parliament.

Senator Cook: How do we know what they have to say until we hear from them?

Senator Beaubien: Honourable senators, the solution is very simple. Why don't we hear the minister this afternoon, and have the committee meet tommorow morning?

• (1550)

Senator Phillips: Honourable senators, with respect to the point raised by Senator Godfrey, the minister may take part in debate. There could be debate on third reading. In case the honourable senator is not aware of that, I am now advising him. The minister could appear on third reading, after the witnesses have been heard in committee. That would be a very reasonable solution.

Senator Godfrey: May I point out that we could have heard the minister before the motion was passed. That could have been the time to hear him, without the necessity of going into committee.

Senator Phillips: I agree, but was the Senate advised of that before the motion was made?

An Hon. Senator: Question.

Senator Flynn: The question was not put.

Senator Perrault: Honourable senators, in speaking to the proposal by—

Senator Flynn: The question has not been put.

Senator Perrault: I am referring to the points that we have been discussing for the past half hour.

Senator Flynn: I am sorry; I thought you were speaking on the motion.

Senator Perrault: I would suggest that when the minister comes here this afternoon, if honourable senators approve of that course of action, he could be asked if he is prepared to come before the committee to hear the other groups who feel they have not had sufficient time over the past two-year period to state their views.

Senator Phillips: Why does the minister have to be present when the witnesses are there?

Senator Steuart: If the minister comes here, does that necessarily preclude this bill's being sent to a standing committee?

Some Hon. Senators: No.

Senator Perrault: Honourable senators may have views on procedural matters, but essentially Parliament is the master of its own destiny. I would think that if there is substantial support in the Senate, that course of action may well be open. But I think we should certainly give the minister an opportunity to speak to an important measure affecting the workers of this country, particularly in view of the fact that this measure received the unanimous support of the Conservatives, the NDP members and the Liberals in the other chamber. It is obviously a measure of some importance to all parties.

The Hon. the Speaker: It is moved by the Honourable Senator Marchand, seconded by the Honourable Senator Petten, that this bill be referred to a Committee of the Whole later this day. Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Agreed.

Some Hon. Senators: No.

Senator Flynn: Honourable senators, may I speak to the motion, if the rules permit? I would say that unless we get an assurance from the Leader of the Government that he will not oppose, directly or indirectly, a motion to refer the bill to a standing committee—unless we get that clear assurance—I shall vote against this motion.

Senator Perrault: Of course, I cannot give that kind of assurance. It is impossible for me to do so—

Senator Flynn: That is fine.

[Senator Godfrey.]

Senator Perrault: —in the context in which the Leader of the Opposition has posed the question.

Senator Steuart: The reason I raise the question is that in one of the representations the charge was made—I believe it was by the Canadian Trucking Association or someone representing it—that after the hearings—and I am aware that they were extensive hearings—there was an amendment introduced concerning a question of retroactivity in the imposition of a first contract by the minister. For my part, I would certainly like to ask the minister if that took place, and, if so, why it took place.

Senator Perrault: Honourable senators, may I suggest that could be one of the early questions directed to the minister, if he should come to the chamber this afternoon. That question should be put in the presence of all honourable senators, whether or not they are committee members.

The Hon. the Speaker: Is it your pleasure, honourable senators—

Senator Molgat: Honourable senators, before the vote is taken, I should like to check on one point. It seems to me reasonable that if the minister is prepared to come, we should hear him, if it is not against the rules. If honourable senators then decide that they want to have the bill referred to a standing committee—

Senator Flynn: Without the assurance of the Leader of the Government, what you are saying is worth nothing.

Senator Molgat: That is still the choice of the Senate.

Senator Flynn: Perhaps it is your choice, but it is worth nothing.

Senator Molgat: In my opinion, we should proceed on that basis.

Senator Godfrey: I am not clear in my own mind whether or not it is against the rules. If it is not against the rules, and we can refer the bill to committee, I am prepared to vote. Do we know what the situation is?

Senator Flynn: It is a practical question. I have no objection to the motion if the Leader of the Government will give me the assurance that he will not oppose a motion to refer the bill to a standing committee afterwards, if we feel that that should be done. But he has said that he will not give that assurance.

Senator Perrault: Honourable senators, I appeal to the usually extremely rational Leader of the Opposition to understand the position of the Leader of the Government. The position is that without understanding the reasons which may be given for a referral to committee, how is it possible for me to give a commitment in advance that sufficient grounds exist for referral to a standing committee? I am in entire accord with our distinguished colleague from Manitoba, Senator Molgat, when he states that rational and reasonable people in the Senate may well decide that the answers are simply not there, and we should refer the bill to a standing committee.

Senator Flynn: We have a majority rule dictated by you.

Senator Perrault: If sufficient grounds exist in my view and conscience, then I will certainly support that referral to the standing committee later.

Senator Laird: Could we hear from Senator Molson?

Senator Molson: Honourable senators, I cannot see any reason why a motion could not be put later that the bill be referred to a standing committee, if that is the wish of the Senate. I would like to add one word, particularly for the leader. I am a little concerned that this rather complex discussion has taken place with about half our members absent. I do not think that Senator Laird and I are the only two who held the view that those who wished to be heard should be heard. I am a little disturbed that this matter, which has been the cause of a great deal of discussion and some considerable debate, should have arisen at a time when unfortunately we have a number of members doing their duty in committee.

Senator Bélisle: That is what I mentioned.

Senator Molson: You mentioned it, I agree. If there is no position taken, I feel that after hearing the minister the bill could, at the wish of the Senate, be referred to a standing committee. I would be quite prepared to accept that.

Senator Flynn: There is a practical decision to be made, and you and I know very well that it will be made by the leader on the other side. Also, since he has refused to give us his assurance, we can predict what his decision is likely to be.

Senator Perrault: The honourable senator should have somewhat more faith in the integrity of his colleagues.

Senator Molson: Question.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Hon. Senators: Agreed.

The Hon. the Speaker: Will those honourable senators who are in favour of the motion please say "yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion please say "nay"?

Some Hon. Senators: Nay.

The Hon. the Speaker: In my opinion, the "nays" have it.

And more than two honourable senators having risen.

The Hon. the Speaker: Please call in the senators.

• (1600)

The question was resolved in the affirmative on the following division:

YEAS

THE HONOURABLE SENATORS

Adams	Bird
Anderson	Bonnell
Argue	Bosa
Austin	Bourget
Bell	Cameron
Côté	Langlois
Cottreau	Lucier
Croll	Macnaughton
Davey	Marchand
Denis	McElman
Deschatelets	Michaud
Everett	Molgat
Forsey	Neiman
Fournier (de Lanaudière)	Norrie
Fournier (Restigouche-Gloucester)	Olson
Godfrey	Perrault
Haidasz	Petten
Hayden	Rizzuto
Hicks	Rowe
Inman	Smith (Queens-Shelburne)
Lafond	Steuart
Laird	van Roggen
	Williams—45

NAYS

THE HONOURABLE SENATORS

Beaubien	Macdonald
Bélisle	Marshall
Cook	Molson
Flynn	Phillips
Fournier (Madawaska-Restigouche)	Quart
Grosart	Roblin
Lang	Smith
	Walker—15

• (1620)

The Hon. the Speaker: I declare the motion carried.

BUSINESS OF THE SENATE

Senator Olson: Honourable senators, I wonder if I might have leave to proceed with the motion standing in my name to set up a special committee to study the northern pipeline?

Hon. Senators: No.

Senator Olson: Well, I guess that's the answer.

Senator Langlois: May I say that the Minister of Labour is probably at the door now. We could recess for a moment to await his arrival.

Senator Phillips: Are we not going to proceed with the rest of the Orders of the Day? We have to complete the Orders of the Day.

An Hon. Senator: No, we are going to go into Committee of the Whole.

The Clerk Assistant: Fifth order: Second reading of Bill C-29, intituled: "An Act to amend the Farm Credit Act".—(*Honourable Senator Perrault, P.C.*).

Senator Molgat: Honourable senators, I move second reading of the bill.

Senator Flynn: Honourable senators, I rise on a point of order. Order No. 5 is for the second reading of Bill C-29, to amend the Farm Credit Act, but I see that the very next item is consideration of the Report of the Standing Senate Committee on Agriculture on the subject matter of Bill C-29. It seems to me that the logical way to proceed would be to deal with the report first so that we might know what conclusions the committee has reached before we dispose of second reading. That seems to me to be the logical course to follow.

Senator Croll: That is far too logical.

Senator Flynn: I completely agree with you, but that may be far too logical for some on your side to understand.

• (1630)

Senator Molgat: Honourable senators, I have no objection to our proceeding in that manner, if that is the wish of the Senate. The two items are completely intertwined, obviously. My comments on second reading could cover what the committee has done, or we could proceed in the manner that has been proposed by the Honourable Leader of the Opposition.

The Hon. the Speaker: Order No. 5 will stand until later this day.

Senator Phillips: Honourable senators, on a point of order. The motion has been put. How can it stand until later today? The motion has already been made, and it must either be proceeded with or be withdrawn.

The Hon. the Speaker: The question has not been put.

CANADA LABOUR CODE

CONSIDERED IN COMMITTEE OF THE WHOLE

The Senate adjourned during pleasure and was put into a Committee of the Whole on the bill, the Honourable Senator Macnaughton, P.C., in the Chair.

Pursuant to rule 18 of the Rules of the Senate, the Honourable John Munro, P.C., Minister of Labour, was escorted to a seat in the Senate Chamber.

The Chairman: Honourable senators, the Senate is in Committee of the Whole on Bill C-8, intituled: "An Act to amend the Canada Labour Code."

Shall discussion of the title of the bill be postponed?

Hon. Senators: Agreed.

The Chairman: Clause 1. Shall clause 1 carry?

Senator Macdonald: Mr. Chairman, on clause 1, is there any provision whereby some other day can be substituted for those nine paid holidays?

Hon. Mr. Munro: Yes, there is a provision for that.

The Chairman: Shall clause 1 carry?

Hon. Senators: Carried.

The Chairman: Clause 2. Shall clause 2 carry?

[Senator Molgat.]

Senator Macdonald: Who determines, in a marginal case, if a person comes under the classification of manager?

Hon. Mr. Munro: We would make that determination under the act. It would be like any other situation: a person could go to court if he did not like the result of our decision.

The Chairman: Clause 2. Shall clause 2 carry?

Hon. Senators: Carried.

The Chairman: Clause 3. Shall clause 3 carry?

Hon. Senators: Carried.

The Chairman: Clause 4. Shall clause 4 carry?

Hon. Senators: Carried.

The Chairman: Clause 5. Shall clause 5 carry?

Senator Macdonald: Would the minister explain clause 5?

Hon. Mr. Munro: That is a provision for the compressed work week. If the parties so desire, there is flexibility for that to be accomplished.

Senator Steuart: Why was this clause felt necessary? I understand this is the clause whereby if an employer wants to average the work week, in one week his employees may have worked the minimum permitted by law, but two weeks later they may work fewer hours and they can average it out. They will now be allowed to do that only by successful application for a permit; is that correct?

Hon. Mr. Munro: I would point out that this clause—we went into this in some detail in the standing committee—does not refer to averaging. It merely outlines the situation where if the parties so desire, that is the usual situation and we can authorize a compressed work week. For instance, they may decide that they want to work, because of the nature of their industry or place of employment, four days at 10 hours a day rather than the normal provision of five days at eight hours a day. This particular section gives them flexibility to permit that. It does not deal with the overall averaging.

Senator Steuart: I understood that it did. Is it not a fact that under the Labour Code they were allowed to compress the work week, but they will now require a permit to do that?

• (1640)

Hon. Mr. Munro: There is nothing in the code now that permits a compressed working week. There were averaging provisions in this bill that were dropped, so the averaging provisions of the previous legislation apply.

Senator Steuart: I should like to clarify the point I was making. Were there not provisions in the code proposed to be amended by this bill allowing for averaging?

Hon. Mr. Munro: Allowing for averaging, yes, but not allowing for a compressed work week. This deals, not with the averaging situation but with the compressed work week; in other words, the forty hours a week was altered within that week to have more hours in a day than the eight.

Senator Steuart: I appreciate that. Can the minister inform me what clause in this bill would deal with the averaging?

Hon. Mr. Munro: Because of representations made, particularly by some members of the western provinces, the clauses in this bill dealing with averaging were dropped, so there are no clauses dealing with averaging in this bill. Representations were made, and as a result of listening to those representations, some of which were on the grounds that the provisions were unduly restrictive, there are now no clauses in this bill dealing with averaging at all.

Senator Olson: Does that mean the provisions that were in the previous legislation, which allow for averaging, seasonal work and that sort of thing, remain applicable?

Hon. Mr. Munro: Precisely.

The Chairman: Shall clause 5 carry?

Senator Godfrey: In view of our previous discussion as to whether this may also be referred to a standing committee later, why are we carrying each clause at the present time? Can we not defer a vote on each clause until the end of the discussion and then, in light of whether or not we refer the bill to a standing committee, decide whether we will pass each individual clause? The standing committee itself might come to some other conclusion. Why do we have to vote on each clause at this time? We do not yet know whether or not it will go to a standing committee.

The Chairman: Your suggestion is a very interesting one, Senator Godfrey, but the procedure, I think since 1867, has been to do it this way, so I am a little hesitant about changing it at this stage.

Senator Godfrey: Except that we did have a discussion on whether technically there was going to be any difficulty, if we went into Committee of the Whole, in having the whole thing reconsidered by the standing committee. I can see some technical difficulties if we have already passed each clause. Often committees defer voting on individual clauses, after they have been considered, until the end of the committee hearing. It is not necessary to follow this procedure.

Senator Marchand: If we agree on each clause I do not know why we should refer it to a committee.

Senator Godfrey: That is exactly the point I am trying to make. If we agree on every clause now we may block the opportunity of sending it to a standing committee later.

Senator Marchand: We do not send bills to committees just for the sake of sending them to committees.

The Chairman: Honourable senators, I suggest that we proceed and see how far we get and how fast we can do it. I am sure we will then make good time. Shall clause 5 carry?

Senator Godfrey: No.

Senator Steuart: I should like to ask a general question on the answer the minister gave on clause 5. He said he received representations from western Canada and as a result of those representations the idea of averaging was dropped. Could he tell us who made those representations, who they were from?

Hon. Mr. Munro: I can check on that. In this bill we had a much more restrictive type of application of the averaging principle, so we dropped that more restrictive averaging principle. The more flexible one in the previous legislation will now apply. According to my recollection, much of the opposition to the more restrictive averaging had to do with the grain industry. We listened to those representations and dropped the more restrictive type of averaging provisions in this bill. If the honourable senator wishes to know precisely who were the organizations and individuals that made those representations, if he would be kind enough to give me a little time I will get him that information.

Senator Argue: I should like to ask a question along the lines of the one asked by Senator Steuart, merely for my own clarification. Am I right in thinking that, since the provisions you have referred to are not in this bill, the Saskatchewan Wheat Pool on the prairies, for example, which runs a large elevator system, can continue in the future the practice it has been using for many years, so that when farmers are out combining around the clock trying to get their grain under cover, the elevator agents, the managers, call them what you like, can operate, let us say, a 16-hour day for six days a week or seven days a week, as many of them do, without any penalty and without any interference from the federal government, and the employees can be given time off in the winter, when they have weeks and weeks and weeks of time off in any case?

Hon. Mr. Munro: The answer is yes.

Senator Bélisle: I should like to ask a question of the minister, in view of his answers to Senators Steuart and Argue. I did not have time to read the three versions of the bill, but my information was that it is still under permit. According to what I heard the minister say a while ago, you will not need a permit. Was that provision dropped by means of one of the three amendments you introduced on third reading?

Hon. Mr. Munro: Under the previous act, which has been in force since 1972, incorporating the most recent amendments, you always needed a permit for averaging. By and large we have granted those permits, and there has not been a great deal of difficulty with respect to them. We have always had the permit provision.

Senator Bélisle: In other words, the averaging clause will still continue, even though you said a while ago that it has been dropped?

Hon. Mr. Munro: No, no. I said that under this bill amending the Labour Code there were averaging provisions that were perceived by many, particularly in western Canada, as being too restrictive, that did not allow the flexibility of the previous provisions of the code. We listened to those representations and dropped all the clauses in this bill dealing with averaging. They were perceived to be too restrictive, and we agreed. Therefore, the provisions that have been in force for some years will remain in force. They are not being changed; they are not being amended by this bill.

Senator Bélisle: In other words, it was one of the three amendments that you brought in on third reading. Or was it?

Hon. Mr. Munro: All the amendments that were in this bill prior to our dropping them have now been totally taken out of the bill.

Senator Belisle: Prior to the last addition or after?

Hon. Mr. Munro: I do not know at what stage. This bill got first reading about a year and a half ago. As a result of representations and of the hearings before the standing committee, and as a result of my officials and myself going around and talking to people, we have made changes. I can give you the precise date on which we dropped the provisions with respect to averaging, if you wish. The fact of the matter is that we did drop them.

● (1650)

Senator Bélisle: Do you recall one out of the three which were dropped on third reading? My information is that they were not dropped on third reading, but I could be wrong.

Hon. Mr. Munro: My deputy minister reminds me that it is not before the Senate because we dropped the clause as a result of what took place before the Commons committee. Perhaps you are reading an old version of the bill, because it is not in this particular bill at this time.

Senator Bélisle: What is the date on the bill passed by the House of Commons?

Hon. Mr. Munro: April 7, 1978. I do not see any provision in this bill dealing with averaging.

Senator Steuart: Clause 5 of the bill I have in front of me reads:

> The said Act is further amended by adding thereto, immediately after section 29 thereof, the following section: "29.1(1)—

That appears on page 2 and continues on page 3. If you read that you will see that it talks about the work week. At the top of page 3 it reads:

> —if the average hours of work for a period of two or more weeks calculated in the manner prescribed in the permit do not exceed forty hours a week, and an employer may cause or permit an employee to work longer hours than eight hours in any day or forty hours in any week in accordance with any permit issued hereunder.

It goes on to talk about the permit. Clause 5 of the bill proposes a new section 29.1(1), which provides:

> Subject to this section, the Minister may issue a permit subject to such conditions as he deems advisable establishing hours of work in excess of eight hours in any day or forty hours in any week for a class of employees specified therein employed upon or in connection with the operation of any industrial establishment specified therein in accordance with arrangements specified in the permit including the hours of work for each day—

If that is not talking about averaging, what is it talking about?

[Hon. Mr. Munro.]

Hon. Mr. Munro: May I make it quite clear that in the averaging provisions the old code talked about averaging over far more than a two-week period. It talked about averaging, indeed, over a 13-week period. All those provisions still apply. They are in the present code; they are not being changed. These clauses do not deal with the averaging provisions over a protracted period of time, but, as one honourable senator mentioned, over a season. That is already in the code.

This clause talks about a compressed work week situation over a two-week period. We did not restrict it to a week. This would be the situation where the union and the employer wished, because of the manner of their operation, to have a compressed work week of 38 hours within a four-day week instead of 40 hours within a five-day week. This would cause them to fall short. During the next week they would work 42 hours within a four-day period to pick this up. In the common parlance we kick about in the department, that is called a compressed work week situation. This permits us to go along with the parties themselves. The managers and the unions would collectively come together and tell us that this is the best manner in which to proceed for their particular industry. That is all that clause 5 deals with.

The averaging provisions which we consider to be something quite different from this two-week situation, over a protracted period of time, still apply, as they have for some considerable period of time.

I might point out to the honourable senator that, by inserting this provision and permitting the compressed work situation, we want to avoid the necessity of overtime being paid for hours in excess of eight hours, provided they do not exceed 40 hours a week. This provision permits that. If both parties agreed to work the 40 hours in four days, the employer would not have to pay overtime for the two hours over the eight hours in a particular day.

Senator Bélisle: I have read the bill, and nowhere have I read that clause 5 was annulled or made void by another clause. Can you tell me what other clause annulled or voided clause 5, in order that they would not need a permit? Is that clear?

Hon. Mr. Munro: Let me explain it this way—I could get the former bill for you, senator. In that bill you would see that clause 5 had two parts. One part of clause 5 dealt with the compressed work week situation, which honourable senators can see in this bill before them now.

There was another part to clause 5 which dealt with averaging, which was of a more restrictive nature than the averaging we permit now. All of that part of clause 5 has been dropped. So, all that is left of clause 5 now are the parts you see at the bottom of page 2, on page 3, and on the top of page 4. These deal solely with the compressed work week situation, and not all with averaging.

The averaging part of clause 5 was dropped at the committee stage, and when any amendments or deletions are made a new bill is printed, and this is the new bill you have in front of you now.

The Chairman: Shall clause 5 carry?

Senator Macdonald: Just a moment. I see on page 3 that if an industry is unionized, and if they apply to the minister for a permit, it must be a joint application by the union and the employer; is that right?

Hon. Mr. Munro: Yes.

Senator Macdonald: Subclause (3) deals with the situation where they are not unionized, and where the employer requires 80 per cent of the employees. How do you determine the 80 per cent? Is there a vote or a secret ballot held?

Hon. Mr. Munro: We do not go into all the regulations in the bill. If we did, the bill, I am sure you will agree, would be much more complex than it is.

Officials of the Department of Labour talk to the employees and, in an unorganized situation, the employer. They come to the conclusion that this type of situation is the reality—namely, 80 per cent. They so advise me and I would approve it. If there is a complaint from some employees that it was not 80 per cent, we would have a further investigation.

• (1700)

Senator Steuart: I wonder if the minister could tell me why this clause is necessary if, in fact, they could average the work week before over a period of 13 weeks, as I think he said, when now, if I understood what he said, in just a two-week period they have to get this fairly cumbersome permit. At least, it appears to be cumbersome. Why is it necessary?

Hon. Mr. Munro: I appreciate the fact that honourable senators do not have the earlier version of the bill before them, but in it those averaging provisions were much more than simply talking about a compressed work week situation of one or two weeks. They were averaging over a protracted period of time, and the very wording of those averaging provisions did not permit or allow the minister or the government to give the permission even when the parties themselves wanted the compressed work week. The provisions permitted averaging over a protracted period of time per season, but they did not permit, and our legal officers so advised us, a compressed work week situation. We were, therefore, in the invidious position—the minister and the department—of having to refuse permission even when the parties themselves wanted a compressed work week situation; even when in respect of both employers and employees it was in their best interests and we could see no objection to it. We still could not permit it. We thought that situation should be corrected and this clause corrects that situation.

Senator Steuart: I understand this situation could go on in a company for a long period of time. The permit could be issued and be in force for, say, a year or longer.

Hon. Mr. Munro: I think it could be permanent, or at least until either the employees or the employer had a change of mind and so indicated.

Senator Bélisle: Is it not true that a report must be made to the Department of Labour periodically, and the minister must be satisfied that this is not the normal practice? Am I right?

Hon. Mr. Munro: Yes. If one of our officers reported that it was a completely unrealistic situation and was to the detriment of the employees in terms of fatigue and so on, if there was a somewhat outlandish situation, I would be under no obligation to approve it. But I think in the normal situation we would be talking about a union and an employer, and you can normally assume that the union, by agreeing with the employer in this situation, has the best interests of its employees at heart. I do not see the situation occurring very often, where we would deny the application for a compressed work week where both the employer and the employees agree to it.

Senator Bélisle: If I may ask a supplementary question? Knowing that the inspectors from the Department of Labour are as human as the next person, including senators, is it not possible that, when you have to have an agreement in principle between the employer and the union, if the inspector or the officer, whatever name he bears, does not like one or other of the parties, either the union or the employer, he could make sure that they had to make a new request every week? Surely that would involve an enormous amount of red tape.

Hon. Mr. Munro: Well, no. I would think if the employers and the employees agreed in a given situation that they wanted a compressed work week, and then, because of some bias, our officer filed a report that would steer the minister contrary to the agreement which both parties had reached, and the minister listened to that advice, it would not be long before the employer and employees would be on his doorstep, thus necessitating a most thorough investigation as to why the wishes of both of the parties in the work place, one of which is organized to protect its employees, should be frustrated. I think that bias would be quite clearly identified.

I have been Minister of Labour for many years, and it has never been my experience that we have had any officers going around trying to frustrate the wishes of both parties when they agree to something.

Senator Bélisle: Surely, the Minister of Labour is aware of the problem that occurred in the City Hall, Toronto.

Hon. Mr. Munro: Frankly, senator, I am not.

Senator Bélisle: Okay.

Senator Sparrow: Mr. Minister, in answer to Senator Argue's question pertaining to elevator agents, are you suggesting that they do not have to ask for a permit at all; that they do not come under the act in that particular case?

Hon. Mr. Munro: Honourable senators, as I stated in the House of Commons, there is power under the old act, which still exists because we have not changed it by this bill, to exempt certain categories of employers and employees from any necessity to apply to the minister's department for permission to average at all. Up to now we have granted that exemption in the country grain elevator situation. We have granted that exemption. We have listened to the parties.

As you may know, the Minister of Labour has authority to set up industrial commissions of inquiry. We had the Gunn Commission of Inquiry. We have had other investigations into

the situation, trying to resolve the question as in the country elevator situation.

By and large, with respect to all of the recommendations that I have received, and to my knowledge those which my predecessor received, as far as I am concerned we should leave it to the parties themselves to work out a satisfactory regime before we, as a government under the powers in the code, come in and impose a regime which may be totally unsatisfactory to the industry. So far the parties have been unable to come up with an agreement as to a satisfactory regime, and that being the case I have continued to grant them entire exemption from averaging. That is true even with respect to the averaging under the previous code.

I have granted that exemption, and I have indicated in the House of Commons that I was prepared to grant a further exemption of six months. This again was in response to various representations made to me by members of the government party and of the opposition party mainly from the west who wished this flexibility in terms of exemption to be granted.

My having indicated that I was prepared to see if they could use the further opportunity to arrive at a regime that was satisfactory resulted in this bill's receiving unanimous approval from all parties in the House of Commons. It received unanimous approval because that was one of the main obstacles to approval by certainly some of the opposition members, and they, being satisfied on that question, supported the bill.

Senator Sparrow: For clarification, what was the relevance of the six months? Is it that they can wait six months until they get their house in order? Is that what you are suggesting?

And while you are answering that question, can you tell me if that is the same problem that the members of the Canadian Broadcasting Association were concerned about, and, if so, how does it affect them?

Hon. Mr. Munro: I have never been impressed in any way with any applications of any kind coming from the Canadian Broadcasting Association with respect to averaging. Certainly, the main situation with respect to averaging has come in the country elevator situation. We granted a total exemption from averaging in that situation until the first of August of this year in order that the parties may try to work out a regime. It being apparent that there would not be sufficient time, that they did not have ample opportunity to do it, I have indicated that I am prepared to grant a further exemption of six months so that the parties can work out their own regime without its being arbitrarily imposed in any way by the government. That is the grain handlers' situation.

If you care to give me an example of a Canadian Broadcasters' brief, in which they are complaining about unfair application of the averaging under the present code, I would be prepared to look at that, but neither I nor my officials at this moment know anything more than that. In any event, I would be surprised if there are any submissions from anybody with respect to the averaging provisions of this bill. They would be outdated, because we listened to many of the suggestions in many of the briefs. They complained about the averaging provision in this bill, and as a result we have dropped it. So I would think that if some honourable senators have briefs before them complaining about the averaging provisions, I would say it is one of those occasions when we listened to the submissions and dropped the provisions. So if there are any references in the briefs to averaging, I suggest that they have been accommodated.

[Hon. Mr. Munro.]

• (1710)

The Chairman: Shall clause 5 carry?

Hon. Senators: Carried.

Senator Molgat: I wonder, Mr. Chairman, since we are going through the bill, whether the minister could indicate to us those changes made in the very last stages in the House of Commons, because I have received a telegram which reads as follows:

> Due to amendments made to Bill C-8 on third reading in the House of Commons, we request an early opportunity to appear before a committee of the Senate to discuss the serious implications of these changes.

This is from Mr. Stevens, the president of the Canadian Manufacturers' Association.

I wonder if the minister in the process of going through the bill could outline which clauses have been changed and reply at this stage at least to the serious implications seen by the Canadian Manufacturers' Association.

Hon. Mr. Munro: If honourable senators are agreeable, as the chairman calls each clause I will indicate, as I have indicated in clause 5, just what changes have been made—it was a deletion in that case—and other changes as they come along.

The Chairman: Shall clause 5 carry?

Hon. Senators: Carried.

The Chairman: Clause No. 6?

Senator Macdonald: Mr. Chairman, I wonder if I might put a question to the minister relating to clause 6. I think this would probably refer to clause 7 on page 4, and refers to the case of stevedores working for the Canadian National Railways. Will one permit do for them to work more than the 48 hours—that is, for overtime? Let us say a man worked 48 hours a week and then he was able to work overtime again over the weekend—and he might work 50 hours. Would a permit be required, and would such a permit apply only for a certain period of time or for a considerable period of time?

Hon. Mr. Munro: There are so many variations in these clauses. Now that we have talked about the principle, senator, clauses 6, 7, 8 and 9 are purely technical, permitting us to authorize any number of variants, and I would point out clause 6, line 13, dealing with regulations made pursuant to section 32.1. These are housekeeping measures that permit us to give permits in all those situations where the parties agree, if it is a compressed work week situation; and if it is an averaging situation it also permits us to do so, although this clause obviously does not apply to averaging. But there is a similar

clause in the old bill that we have not changed. If you have a particular situation in stevedoring that you are talking about, and if you care to give it to me, I am sure I can give you a fairly quick answer.

Senator Macdonald: I am referring to stevedoring at the port of North Sydney where there is considerable traffic at times between the port of North Sydney and Port aux Basques, and at certain times you might get a rush. There are times when that does not work very well. For example, at the present time the seamen working on these ferries obviously cannot work eight hours and stop somewhere in the middle, so they have some kind of arangement whereby they are working for two weeks on and then two weeks off. I am wondering if some similar arrangement could be made to take care of stevedoring in the busy season.

Hon. Mr. Munro: My deputy advises me that under the old act we have a special regulation which we passed to take care of the ferry situation. This applies in the situation you mention, and as a result of that there has been no problem.

Senator Macdonald: I know there is no problem there, but I can see that there might be some problem so far as stevedoring is concerned. Is there any limit on the amount of overtime they can put in without getting a permit?

Hon. Mr. Munro: Mr. Chairman, in terms of the old act we have never had a problem in the stevedoring situation, and I can only judge from that that the flexibility that we have injected with respect to averaging in the old act has taken care of the situation adequately. There have been no complaints of any kind.

Senator Macdonald: Well, I am hoping there won't be any difficulties under this one.

The Chairman: Clause 6?

Senator Steuart: Honourable senators, I am sorry to keep harping back on this but there are a couple of points in this bill that bother me. I thought that I had this point of averaging cleared up as far as the grain elevators are concerned, but as a result of the subsequent answer given to Senator Sparrow I am not sure now.

My understanding from my first question to you and your answer to me was that previous to this amendment, employees of the western elevators could work longer, and then have time off when things were quieter. So they could average, and they liked that situation. You said to me, as I understood you, that you were going to restrict that and tighten up on it, but due to representations from western Canada, perhaps from MPs or from the grain industry, you dropped that so that now under the Labour Code they can average the way they used to. But it appeared to me that you then said to Senator Sparrow, who asked a similar type of question, that what in fact they had received was a reprieve for six months—that they could carry on in the way they have done in the past for six months, and when that runs out they would have to make some further representations or hope for another amendment.

Hon. Mr. Munro: There is nothing in this bill to deal with the averaging situation at all. That is the first point. The second point is that we did not provide for even the averaging provisions that would normally be applicable in the country elevator situation—namely, the averaging over a protracted period of time that we wished to apply in the western elevator situation—as a result of hearing representations from the parties. We indicated we would like to provide for them at some future time, but until an adequate regime could be worked out I would use the authority given to me under the old act to grant exemptions. So those averaging provisions never did apply. They still do not apply because the exemption is still in effect and, as I have indicated, I am prepared to go along with the exemption for a further period of six months.

Senator Steuart: Do you mean that in the past they have always been at the whim of the minister, and at any time the minister could have said by ministerial order "Those averaging provisions are out"? But you have now said, "I will give you a further six months and that is all I will guarantee you."

Hon. Mr. Munro: That never applied under the old act to the western elevator situation because the parties put up cases at various times that even the old provisions were too restrictive in their particular situation, let alone the provisions that were in this bill that have since been dropped. So we have given an exemption even under the old provisions until the parties have worked out an acceptable solution.

Senator Steuart: So what you are saying is you are giving them six months or some such time to work out an acceptable solution. Your philosophy behind that answer is that if they can find something better in the old Labour Code suitable to both parties, you are prepared to consider it?

● (1720)

Hon. Mr. Munro: Precisely.

Senator Argue: Mr. Chairman, I wonder if I might make a comment. I appreciate what the minister has said. The government has impressed upon Canadians—and I believe rightly—that they should try to have as much efficiency in industry as possible. If we relate that to the elevator industry on the prairies, that is an efficient operation. During harvest time it is important to protect the crop coming in from the fields, and elevator agents will work almost to exhaustion, as indeed do the farmers. They work long hours in keeping the elevators open. It is an efficient operation. For instance, we have two elevator agents, two managers, in our local elevator, which is a new one. It is also an efficient one. Those two fellows work a great deal of overtime during the harvest time. During the winter they are out skidooing during the working hours, or they may be out on the traplines. They are having fun. They do not have work to do at that time. However, I still think it is an efficient way of operating. They work very long hours during the harvest period, and, in the wintertime, when there is nothing for them to do, they are not required to stay at their desk in the elevator for the whole of the eight-hour day. My plea to the minister is that he be more generous and extend the

period of six months. I would suggest that he not cut it off at that time.

Hon. Mr. Munro: With respect, that representation is in respect to a bill that is not before us.

Senator Argue: I understand that.

Hon. Mr. Munro: The bill before us does not deal with averaging. However, I appreciate the honourable senator's comments.

Senator Sparrow: Mr. Chairman, the following was included in the presentation to the House of Commons committee by the Canadian Association of Broadcasters. Referring to "averaging" of hours of work, they said:

> "Averaging" of Hours of Work, Clauses 4-6 of Bill C-8.
>
> Sub-section 29(2) of the Canada Labour Code currently provides for the averaging of hours of work by any employer where the nature of the work in his establishment "necessitates irregular distribution of an employee's hours of work". The new provision to the Code (Clause 6—Section 29.1) will permit the same type of averaging as is allowed now (sub-section 29(2)) but under the proposed amendment, it will be necessary for the employer to make application for a permit authorizing an averaging program.

Is that true or false?

Hon. Mr. Munro: It was presentations such as that, submitted with observations such as that, which caused us to drop that portion of the bill. We listened to their complaints, and we did what they wanted. That section is no longer in the bill.

Senator Bélisle: Mr. Chairman, I have only one more question. I raised many questions this afternoon. I hope the minister will read the speech that I made this afternoon, and at a later date will give me an answer. Workers will no longer be dismissed because of pregnancy. That protection had previously been offered only to workers with more than 12 months' employment, and employees can no longer be dismissed for absence due to illness once they have been employed for three months, provided their absence is for a period of less than 12 weeks.

Let us say that an employee becomes pregnant in approximately the third month of employment. Who will assess the cost of her salary when she is not working?

Hon. Mr. Munro: Mr. Chairman, shall I deal with that now? It is not related to this clause.

The Chairman: The minister may use his best judgment.

Hon. Mr. Munro: All that the clause provides is that a person cannot be dismissed solely on the basis of pregnancy.

Senator Bélisle: There are many Canadians who are on seasonal employment.

Hon. Mr. Munro: A person involved in seasonal employment has a contract of employment. He may work for a tobacco farm or anywhere else. There is a stated term of employment. When the work is done, the person is laid off. That situation continues. All I am saying is that a person cannot be laid off simply because she is pregnant and the contract of employment is still continuing. Her pregnancy does not change the contract of employment. This clause protects a woman from being laid off solely because she is pregnant. She may, of course, be laid off for other reasons. Perhaps the work might be finished, and so on. That situation carries on.

[Senator Argue.]

Senator Bélisle: Forty-eight per cent of Canada's labour force is not unionized. Seasonal employment is sometimes very short. In other words, the minister will not assess her payments to, perhaps, the farmer, or the apple grower, and so on—

Hon. Mr. Munro: All I am saying is that if the work is finished and there are no more apples to be picked, she may be laid off. That applies to any seasonal job. But she cannot be laid off simply because she is pregnant. There is no cost to the employer, that I can see. It is merely basic protection.

Senator Bélisle: It is not too explicit. She may not have a contract of employment—

Hon. Mr. Munro: All the bill says is that the employee cannot be blamed simply because she is pregnant.

The Chairman: Shall clause 6 carry?

Hon. Senators: Carried.

The Chairman: Clause 7. Shall clause 7 carry?

Hon. Senators: Carried.

The Chairman: Clause 8. Shall clause 8 carry?

Hon. Senators: Carried.

The Chairman: Clause 9. Shall clause 9 carry?

Hon. Senators: Carried.

The Chairman: Clause 10. Shall clause 10 carry?

Senator Bosa: Mr. Chairman, may I congratulate the minister. He looks very comfortable on the front benches of this chamber. If he decides to come here on a permanent basis, when he has had enough of the other place, we shall welcome him with open arms. Having said that, I should like to ask a question relating to clause 10 which defines "vacation pay" as follows:

● (1730)

> "vacation pay" means four per cent or, after six succeeding years of employment by one employer, six per cent of the wages of an employee during the year of employment in respect of which he is entitled to the vacation.

What happens after he has served ten years with one employer, that employer goes bankrupt and the employee then starts afresh with another company? Does he have to serve six years before he is entitled to the same benefits? Does his seniority disappear?

Hon. Mr. Munro: If he changes his employer and starts over again, there is no successor clause here if the employer goes bankrupt. If you turn to section 45 of the existing act—not this

bill, because we have not changed anything—you will see it reads:

> Where any particular federal work, undertaking or business in which an employee is employed is, by sale, lease, merger or otherwise, transferred from one employer to another employer, the employment of the employee by the two employers before and after the transfer of the work, undertaking or business shall, for the purposes of this Division, be deemed to be continuous with one employer, notwithstanding the transfer.

This would cover the bankrupt situation, or the successor. If the new employer came in and took over from the bankrupt, the employee would not be prejudiced in terms of any lost years. However, if the business went bankrupt and was no longer in existence, or if it was just wound up, the employee would have to go to a new employer and start all over again, just like anybody else. You cannot have a successor provision for a nonentity.

Senator Bosa: But the seniority of the employee is still valid.

Hon. Mr. Munro: There is nothing for it to be valid against.

The Chairman: Shall clause 10 carry?

Hon. Senators: Carried.

The Chairman: Clause 11. Shall clause 11 carry?

Hon. Senators: Carried.

The Chairman: Clause 12.

Senator Molson: I am not quite clear on clause 12. On page 7, at lines 3, 4 and 5, we read:

> —at least three weeks with vacation pay in respect of every year of employment by that employer.

Is that three weeks with pay in respect of every year? I find the wording of that a little obscure. I understand it means three weeks' holiday with pay, but I do not understand why it should be three weeks' holiday with pay in respect of every year of employment, which adds up to eighteen weeks, by my calculation.

Hon. Mr. Munro: You are right, it is three weeks with pay. That wording has been in the act for a long time.

Senator Molson: That does not make it right.

Hon. Mr. Munro: It may not make it right, but we have never had any difficulty with it. I am prepared to take your point up with the legal draftsmen.

Senator Flynn: This was raised previously.

Senator Molson: Does it mean what it says or does it say what it means? To me it presents a problem. If I am right, I would say that after six years with one employer an employee was entitled to three weeks with pay for every year of those six years.

Senator Flynn: After twenty years he would be on vacation all year round.

Hon. Mr. Munro: It says "in respect of every year", and I am told the courts have taken that to mean every year; he gets three weeks holiday every year.

Senator Everett: Is there any precedent for that?

Senator Molson: Three weeks for every year after six consecutive years is eighteen weeks.

Senator Marchand: Each year he is entitled to three weeks, that is all. They are not added.

Senator Molson: My only contention is that it is not in respect of every year; it is in every year.

Senator Marchand: Read the French version and you will see that it is very clear.

Senator Molson: It does not read right to me.

The Chairman: Shall clause 12 carry?

Senator Molson: No.

Senator Everett: The minister made the point that there are some court decisions that have interpreted along those lines.

Hon. Mr. Munro: Yes.

Senator Everett: Could he give me the citation?

Hon. Mr. Munro: I cannot give the citation. What I said was that the courts have never found any problem; that was all I was saying in my reference to the courts. The words "in respect of every year" are to ensure that in each succeeding year you do not add another three weeks. The legal draftsmen feel this is accomplished by keeping it to three weeks in every year rather than a compilation of the weeks for each year.

Senator Goldenberg: I think it is quite clear if you read the French version. It is quite clear to me.

Senator Molson: I will accept that, but then let us correct the English version.

Senator Everett: The minister spoke of some cases and I am interested in whether the minister is telling us about cases that exist or whether he is just telling us his deputy's view of the law, which comes from something other than a court.

Hon. Mr. Munro: I can get a list of prosecutions by the Department of Labour against people we felt had contravened this section. We will try to get the list of prosecutions if you like, and a list of convictions we have obtained for contravention of this section.

Senator Everett: Even if the French version is clear, as Senator Goldenberg says, I have to agree with Senator Molson that the English version is not clear. It would be interesting to have a list of your prosecutions. The point is: Did the courts deal with those words "every year" and did the courts make an interpretation of "every year" as meaning only one year, three weeks per year?

Hon. Mr. Munro: There have been many prosecutions under this section as it is worded, and there have been successful prosecutions, which means that the courts did not have any trouble in interpreting the section. The employers subject to those prosecutions had to pay the employees where it was proved that they did not pay the vacation pay. That being the case, the department having been successful in prosecutions for contravention of the section worded this way, it is probably one

of the inducements on our part not to change the wording, since the courts found it valid and a sound basis for prosecution. I have already offered to get for the honourable senator a record of the prosecutions, if we can. We could do it this evening, if you like.

Senator Marchand: If I understand correctly, there was never any prosecution in order to interpret whether this means three weeks per year or three weeks which are added each year of employment. It was not on that that the prosecutions took place. It is not interpreted.

Senator Everett: That is the point, that there is no legal interpretation because it has never been asked for.

Hon. Mr. Munro: I am just assuming that if you launch a prosecution under a particular section, the wording of which is not clear, most defence attorneys are quite capable of getting an acquittal on that basis.

The Chairman: Shall clause 11 carry?

Senator Everett: We will be with you in a minute, Mr. Chairman. I do not think that really is a valid legal opinion. I do not believe, because a court does not rule on something, that that constitutes a legal opinion. As Senator Marchand has said, there has been no interpretation of those words by the courts.

• (1740)

Hon. Mr. Munro: Perhaps I could obtain a further opinion from the draftsmen in the Department of Justice. If honourable senators feel that this would accomplish something, I am prepared to do it.

Senator Flynn: If you look at clause 10 you will see the definition of "vacation pay." It is clear, when you adjust it, that three weeks' vacation means three weeks in one year. I think the intent is clear in the definition of "vacation pay" in the French version.

Senator Molson: I do not see why we could not translate the French version into English.

Senator Flynn: We can, but it is not always easy to do.

The Chairman: Shall clause 11 carry?

Hon. Senators: Carried.

Senator Langlois: I move that the committee rise, report progress, and request leave to sit again.

The Chairman: It is moved by Senator Langlois, seconded by Senator McIlraith, that the committee rise, report progress, and request leave to sit again. Is it your pleasure to adopt the motion?

Motion agreed to.

The Hon. the Speaker: The sitting is resumed.

Senator Macnaughton: Madam Speaker, the committee to which was referred Bill C-8, to amend the Canada Labour Code, has taken the said bill into consideration, has made some progress thereon, and asks leave to sit again.

The Hon. the Speaker: When shall this committee have leave to sit again?

Senator Langlois: At 8.30 p.m. this day.

The Hon. the Speaker: It is moved by the Honourable Senator Langlois, seconded by the Honourable Senator McIlraith, that the committee have leave to sit again at 8.30 p.m. this day. Is it your pleasure, honourable senators, to adopt the motion?

Motion agreed to.

The Senate adjourned during pleasure.

• (1750)

At 5.45 p.m. the sitting was resumed.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Wishart F. Spence, O.B.E., Puisne Judge of the Supreme Court of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned, and being come with their Speaker, the Honourable the Deputy Governor General was pleased to give the Royal Assent to the following bills:

• (1800)

An Act to establish the Northern Pipeline Agency, to facilitate the planning and construction of a pipeline for the transmission of natural gas from Alaska and Northern Canada and to give effect to an Agreement between Canada and the United States of America on principles applicable to such a pipeline and to amend certain Acts in relation thereto.

An Act to amend the Cape Breton Development Corporation Act.

An Act to correct certain anomalies, inconsistencies, archaisms, errors and other matters of a non-controversial and uncomplicated nature in the Revised Statutes of Canada, 1970, and other Acts subsequent to 1970.

An Act respecting Bell Canada.

An Act respecting The Royal Canadian Legion.

The House of Commons withdrew.

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

The sitting of the Senate was resumed.

The Senate adjourned during pleasure.

At 8:50 p.m. the sitting was resumed.

CANADA LABOUR CODE

CONSIDERED IN COMMITTEE OF THE WHOLE

The Senate adjourned during pleasure and was put into Committee of the Whole to further consider Bill C-8, to amend the Canada Labour Code, the Honourable Senator Bourget, P.C., in the Chair.

Pursuant to rule 18 of the Rules of the Senate, the Honourable John Munro, P.C., Minister of Labour, was escorted to a seat in the Senate Chamber.

The Chairman: Honourable senators, the Senate is sitting in Committee of the Whole on Bill C-8, intituled "An Act to amend the Canada Labour Code." We are now dealing with clause 12. Does clause 12 carry?

Hon. Senators: Carried.

The Chairman: Clause 13. Shall clause 13 carry?

Hon. Senators: Carried.

The Chairman: Clause 14. Shall clause 14 carry?

Senator Macdonald: Clause 14 says:

> (2) Except as otherwise provided by this Division, when New Year's Day, Dominion Day, Remembrance Day, Christmas Day or Boxing Day falls on a Sunday or Saturday that is a non-working day, the employee is entitled to and shall be granted a holiday with pay on the working day immediately preceding or following the general holiday.

If an employee has to work on one of the paid holidays, is it compulsory that he must take his holiday on the day before or after that general holiday? I take it from the act that there is no discretion.

Hon. Mr. Munro: All that the clause says is that if one of the holidays enumerated here falls on a non-working day, the employee is still entitled to a holiday on the day before or after. I believe the honourable senator is asking whether an employee, if he works on a day enumerated here, gets an additional day either before or after. That type of substitution is provided in the original code. There is no change. That is why you do not see that section in the bill.

The Chairman: Shall clause 14 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 15 carry?

Senator Everett: On clause 15, I wonder why it is confined to a collective agreement. What about a company that gives nine holidays a year, but is not covered by collective agreement? Are they provided for in some other clause?

Senator Langlois: Do you mean under provincial legislation such as we have in Quebec?

Senator Everett: No, I am referring to clause 15, dealing with section 50. It says that section 49 does not apply where there is a collective agreement, which gives the employee nine paid holidays.

Hon. Mr. Munro: Perhaps it would be best—and it would only take me a minute—to give some sense of the design of the bill by pointing out that clauses 1 to 27 deal with Part III of the old Labour Code, which deals with the upgrading of standards. Clauses 1 to 27 deal with workers' standards, and that is what we are dealing with now. The safety clauses, which are Part IV of the code that this amends, are covered under clauses 28 to 34. Then the industrial relations clauses go from clause 35 on, and this is Part V of the code. These are mainly clauses pertaining to the Canada Labour Relations Board to make it more efficient, with additional members, interim certification and so on.

Returning to your question, senator, dealing with this clause that falls under standards, we tried to provide in Part III of the Labour Code that this amends minimum standards for workers. They are minimal, if you compare them to most of the standards that workers have won for themselves under collective agreements across Canada. We assume that if there is a collective agreement they will at least have the minimum standards that we are providing here. In other words, that is why we make an exception here if there is a collective agreement.

Senator Marchand: It is so as not to give them two recourses—one under the law and one under the agreement.

Hon. Mr. Munro: That is right, and it does avoid the two recourses—one under the collective agreement and one under the law. The reality of the situation is that you do not have to worry about the two recourses in this sense, that these minimum standards are very minimal as compared to what every collective agreement in the country provides. You do not have to worry about that.

The Chairman: Shall clause 15 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 16 carry?

Senator Macdonald: With regard to clause 16, I notice that if the collective agreement provides for nine paid holidays, then the employer has the right to designate one of those paid holidays in lieu of the nine set out. I notice that it is just the employer that has the right to make this designation. In other words, the union has no say in that. Am I correct?

Hon. Mr. Munro: Again, to avoid difficulties with collection agreements, we give this right to the employer to designate what the day is so that it would not cause any trouble with the existing collective agreement they would be operating under. It is a transitional provision.

The Chairman: Shall clause 16 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 17 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 18 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 19 carry?

• (2040)

Senator Everett: Could the minister tell me what the conditions are for granting leave to a pregnant employee?

Hon. Mr. Munro: She must have worked for twelve months with the employer.

The Chairman: Shall clause 19 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 20 carry?

Senator Flynn: I was wondering whether this clause is really necessary. I understand that, generally speaking, the employer uses discretion, taking the circumstances into account. Why it should be necessary to require bereavement leave is surprising to me.

Hon. Mr. Munro: This is again something we perceived as a required minimum standard. We are aware of situations in which this type of leave has not been given.

Senator Flynn: Do you not think when you are specifying the minimum standards you are at the same time specifying the maximum standard?

Hon. Mr. Munro: No, I do not believe so. In most collective agreements there is provision over and above this. There are complaints—thank goodness, not too frequently—that come into the Department of Labour from people who work for one of those employers who can be very harsh indeed. There is no protection in the code in even a minimum way providing protection in an area such as this. It happens very infrequently that this type of provision is needed, but this clause enables us to deal with it where it is.

Senator Flynn: You are not afraid of counter effects?

Hon. Mr. Munro: No.

The Chairman: Shall clause 20 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 21 carry?

Senator Roblin: I have not had the advantage of following this bill through its various stages in the legislative process, so it may be that I will speak to a point that has already been clarified, or perhaps I do not understand this as well as I might. However, there are a number of interesting items in this clause to which I wish to refer.

I am looking at the portion that covers unjust dismissal. What has attracted my attention is the procedure that is followed. I think it is wise that we should have some method of ventilating any question in dispute with respect to unjust dismissal. I see a complaint is made in a report to an inspector by the employee, and if the inspector is able to settle the matter to everyone's satisfaction that will end the matter.

Senator Côté: Where is this?

Senator Roblin: This is Division V.7, "Unjust Dismissal", section 61.5(6). If I read it aright, the inspector may settle the matter, or at any rate his decision may be final. However, there is a further provision that the minister may provide an appeal to somebody who is called an adjudicator. I am wondering whether that "may" should not be "shall," because it has been my experience in legislation of this kind that it is a wise thing to provide some measure of appeal. At the present stage the inspector could have the final word with really no appeal, while the minister may grant an appeal if he sees his way clear to do so. I would be much happier if it were ". . . shall . . . refer the complaint to the adjudicator . . ."

My notice was directed to this point because further on in the same clause we find a provision with respect to safety in the workplace which, quite properly I think, makes it possible for an employee to decline to continue work if it is not safe. In this particular case, which I think is somewhat similar to the first one, the procedure is a little different. The employee goes first to his employer to put matters to rights. If that does not happen, the matter is considered by all concerned, together with the safety committee, which is stipulated in the statute. If they cannot agree, it shall be referred by way of appeal to a further person, called the safety officer. If he does not settle the matter, there is a further "shall" appeal to the Canadian Labour Relations Board, if I understand the matter correctly.

So here we have on the one hand in connection with unjust dismissal what I think is an unsatisfactory method of appeal, and in connection with matters of safety we have a superabundance of caution in connection with appeals. We have two of them there, so I wonder if the minister would like to indicate the rationale by which this differentiation is made between these two types of labour problems?

Hon. Mr. Munro: Yes, Mr. Chairman. The reason it says "may" and "unjust dismissal" is that this is fundamentally a new right that has been given. It has never been given to the unorganized worker before. The unjust dismissal provisions, by and large, deal with all the unorganized workers under federal jurisdiction. They have never had it before and there are very few other jurisdictions in which this right has been given. I think it is a right that should have been given long before now. When dealing with something new such as that, it was our feeling that the discretion should reside in the minister to determine over a period of time just how this is going to work. Rather than the minister merely being sort of a channel through the appeal procedure and automatically it goes to an adjudicator, we would give the minister a discretion to determine on the facts of the situation whether, indeed, it should go to an adjudicator. It affords us some period of time in which to gain some experience as to how this will work.

We do not think it will happen, but it could be that there will be frivolous examples, in which people could be intentionally fired and claim unjust dismissal, and we would be overburdened with the automatic appointment of adjudicators. We are endeavouring, therefore, since it is a brand new provision—and we do not know that it exists in any other jurisdiction—to test it and give the minister of the day, for the time being, that discretion to determine whether on the facts of the situation an adjudicator is warranted.

As far as the safety provisions are concerned, you will find that in many cases there we are dealing in the organized sector. They have already built up an expertise with respect to what the rights are in a situation. I believe the honourable senator will agree that those provisions we have with regard to safety are not essentially novel. They are not new; they are contained in some provincial statutes already which apply to a larger percentage of the work force than does this particular bill. That being the case, and also in view of the fact that there has to be in the safety area a much speedier process of determination, mainly because the man is already working in the workplace and has already perceived himself to be in immediate danger and removed himself before sanctions apply or, indeed, should have to apply to the employer if the employer has taken action against the employee, we try to establish as of right a method, a quick method, by which it can very quickly go to appeal and be fundamentally determined before there are any fallout effects that would cause bitterness between the parties.

● (2050)

Senator Roblin: I wish I could say that I thought the minister's reply was convincing. I think that as far as the federal legislation is concerned the safety measures are new; is that right?

Hon. Mr. Munro: Yes.

Senator Roblin: While it is perfectly true that some provinces do have safety rules of a similar nature, I think the two procedures are new to federal jurisdictions. It puzzles me to think there is going to be an expeditious settlement of safety problems with these five steps, going from a safety commissioner to the Canada Labour Relations Board. I wish him luck. I hope it does work smoothly and as quickly as he thinks it will. However, I have considerable doubt about that.

Going back to my main point, I should still like to reiterate the suggestion that it really would be wiser if the minister—and perhaps he will not change the statute tonight—would make a mental note to make sure that, if someone appeals from one of these inspectors under the unjust dismissal clause, he allow that appeal to be made. There is nothing so comforting to someone who feels himself aggrieved in an industrial dispute as to know that he has this right of appeal open to him. Of course, the same should apply to the employer. He does not want to be stuck with a local decision made on the job. He would like to know that he can go to a higher court which will take a broader view of the problem in question.

I will leave the matter at that, but I do reiterate that the minister would be wise to make sure that that right of appeal be made available.

Hon. Mr. Munro: I will make a mental note of your comments, Senator Roblin. When we do get to the safety provisions I will endeavour to indicate—and this might be of some consolation to the senator—that this procedure can be carried out expeditiously, even though it includes five steps.

In most cases I should imagine that the safety officer will respond to the situation the same day and make a ruling the same day. That has been our experience with safety officers. They can mediate and arrive at some type of solution.

The Chairman: Senator Bonnell?

Senator Bonnell: I have a brief before me which was submitted by the Canadian Bankers' Association concerning the unjust dismissal clause. It is quite lengthy. I am sure the minister is familiar with this brief. I should like to have this attached, with consent, to the proceedings of this evening.

Senator Flynn: No. There is no reason for doing that.

The Chairman: We cannot do that.

Senator Flynn: I should like the minister to tell me whether he thinks the minister—and I am not speaking of him—is the right person to decide whether there should be an appointment of an arbitrator.

It seems to me that the minister is not in the same position as the court. I agree that there should not be frivolous appeals and we should not allow all appeals, but does not the present minister think that the minister would be in a difficult position in deciding these things, and that it should be decided elsewhere?

I agree that there should be some restrictions, but I do not think the minister should bear the responsibility of deciding whether or not someone has the right to have an arbitrator.

Hon. Mr. Munro: In this sense it is a political responsibility.

Senator Flynn: It is rather judicial too.

Hon. Mr. Munro: I should think that a minister is accountable to the proper exercise of his duties when he exercises this right. I imagine he would be open to some criticism and attack if he frivolously denied what is obviously a right, and I suppose he would be subject to attack in Parliament. So there are remedies.

I would point out that a commission under the Human Rights legislation can decide whether or not an individual can have the benefit of a tribunal. I suppose the difference there is that the tribunal would be subjected to criticism from Parliament if it frivolously denied rights. I would assume that a minister is going to act with compassion and in a judicial way with respect to this matter.

Senator Flynn: The minister is a member of the government, which is quite separate from the judicial area. This bill would give the minister a judicial responsibility. We have always been careful to keep separate the judicial and administrative responsibilities. Now the government seems to be moving into the judicial area. I, for one, do not like it. I suggest that if a problem arises fairly soon, the minister will find out that he has too great a responsibility in this area.

Hon. Mr. Munro: I would point out, senator, that the Minister of Labour, under the Labour Code, has many discretionary powers that he can exercise.

Senator Flynn: Discretion is one thing. This is something else.

Hon. Mr. Munro: This is an exercise in discretion based upon a factual situation that is put before the minister. If there is a grievance under a collective agreement and the parties cannot find a resolution to it, the minister may appoint an arbitrator. He does not have to. A decision of that kind is one of discretion, but the manner in which the discretion is exercised may very much affect the well-being of one of the parties to the grievance.

Senator Flynn: That is my point. If the minister decides not to appoint an arbitrator, the rights of the aggrieved person would terminate. However, if the minister decides in favour of an arbitrator, the aggrieved party might be able to get some relief or compensation, and that would be at the discretion of the minister. That is a matter that is usually the responsibility of a court, or some very independent person or body.

Hon. Mr. Munro: I might point out, Mr. Chairman, that this in no way affects the employee's civil remedies in the event of an unjust dismissal, and so forth.

Senator Flynn: Yes, but a great deal will be decided at this point in terms of the civil remedy.

The Chairman: Senator Everett.

Senator Everett: Mr. Chairman, with reference to Senator Roblin's point, I note that subclause (10) on page 11 states:

> (10) Every order of an adjudicator appointed under subsection (6) is final and shall not be questioned or reviewed in any court.

Subclause (6) states:

> The Minister may, on receipt of a report pursuant to subsection (5)—

That is, from the inspector.

> —appoint any person he considers appropriate as an adjudicator to hear and adjudicate—

And so on.

Perhaps there is a convenient explanation that the minister can give, but it seems to me that if the minister receives a report and fails to appoint an adjudicator, an appeal may then lie to the courts. I am wondering whether that was a mistake in drafting, or whether that indeed has been provided elsewhere in the bill and it is simply a case of my not having read the legislation that well.

Hon. Mr. Munro: There is nothing in the bill that would require the minister to appoint an adjudicator. Again, we are relying on the fact that the minister in this particular instance will act in a just way.

● (2100)

Senator Everett: I am not sure that the minister has grasped my point. Let us assume that the minister fails to appoint the adjudicator under the clause and then the employer makes an appeal to a court. There is no preclusion that I can find to prevent the employer from doing that where the adjudicator was not appointed.

[Senator Flynn.]

Hon. Mr. Munro: No, there isn't.

Senator Everett: Subclause 10 only prevents him from doing it, if the adjudicator is appointed.

Hon. Mr. Munro: Precisely. There is nothing here that would prevent the employer from doing that.

Senator Everett: And you do not consider that to be an error in drafting?

Hon. Mr. Munro: No sir, I do not.

Senator Flynn: Since Senator Everett has discussed my point, I want to mention that under subclause (9), where an adjudicator decides that the person has been unjustly dismissed, he may, by order, require the employer who dismissed him to pay the person compensation not exceeding the amount of money that is equivalent to the remuneration that would, but for the dismissal, have been paid by the employer to the person; reinstate the person in his employ and do any other like thing that it is equitable to require the employer to do in order to remedy or counteract any consequence of the dismissal.

Normally, this right can be exercised in normal courts; but if the minister does not appoint the adjudicator there would be, of course, subclause (14), which says that "No civil remedy of an employee against his employer is suspended or affected by this section."

But I would say that there is quite a difference when you have an adjudicator under this bill saying, "You were unjustly dismissed. You are entitled to your remuneration. You are entitled to be reinstated," and the case where the minister says, "No, no. You have no right. Go to the usual court." That is why I say that this discretion given to the minister is of a judicial nature and does not belong to the minister.

Hon. Mr. Munro: Well, again, I say that it is not unusual. I gave my reasons, senator, why I feel that it is not unusual for ministers to accept—

Senator Flynn: Not in judicial matters.

Hon. Mr. Munro: —to accept political responsibility for determining—

Senator Flynn: That is something else again.

Hon. Mr. Munro: —for determining where an administrative process should be used and where it should not. This is essentially to allow the minister discretion to open up an administrative process to finally determine an employee's rights, where a new right has just been given, and has never been given before; and at the same time it does not deny or it has no impact whatsoever on his right to go to the courts, if he so desires.

Senator Flynn: Why not give that authority to the board?

Hon. Mr. Munro: There is no board in this particular case, senator. I think you mean the adjudicator.

Senator Flynn: Well, the board. The board has a lot of experience in these matters. He could really say that "this is a case where we should appoint an arbitrator," and "this is a case where we should not appoint an arbitrator."

Hon. Mr. Munro: In the safety provisions there we have gone to the board. I think it was Senator Roblin who made the comparison between the safety provisions and these provisions.

Senator Flynn: That is something else. It is rather technical.

Hon. Mr. Munro: There is the same question whether we would want to test our experience to see whether we could be overburdening the board.

Senator Flynn: Just try it!

Senator Roblin: Mr. Chairman, the deeper I get into this clause the more puzzling it becomes to me. Going back to the main point here that the inspector makes a report to the minister and apparently, if the minister decides that it is not to go on to the adjudicator, the matter stops there, I do not see any provision in this bill, although there may be some and I have overlooked it, that says what the minister does when he gets a report from the inspector and decides to hold the process at that stage.

If he decides to let it go on and sends it to the adjudicator, then the rule follows that the adjudicator can make regulations for the payment of the aggrieved employee, and all that kind of thing that my honourable colleague has just read to the Senate. But I am just a bit puzzled to know what happens when the inspector makes his report to the minister. There is no provision, as I see it, for the minister to do anything about it. Apparently, he would have to provide for an appeal to an adjudicator in order to get the adjudicator's ruling and the remedies that flow from that. Have I misunderstood it or is there a gap in this procedure?

Hon. Mr. Munro: That is quite correct, senator. If the minister does not appoint a person, then the process stops there.

Senator Marchand: Honourable senators, this is nothing new in the field of labour. Even where you have a labour agreement which regulates, for example, employment layoffs and so forth, while the union is not compelled to take a grievance up to the arbitration board, they can say, "No, we will not take it." The union has this power.

Of course, these are the cases which are not covered by an agreement and can be assimilated. The standards are established by the government—in this case it is the federal government—and administered by the Minister of Labour as such. It is like all other standards. This is new because some employees—when the Honourable Senator Flynn says it is judicial—

Senator Flynn: I am speaking of dismissal, not of safety.

Senator Marchand: Even in this case you have no law regulating the hiring or dismissal of employees except in the Labour Relations Act. You cannot dismiss an employee because he belongs to a union. Outside of that, this is judged not according to any law; it is judged according to the discretion or the good judgment of the arbitrator, the adjudicator, or the minister if the ministry is involved. We are not in court here.

Senator Flynn: But we could be in court. When the act says that it does not affect any civil remedy, it is because there is a civil remedy for dismissal without cause. There is in the Civil Code, with all due respect to my good friend, a dismissal right of action if you are dismissed without cause. You can go to a court and you can obtain damages and even in some cases, depending on the term of the agreement, require the person to take you back. That is done very seldom, and it is not a very practical remedy, I agree, but it exists. That was not something new when it appeared in the Labour Relations Act. A lot has been done to improve the situation in this respect, but practically all these were already recognized in the Civil Code but were not as specific as in the Labour Code.

Senator Marchand: It does not exist.

Senator Flynn: It does not exist because you never thought of that. You only thought of negotiating an agreement, but there is a lot that you missed by not studying the Civil Code to find out what the rights were of the individual or of the citizen. I suggest to you that sometime you should consult a lawyer.

Senator Marchand: Yes, I did consult a lawyer. I had a professor by the name of Mr. Pigeon.

Senator Flynn: He was talking constitutional law.

Senator Marchand: According to the Civil Code the only thing the employee is entitled to, because he is employed by the hour, is an hour's notice before he is fired.

Senator Flynn: You were a very bad pupil.

Senator Marchand: I had a bad professor. He was the same as the one you had.

Senator Roblin: This is at least one area where I know my limitations. I am not going to argue with Senator Marchand about labour policy, because I am sure he knows so much more than I do so as to be in quite a different league.

As a simple, non-labour person, not even a lawyer but just an ordinary senator in this house, I read section 61.5 regarding unjust dismissal and it says what the inspector does when you cannot get an agreement is that he reports to the minister that he cannot get an agreement. He then gives the minister a written statement with respect to the matter. Supposing the matter under dispute was a question of wages and they could not get an agreement between the parties about wages, and it is conceivable as I read the law—again the lawyers will have to correct me if I am wrong—the minister would say, "Oh, yes, we owe wages all right, but we are just going to drop the matter there." There is no further appeal from the inability of the inspector to get the parties together or to come to some agreement.

● (2110)

Hon. Mr. Munro: When you say "dispute over wages" you are talking about the fact that the situation as revealed by the inspector shows that that was the cause of the employee's dismissal—because this only deals with dismissal.

Senator Roblin: Perhaps I used the wrong example. I was just speaking of this dispute over dismissal, and it is quite

likely that those disputes will involve money before you get through with them.

Hon. Mr. Munro: My deputy has just pointed out that there are other parts of the act dealing with wages as such, particularly in terms of non-payment and so on. But again I would suggest that the inspector will investigate this and it will become apparent, and in the factual examination it will be laid before the minister for determination as to whether it should go further in terms of the adjudicator. I really do not expect that any Minister of Labour in the exercise of this discretion is in any way going to arbitrarily deny further recourse through the process to an employee who *prima facie* seems to have been dismissed unjustly.

The Chairman: Shall clause 21 carry?

Senator Macdonald: I wonder if the minister would look at page 9, subclause 61.5(2), where it says that the person must make a complaint within 30 days unless the minister extends the time. It seems to me that 30 days does not give very much time. This seems to be particularly the case if you look at page 15, where the amendment in clause 26 says that proceedings in respect of an offence under this part can be instituted at any time within three years. So the poor man might be dismissed, and then three years later they come and lay a charge against him. Personally, I think that 30 days is too short and that three years is too long.

Hon. Mr. Munro: Well, senator, we feel that there are two different things here. If an employee feels that he has been unjustly dismissed then he should make this known within 30 days. The other situation covers the whole act and alleged offences under the entire act that may not even come to the surface or be discovered until many months have passed. Our inspectors may go out to the workplace and find out that offences with respect to safety standards have been committed, and may have been committed over a year previously, and if we did not have a clause with the time frame that the honourable senator referred to in terms of three years, then it would deprive us of the right to enforce the act at all, because such offences would only come to our knowledge after the time limit had expired. So, senator, these are two different situations.

Senator Macdonald: On that point of the three years, under the old act was the time limit not two years?

Hon. Mr. Munro: That is correct.

Senator Macdonald: Can you give us some idea of why it was extended?

Hon. Mr. Munro: Well, senator, the old provision required a prosecution to be launched within two years after the situation came to the attention of the minister. Now that was felt in the standing committee—

Senator Macdonald: Was it two years or one year after it was brought to the attention of the minister? That was the first proposal under this act.

[Senator Roblin.]

Hon. Mr. Munro: The previous situation was that it was two years after occurrence. This was a compromise solution arrived at by the committee, which provided that it would be three years after occurrence.

Senator Macdonald: I may be wrong, but as I read the first act, the proposal was one year. The additional year was after it was brought to the attention of the minister. The objection was that that might go on for years. It is an improvement, but it is still an extension of two years. I am wondering whether there was a special reason why they wanted to extend the time. Have they come upon cases where they could not institute a prosecution?

Hon. Mr. Munro: That is precisely the situation. Sometimes our inspectors go out, and do a routine examination only every two and a half years. A factual situation may come to their attention which they did not notice when they were last there two and a half years ago. We thought it reasonable to go back that far but no further, in terms of being able to enforce the act.

The Chairman: Shall clause 21 carry?

Hon. Senators: Carried.

The Chairman: Clause 22. Shall clause 22 carry?

Hon. Senators: Carried.

The Chairman: Clause 23. Shall clause 23 carry?

Hon. Senators: Carried.

The Chairman: Clause 24. Shall clause 24 carry?

Hon. Senators: Carried.

The Chairman: Clause 25. Shall clause 25 carry?

Hon. Senators: Carried.

The Chairman: Clause 26. Shall clause 26 carry?

Senator Flynn: Mr. Chairman, this is a question that was raised by Senator Macdonald. It says:

> (2) Proceedings in respect of an offence under this Part may be instituted at any time within three years after the time when the subject-matter of the proceedings arose.

Is this the same thing as the points raised by Senator Macdonald?

Hon. Mr. Munro: Yes.

The Chairman: Shall clause 26 carry?

Hon. Senators: Carried.

The Chairman: Clause 27. Shall clause 27 carry?

Hon. Senators: Carried.

The Chairman: Clause 28. Shall clause 28 carry?

Hon. Senators: Carried.

The Chairman: Clause 29. Shall clause 29 carry?

Hon. Senators: Carried.

The Chairman: Clause 30. Shall clause 30 carry?

Senator Haidasz: Mr. Chairman, I wonder whether this is the appropriate place to ask the minister a question. In our hazardous society, federal and provincial governments have undertaken several inquiries into the safety of our workplaces in the nation. What relationship will these safety committees have with the proposed Canadian centre for occupational health and safety?

Hon. Mr. Munro: There is a bill now before the house establishing a Canadian centre for safety and occupational health that it is hoped will bring together labour, management and people in the health sciences who will run this centre in an autonomous way and report to Parliament. In fact it will be a data collection agency. It will bring together the fund of knowledge in all matters dealing with occupational safety and hazards to health in the workplace. It will interpret, analyze and distribute that information across the nation and make it available in a pragmatic way to the health and safety committees at the plant level, so that these types of committees will be served by a national agency that can keep them updated as to the latest revelations, both in Canada and abroad, with regard to safety and health standards in the workplace.

● (2120)

Senator Haidasz: But will these safety committees have an input into the centre for health and safety, or do they have to report to the Canada Labour Relations Board first?

Hon. Mr. Munro: This centre is going to be an agency that is accessible to and dovetails with the health and safety committees. So there is a flow back and forth on an on-going basis.

The Chairman: Shall clause 30 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 31 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 32 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 33 carry?

Senator Macdonald: With regard to clause 33, at the top of page 25, this says that a complaint must be made within 30 days from the date on which the complainant knew, or in the opinion of the board "ought to have known," of the action. Is that not rather strange, that a person "ought to have known"?

Senator Langlois: That is a very common expression.

Hon. Mr. Munro: It is a test of reasonableness, I suppose. I can envisage a situation where most reasonable people would say that it is obvious at a given point in time that a particular employee should have known that he was operating under an unsafe situation, and the time would run from then. It is a protection, I would anticipate, against undue delays in making complaints.

The Chairman: Shall clause 33 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 34 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 35 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 36 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 37 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 38 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 39 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 40 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 41 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 42 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 43 carry?

Senator Flynn: This is a clause, I think, that expresses the wishes of the board. I do not doubt that any board would wish this kind of a clause to apply to its operations. What we are doing here is restricting considerably the powers of the courts to review or check the operations of the board. The proposed new section 122 provides:

> Subject to this Part, every order or decision of the Board is final and shall not be questioned or reviewed in any court, except in accordance with subsection 28(1)(a) of the *Federal Court Act*.

There is already a restriction, because section 28(1) of the Federal Court Act has paragraphs (a), (b) and (c), and this refers only to paragraph (a). Then in subsection (2) we see:

> Except as permitted by subsection (1)—

That is already the restriction provided.

> —no order, decision or proceeding of the Board made or carried on under or purporting to be made or carried on under this Part shall be
>
> (a) questioned, reviewed, prohibited or restrained, or
>
> (b) made the subject of any proceedings in or any process of any court, whether by way of injunction, *certiorari*, prohibition, *quo warranto* or otherwise, on any ground—

Just imagine the repetition here. It is extraordinary. They want to cover the whole waterfront.

> —including the ground that the order, decision or proceeding is beyond the jurisdiction of the Board—

Even the question of jurisdiction.

> —to make or carry on or that, in the course of any proceeding, the Board for any reason exceeded or lost its jurisdiction.

It is quite obvious that here we are trying to say, "Let the board go to the end of its decision and then possibly you could appeal under paragraph (a) of section 28(1) of the Federal Court Act." That is quite obvious. Paragraph (a) of section 28(1) of the Federal Court Act says:

> failed to observe a principle of natural justice or otherwise acted beyond or refused to exercise its jurisdiction.

I will come back to that. What we are trying to take away from the right to appeal is paragraphs (b) and (c). Paragraph (b) says:

> erred in law in making its decision or order, whether or not the error appears on the face of the record.

We do not want the appeal court to decide whether the error appears on the face of the record. Then paragraph (c) says:

> based its decision or order on an erroneous finding of fact that it made in a perverse or capricious manner or without regard for the material before it.

If there is a perverse or capricious manner of deciding there is no appeal.

I would say there is a contradiction, on the surface anyway, because we say here that we do not want the question of jurisdiction to be decided before the board has reached a final decision, yet at the same time we say in section 28(1) (a) of the Federal Court Act:

> failed to observe a principle of natural justice or otherwise acted beyond or refused to exercise its jurisdiction.

Does the minister want the board to be able to operate until the end and not allow anybody to question especially the problem of jurisdiction at the beginning? They have to wait until the end. I think this appears to be the intention. You put somebody under an obligation to follow the course of action of the board until the end, and only then have recourse to the Federal Court on a question of jurisdiction or natural justice, and be unable to invoke any of the other elements contained in section 28(1)(b) and (c) of the Federal Court Act.

The second question I want to put to the minister is this. Even if we have this clause in the new legislation, does the minister really think that by this legislation he can take away the right of any person to go to a regular court of justice, the Superior Court or the Supreme Court, in order to stop the board from going outside its jurisdiction? If he says, "I am not too sure", I would ask him why this is put in here. You are restricting only the powers of the Federal Court, but are you really restricting the powers of the superior courts of the provinces? That is always a very pertinent question.

● (2130)

Hon. Mr. Munro: Mr. Chairman, I point out that this type of clause has been pretty well tested because—

Senator Flynn: I know that.

Hon. Mr. Munro: It has been tested in this sense, that this type of clause is now prevalent in eight of the ten jurisdictions, precisely as it is here in this legislation. The reason for that is that the provinces found, as, indeed, we have found now, that any clause that is looser in its application than a clause such as this means that chaos results as far as the Canada Labour Relations Board is concerned. That is because the way to defeat the process in terms of industrial relations is to immediately, during the course of the proceedings, launch the appeal to the Federal Court, thus delaying any final decisions being made for one, two or three years and undermining the very credibility of the labour relations system. Indeed, this has happened in so many cases now that it has been the subject matter of such concern as to constitute abuse of the labour relations system and the laws relating to it. So we have, in effect, adopted the same legislation as is prevalent in the provinces for that reason. It has been found to have restricted frivolous motions and applications to the courts during the course of the proceedings before the Board.

[Senator Flynn.]

Senator Flynn: I would like to hear the comments of Senator Marchand on that point, because you referred to the legislation in the provincial jurisdictions. In that respect it seems to me that it never prevented the unions, and especially the union led by my honourable friend some years ago, from going to the Supreme Court and saying that this type of provision would not prevent the courts from intervening, because you cannot really legislate and deprive a person of the privilege of invoking lack of jurisdiction, if I am correct. It also may bring back some memories to Senator Marchand of some famous cases in which he was involved in those years, because this type of clause, if my memory serves me right, was contained in the legislation enacted under the Duplessis government, to which he objected very much. I do not know whether he is in favour of it now and I would like to hear his views in that regard.

Senator Marchand: Honourable senators, the purpose of this law is that which is seen in almost all labour legislation, to attempt to prevent certain things being done by the labour councils or the parties to the negotiations, such as going to the courts and preventing the normal procedure from following its course. So this is the purpose, and it is not to deny the rights of anyone. It is necessary because there have been abuses of this, which abuses can involve either party.

Senator Flynn: I know.

Senator Marchand: These abuses are attempts to use the courts in order to delay and gain some advantage. So, in my opinion, some type of statute is necessary in order to protect the rights of the parties against the abuse of references to the courts.

Senator Flynn: But I was asking whether you liked it when it was enacted by the provincial authorities some years ago, and whether you were not successful in fighting it and obtaining the right to appeal even to the Supreme Court, despite wording such as this?

Senator Marchand: I do not know which case you are referring to.

Senator Flynn: Let us use the *Guindon* case.

Senator Marchand: At that time the decision had been made by the council. The union was decertified by the labour relations board in Quebec. There was an appeal to the regular court, but there was no intervention during this process of recognition of the union or request for certification.

I can think of other cases which are clearer. I remember receiving a certification by wire one day because the government wanted to settle a strike without the council's knowing about it.

Senator Flynn: I should like the minister to tell me whether he thinks this clause takes away the right to appeal to the superior courts of the provinces?

If a company says that it is not under the jurisdiction of the board, it can go to the court and say that it is not under the board's jurisdiction. The Federal Court may be inclined to say that its jurisdiction is restricted by this provision, but would a regular court of a province consider it is restricted by this provision?

Hon. Mr. Munro: The Federal Court Act establishes the Federal Court—

Senator Flynn: I know that.

Hon. Mr. Munro: —as the court to review decisions of administrative federal tribunals. I do not understand, unless I have misunderstood the senator, where the superior courts of the provinces come into play in this situation.

Senator Flynn: They come into play on the question of constitutional jurisdiction. You are not saying that a provincial court cannot deal with the problem of jurisdiction? If the company is not under federal jurisdiction, the Federal Court cannot say that the provincial court will not be able to hear the company.

Hon. Mr. Munro: The Federal Court Act establishes the Federal Court as the only court to review decisions of administrative federal tribunals. It is the only duly constituted court that can review a decision of the Canada Labour Relations Board.

Senator Flynn: There is mixed jurisdiction in the Federal Court. Perhaps it is not on everything—

Senator Marchand: This is definitely within federal jurisdiction.

Senator Flynn: If the board has no jurisdiction, how can you say that the Federal Court will be the only court to decide on jurisdiction?

Senator Marchand: The Federal Court would decide it has no jurisdiction.

Senator Flynn: Not at this point.

Hon. Mr. Munro: The Federal Court has made decisions dealing with administrative tribunals. I believe, subject to correction, on several occasions it has stated that the Canada Labour Relations Board had exceeded its jurisdiction. The *B.C. Packers* case is one where they, in fact, did so. There lies an appeal from the Federal Court to the Supreme Court of Canada.

• (2140)

Senator Flynn: I realize that on occasions when people went to the Federal Court on the ground that the Labour Relations Board had exceeded its jurisdiction, the Federal Court decided that it had in fact exceeded its jurisdiction. But jurisdiction cannot lie only with the Federal Court. This is a problem beyond the Federal Court. If I want to contest the question of jurisdiction, I can go to either a provincial superior court or supreme court. This clause, which restricts the possibility of appealing interim decisions of the board, could very well be put aside by an appeal to a superior or supreme court of any province.

Hon. Mr. Munro: We are not aware of any such decision of the Canada Labour Relations Board that has not gone to the Federal Court, which has been duly constituted as the court of review over administrative tribunals in the federal jurisdiction.

Senator Flynn: You may become aware of such cases.

Hon. Mr. Munro: I suppose it is conceivable that the Federal Court could make a decision that a province would not like, or the Canada Labour Relations Board might make a decision that a given province might not like, in which event the jurisdiction of the Federal Court could be challenged under the Federal Court Act. That has not occurred, and I cannot predict what the outcome might be.

Senator Flynn: The point I wanted to make is that the effect of this clause is to provide the board with the possibility of going to the final decision without interference from the court, thereby putting some people under the obligation to follow everything that the board does prior to coming to its final decision.

This, to my mind, is not natural justice. If I am sued, I can object right at the outset that the case does not stand in law. I can request of the court that the action be dismissed right away on the ground that there is no basis in law, without going into the facts.

What you are saying is that, whether one likes it or not, one will have to follow the board right up to its final decision, and only then can one invoke the ground of lack of jurisdiction. That may be desirable from an administrative point of view, but certainly it is not a good principle as far as its effect on the public is concerned.

Senator Forsey: May I ask the minister whether it isn't true that courts have shown themselves remarkably hostile to privative clauses of this sort and have found a variety of ways of getting around them in greater or less degree? My recollection of some of these cases is pretty hazy, I must admit, but my impression is that in a good many cases the courts have been very averse to accepting this kind of thing and have found ways around it. Is the minister quite sure that they will not find a way around this? This, I think, involves the very question that Senator Flynn has been raising.

Hon. Mr. Munro: I think it is a fair conclusion that the courts have shown in their judgments an antagonism towards clauses of this kind.

Senator Côté: Carried.

Senator Smith (Colchester): Carried nothing!

Senator Flynn: Well, you have to give Senator Côté a chance to make his contribution.

Senator Côté: I am the only progressive one here.

Senator Smith (Colchester): Let me say at the outset that I have not had the opportunity of following all the discussion on this bill. However, it does seem to me that this proposed section is one of the most offensive—and I repeat the word "offensive"—to provinces of any clause I have ever seen in any bill I have had the opportunity to scrutinize since coming here. It is also, it seems to me, one of the most offensive possible sections to natural justice.

As Senator Flynn has pointed out—and I do not want merely to repeat what he said but rather to emphasize what he said, because I think it needs to be emphasized; indeed, perhaps it ought to be emphasized many times—this is really an attempt to deprive the ordinary provincial citizen of his right to appeal to his provincial courts on the question of whether, constitutionally, a court which is trying to assume jurisdiction over him has that jurisdiction.

I think that is offensive, not merely as an exception to constitutional law, but I think it is offensive to the principles of natural justice, and I am amazed that here at this late date, or at any date for that matter, we should be asked to give our consent to this abhorrent type of legislation.

Hon. Mr. Munro: Mr. Chairman, I am not sure I understood the honourable senator correctly. I do not know whether his objections are on two grounds. One, he does not like this type of clause, period.

Senator Smith (Colchester): That is one.

Hon. Mr. Munro: That is one, and the other one is that he does not like the establishment of the Federal Court.

Senator Smith (Colchester): No, no, no.

Hon. Mr. Munro: Well, the only reason that a provincial citizen would not have access to the superior courts in the provinces is that the Federal Court Act establishes that court to make determinations with respect to decisions of administrative tribunals with federal jurisdiction. Prior to that act, it was a different regime. So access to the Federal Court, in areas falling within federal jurisdiction deriving from decisions of administrative tribunals in federal jurisdictions, is open to the citizens if they feel aggrieved, but it is through the Federal Court system as opposed to the superior courts of the provinces. It is another court system and it is there for federal matters. If there is any objection to that, I would say that we should direct our objection to the Federal Court Act.

Hopefully, having dealt with that aspect, if indeed that was the point of the senator's objection, then so far as the clause itself is concerned, as I have indicated, first, I do not see it in really the intolerable terms that the senator does, and I will tell you why. It is because there are many abuses that deny people rights. It may appear that clauses of this kind seem arbitrary and deny people's rights, but I happen to perceive them as indeed preventive of abuses that have become all too apparent in the industrial relations system, where people are denied the exercise of their legitimate rights because the system that we have for the protection of individuals is perverted by one side or the other to, in fact, deny a decision that intimately affects their rights.

I have seen situations of unions which have expended considerable amounts of money on lawyers and on the preparation of cases that have gone for certification to the Canada Labour Relations Board, and within the second or third day of the hearings, or even on the first day, immediate recourse is had by the other side to the Federal Court to make a review before the board has had a chance to get into the substance of the question or make a decision.

It is not just unions, but this has happened in many cases with unions. Certainly, it happens with employers, depending on the type of case, where it is hoped to frustrate the entire administration of justice as it applies in industrial relations by recourse to the courts. Once it gets in there, it is there for a year, two years or three years. Imagine the impact that that has on a pending certification that is supported by the employees who want a decision fairly quickly as to whether they are to have a bargaining agent to protect their rights. And the system is so frustrated by this recourse through various channels that the decision does not emerge for two or three years. It makes a mockery of the system and I think it is repugnant to what our sense of natural justice should be as far as the protection of individual rights is concerned.

• (2150)

Senator Smith (Colchester): I must say that I remain more convinced than ever, after listening to the minister, that I was right because, as I understand this clause, it means, as I think Senator Flynn said, that in order to determine the question of jurisdiction one has to go through all the Federal Court system, until one gets to the Supreme Court of Canada. How can one get more delay—not because it is the court's intention to delay, but because of the channels through which the process must go?

What the honourable gentleman is really saying, as I understand him, is that it is far better to have a delay through the Federal Court and the Supreme Court of Canada and exhaust the patience and the financial resources of the parties, whether they be union or company, to get the question of jurisdiction determined there, than to get it determined in the courts of one's own province.

Hon. Mr. Munro: I am not saying that at all.

Senator Smith (Colchester): If you would like to interrupt me, go ahead.

Hon. Mr. Munro: Thank you, senator. I am not saying that at all, nor do I think I said that. All I said was that the Federal Court Act establishes the Federal Court to make determina-

tions of this kind in federal jurisdiction. I am not here to answer for that. I am just speaking of the reality. So far as this particular clause is concerned, what it does is prevent recourse to the courts until the final determination by the board in question. Once that final determination is made, then there is recourse to the court system. It happens, in this case, to be the Federal Court. It could have been some other court, but because of the Federal Court Act it is the Federal Court that the person goes to. I am not arguing for the superiority of the Federal Court over another court; I am just saying that once it is open to review by the court under this privative clause, it is dealt with by the Federal Court as a result of an act of the Parliament of Canada.

Defending the principle of the clause is quite different from arguing what court it goes to. My argument was directed towards the defence of the clause itself in terms of its practicality and protecting people's rights in the sense that it prevents abuses which have already become apparent. I believe the honourable senator's administration was in power in the province of Nova Scotia. I indicated that identical clauses, or clauses so similar as to be almost identical to this, exist in eight provincial jurisdictions that found the same result as I am talking about in terms of abuse, and this is why it was necessary to resort to privative clauses of this kind. Nova Scotia has a similar one to this.

Senator Smith (Colchester): Of course, but that is Nova Scotia, and that is the point I am making. In Nova Scotia we left it to the Nova Scotia courts and I believe in law it still will be, despite this. This is a futile clause which is going to cause more trouble, disputes and legal proceedings than we have ever experienced before. However, I can agree with the minister that in Nova Scotia we wanted to make sure, so far as it was possible—and it will never be completely possible—that there is a quick determination of these things, and there is a determination made close to the people involved, not in some distant court which has not got the same sort of relationship to the citizens of the province. It should be made quickly and it should be made at home, and I think that is where, after endless litigation, it is going to end up anyway.

Senator Flynn: I want to illustrate the argument that we are making on this side, and possibly on the other side. What you are saying is that we have to wait until the final determination of the board to appeal to the court. If we do, and if there is a question of jurisdiction from the Federal Court, we go to the appeal division of the Federal Court, and then we go to the Supreme Court if the Supreme Court says, in the first instance, the board had no jurisdiction. We have spent, let us say, three years in the normal course of events. What I say is that if you leave the situation as it is, you cannot have the Federal Court determine immediately that the board has no jurisdiction.

Of course, the other party who does not accept that decision may go to the appeal court and may then go to the Supreme Court, but that is his problem. We have had a first decision of a court that there is no jurisdiction. I suggest to the minister that what he is doing now is just increasing the difficulties that we have there. I understand what he wants, and I understand his objective, but I suggest to him that he will find out that in the end it will be worse than the situation he is trying to correct.

Senator Everett: Mr. Chairman, the minister, as I understand it, stated that no appeal would lie until the final decision was taken. At this point an appeal would lie to the Federal Court. I can agree with that approach. I think it makes sense, and, indeed, I am not sure that I understand what Senator Marchand was dealing with when he talked about appeals during the proceedings. As I understand it there are no appeals, and the intent of this amendment is that there should be no appeals during the proceedings but only after the proceedings have been concluded. So as I understand the amendment there is no delay during the proceedings; the decision is taken and then there can be an appeal.

But what I am mystified about is that the appeal itself seems to be restricted. You can appeal if the tribunal has failed to observe a principle of natural justice or has otherwise acted beyond or refused to exercise its jurisdiction. But section 28 also has subsections (b) and (c), which say that you can also appeal if the tribunal has erred in law in making its decision or where the tribunal has based its decision or order on an erroneous finding of fact made in a perverse or capricious manner or without regard for the material before it.

I can understand why you do not want an appeal taken during the proceedings, because that may, indeed, constitute a form of delay. And I can understand the minister's concern, but if you are going to say that you do allow an appeal under section 28, then surely if the decision of the board was based on an erroneous finding of fact that it made in a perverse and capricous manner, that is a ground for appeal. I understand that the minister, and he can correct me if I am wrong, brought this act before the house and then on April 7 proposed this amendment. He states that this is something that he has been worried about for a considerable number of months or years during his tenure as Minister of Labour, and indeed he is probably the most experienced labour minister, next to Mackenzie King, in the history of this country—

● (2200)

Senator Flynn: Mr. Chairman—

Senator Everett: —yet he came upon the necessity for this amendment—

Senator Flynn: Mr. Chairman—

The Chairman: Order.

Senator Flynn: He did not object; so it is not your problem.

The Chairman: I am sorry. Order, please. I do not think that any senator should interrupt another member of the Senate when he is speaking. I think this practice should be observed, particularly by the honourable senator.

Senator Flynn: I would say that under the Rules of the Senate the Chairman or the Speaker should not intervene unless someone requests that he intervenes; otherwise he should stay in his seat.

The Chairman: No. That is not the way that I understand the Rules of the Senate.

Senator Flynn: That is your way of thinking.

The Chairman: Well, I can have my way of thinking. A senator should not interrupt unless he has the permission of the senator who is on his feet and speaking. That is the way I understand the rules. If I am wrong, then someone can replace me in the Chair.

Senator Marchand: There is no appeal from that, I agree.

Senator Flynn: I would invite the chairman to try to enforce the rule as he has just announced it. He would see how difficult it would be.

The Chairman: I will not pursue the discussion. If the honourable senator is not satisified, let someone else take the Chair.

Senator Flynn: I am not asking anyone else.

The Chairman: That is the way I look at it. I am sorry.

Senator Everett: Perhaps during the discussion I was talking at the same time that Senator Flynn was talking and I did not hear what he said. Perhaps he had something to contribute and I did not listen.

Senator Flynn: I must say that the chairman has made me forget what I was saying.

Senator Everett: I will conclude by saying that, as I understand it, the minister proposed the amendment on April 7, which indeed was very late in the day. I just cannot understand why it was brought up at such a late period when it is something that has been concerning him, apparently, for a number of years. I reiterate that if the minister says an appeal should lie to the Federal Court, then surely it should include appeal against decisions where the board has erred in law, and certainly where it has made an erroneous finding of fact, made in perverse or capricious manner or without regard to the material before it.

Senator Forsey: Mr. Chairman, I should like to intervene at this point to support what Senator Everett has said. It awakens in my recollection memories of the case of *Smith and Rhuland* which I think Senator Marchand may possibly recall. It was one in which we in the Canadian Congress of Labour got a decision from the Nova Scotia Labour Relations Board, which I think might well be described as having come from a "perverse and capricious" interpretation of the situation before it; and in spite of the fact that most of our unions were very much opposed to our going to the courts on the thing, as a matter of principle, we decided we would go to the courts. We went to the Nova Scotia Supreme Court, which gave us a resounding decision against the Nova Scotia Labour Relations Board. The board appealed to the Supreme Court of Canada and we got an equally resounding decision from the Supreme Court of Canada confirming the decision of the Supreme Court of Nova Scotia.

This was really the only way in which we could secure justice for that particular union at that time. I am inclined to think that the point that Senator Everett is making is a very substantial one, simply from my recollection of that case of *Smith and Rhuland*—a most flagrant miscarriage of justice. I don't know whether anybody in the department has any recollection of that case. Possibly Senator Marchand himself, as it wasn't his particular pigeon, may not recall it either; but I recall it very vividly because I had some direct concern with it.

Hon. Mr. Munro: Mr. Chairman, with regard to Senator Everett's concern about its being "very late in the day," I think the proceedings of the standing committee of the House of Commons would indicate that along with several amendments during the course or the hearings we endeavoured to make this amendment as well. The Chairman ruled, however, that unless there was something new to be added to the bill that had not been referred to in the bill, it was out of order and the only way that that amendment, which is the amendment we are discussing here now, could be included in the bill would be to go to the House of Commons, where, with the unanimous consent of the entire house, it could then be dealt with and included in the bill as an amendment. Without the unanimous consent of all parties that would not have been accomplished.

We did receive unanimous consent, but were not able to do it in the committee, although an effort was made to do it there, which applied not only to this amendment but to several others. That was the reason that the amendment was presented in the House of Commons, where unanimous consent was obtained, and a subsequent unanimous vote was obtained for its inclusion.

That, in a sense, is the history of how the provision got here. You might say that it would have been helpful if we could have had it in the original bill. That would have been my desire. For one reason or another, however, and whether it was an omission on our part I do not know, we did not get it in the original bill, so naturally at the first opportunity to get it in the bill we endeavoured to do so, and that was in the standing committee.

Dealing with the points raised by Senator Everett and Senator Forsey, might I just say that section 28(1)(a) deals with the question of review by the Federal Court after the final determination by the Canada Labour Relations Board, on questions of jurisdiction, excess thereof, and questions of natural justice.

I cannot precisely recall, Mr. Chairman, all the law I knew, though I know there are other distinguished senators here from the legal profession; but certainly being able to appeal to the court system—in this case, the Federal Court—on questions of natural justice, seems to me to cover a fairly wide area, as indeed it should if it is to mean anything at all. I would assume that when you talk about a decision of a board that would not be subject to appeal under the heading of natural justice, it would take a capricious and erroneous finding of law or fact to achieve that, and it is suggested that if any board were to be irresponsible enough to fall under that particular indictment, it would be a denial of natural justice if such a decision were not overturned.

What I am suggesting is that when you have given powers of appeal on grounds of natural justice and excess of jurisdiction, you have pretty well said it all as far as ensuring the rights of the individual are concerned, when the final decision of the Canada Labour Relations Board is made, but not while it is being made.

Senator Flynn: Why, then, did you restrict the right of appeal to subsection (a) of section 28(1) of the Federal Court Act?

Hon. Mr. Munro: For the reasons I just stated.

Senator Flynn: No, but why did you restrict it? You do not have to do it if you say that in any event a court would change a decision on that basis. Why did you take it away? Under the present legislation it says that "subject to this part, every order or decision of the board is final and shall not be questioned or reviewed in any court, except in accordance with section 28 of the Federal Court Act," which includes what I quoted, and what Senator Everett quoted, in subparagraphs (a), (b) and (c).

Then paragraph (b) of this subsection 122(2) provides that subject to subsection (1), no order shall be made, process entered or proceeding taken in any court, whether by way of injunction, *certiorari*, prohibition, *quo warranto* or otherwise, to question, review, prohibit or restrain the Board in any of its proceedings under this Part.

● (2210)

That is rather restrictive. I think the present situation is fair. Some decisions have been made by the Federal Court which may not please the board, but I cannot be convinced we should say that we should not stay with the present system. I do not think we should accept these two new sections.

Hon. Mr. Munro: When you have the provision of natural justice there is a guarantee that there will not be abuses. I suggest it will prevent the situation about which Senators Forsey and Everett are concerned. When you start to include provisions about errors of law and capricious findings of fact, I suggest they are of such a nature that people who have no intention of proving an abuse of natural justice or anything else just make that allegation and launch an appeal proceeding under paragraph (b) or (c) of section 28(1) merely to delay any decision made by the Canada Labour Relations Board for an intolerable length of time. To prevent this abuse we are limiting it to natural justice, and I think the individual is protected.

Senator Roblin: The minister's sentiments do him credit, but I find his logic hard to follow. He tells us that natural justice includes all the things we are talking about here; he says that natural justice would protect against any error in law or any capricious finding of fact. If so, why not go for paragraphs (a), (b) and (c) as they were previously? I do not really understand why he can agree with the sentiments we on this side express and yet fail to give effect to them in the law we are being asked to pass.

I go further and say I am rather doubtful about the soundness of the argument he makes for doing this. He says that if paragraphs (b) and (c) were in there somebody might take advantage of it, somebody might go to court on this. The plain fact of the matter is that somebody might be right to do so, and if they are right to do so the court is the place to find out whether they are right or wrong.

I take it from the argument we have listened to that it is inconvenient to somebody. The minister says it is the labour unions. Maybe so, but we have just had testimony on the other side that it works both ways, which does not surprise me one little bit. I suggest to the minister that he reconcile his sentiments with his recommendations in this bill and reinsert paragraphs (b) and (c), so that we can restore the law to the position it was in before this amendment was introduced.

Hon. Mr. Munro: I can only reiterate that in our opinion there were abuses under paragraphs (b) and (c). Natural justice is wide enough. It casts the onus on people to establish that there has been denial of natural justice, a greater onus than with an allegation about an error of law that they have no intention of trying to establish in the ultimate, in any event, but which is just a means of delaying the deliberations and final decision of the Canada Labour Relations Board. That is our experience.

By including the provision for natural justice we think that where there is a real abuse the person who has suffered that abuse, in the sense of a faulty decision by the Canada Labour Relations Board, will have his remedy, without having to include paragraphs (b) and (c), which have already proved through experience to lead to any number of frivolous applications to the Federal Court that do nothing but frustrate the system.

You say someone may have been inconvenienced, senator; as you put it I believe the direct quote was that maybe they should have been inconvenienced. Well, inconvenience is a polite way of putting it, but I think we are in such a situation that people resort capriciously and frivolously to the court system without any intent, really, of winning their final allegations through that court, but merely for the purpose of delaying a board for often two to three years from making a decision which will bring an application before it to a conclusion. That is more than an inconvenience; in my opinion, that very abuse and type of delay is a denial of natural justice. Perhaps when we in a sense, "restrict this clause to natural justice", the litigant will be tempted just to take frivolous proceedings because that in sum will constitute abuse and a denial of natural justice, and the court will so find.

Senator Everett: The minister is concerned about capricious applications to the Federal Court that are meant to delay the proceedings. However, if he permits paragraph (a) to exist and an appeal based on the fact that there was a failure to observe natural justice, that opens the door to a capricious action. In using the word "capricious," is an error in law a capricious matter? Is basing an order on an erroneous finding of fact made in a perverse or capricious manner a thing that we should ignore? We have a system that is based on the rule of

law, and to say that it is capricious to bring an appeal because you believe that the tribunal erred in law seems to me to argue against the entire system of law that we have. So I make two points: One, that in permitting paragraph (a) you have opened the door to so-called capricious appeals; and secondly, appeals based on errors in law and decisions based on complete disregard for the facts are not in any manner, Mr. Minister, capricious appeals.

Senator Forsey: May I follow that up, just briefly? I understand the minister's point about not wanting to have these appeals taken while the process is going on, but if he simply left the law as it is now—as I understand it is now—with section 28(1)(b) and (c) of the Federal Court Act in operation, surely then that would still mean that the minister's point would be met, that there would be no appeal until the decision of the board has been made. On the other hand, if he takes the other line and says: "Oh, yes, but that would allow appeals to be taken while the process was going on" then, surely, leaving section 28(1)(a) in the clause also will allow appeals to be taken while the process is going on. I do not see that the minister can have it both ways, but perhaps I am just being stupid or perverse at this hour of the night, or because of age and infirmities. But I should like to have this cleared up, because I am not sure that everyone else finds it any clearer than I do.

Hon. Mr. Munro: I do not think the senator is suffering from any lack of awareness of the provision, knowing the senator. I just repeat that we endeavoured to accomplish two things. We have endeavoured to accomplish that the system not be obstructed by appeals being made during the course of hearings before the Canada Labour Relations Board. This was to stop this frivolous use of the system.

● (2220)

The second objective was to limit or restrict the grounds of appeal. There is no question of that, because we felt the wider grounds enumerated in section 28(1) (a), (b) and (c) of the Federal Court Act do, in themselves, open up the frivolous actions which go before the Federal Court. So we narrowed it down to section 28(1)(a).

These were the two objectives, to narrow the grounds of appeal and to prevent appeals going ahead before the courts while hearings are being held before the Canada Labour Relations Board.

To prevent any real denial of natural justice which, as far as I am concerned, is something that is not tolerable, we left that particular ground in. It seems that it does cast a heavier onus on someone who wishes to go before the court to prove denial of natural justice, than to merely make allegations under section 28(1) (b) and (c). They have to go further and establish that as a principle of law. It is a very serious matter when you are alleging denial of natural justice.

It is a sincere intent. I do not think there is any doubt one will carry it through if one is basing their appeal on that ground of natural justice. I firmly believe, for those reasons, that we have narrowed the grounds of appeal and we hope we have eliminated these frivolous appeals. That has been our experience with the provincial legislation in eight jurisdictions which have followed a similar regime.

[Senator Everett.]

Senator Smith (Colchester): Honourable senators, I did not intend to make reference to the rather late-in-the-day conversion of the minister to this remedy for what he considers a very serious problem, but it having been raised already, and having listened to his response, it seems to me that he has not really made a very convincing case as to why such a serious problem didn't catch his attention, or the attention of his advisers or draftsmen, until after the original bill was drawn up.

I would have thought, without really requiring very much evidence one way or the other, if a problem was a serious one and had existed for a substantial time, so long a time that it was really right for it to be recognized as a serious problem, that a minister responsible for that particular type of problem, or at least his adviser or draftsman, would have recognized it long since and not come at the last minute with an amendment which would create a remedy for a very difficult and long-standing problem.

I must say that, in response to the minister's response to Senator Everett, I find nothing convincing at all that this could be so long standing and so serious, but rather I find myself doubting whether this was recognized until very recently as something that needed to be dealt with. Perhaps this sudden recognition sprang not from long experience, but from something of the kind of problem Senator Roblin mentioned.

I do not expect the minister to pay much attention to anything he does not hear, and I do not really expect him to give me the courtesy of listening to me if he does not wish to, but it would add something to the debate if he did listen. Then, at least, we would be able to say to him that he heard what we said. The minister seems to ignore what I am saying, and perhaps he has a very good reason. Perhaps he doesn't want to hear any argument that would go contrary to what he has been saying.

This talk of frivolous proceedings before the courts leaves me completely cold. I have had quite a lot to do with the courts to this point in my life, and I have had something to do with the rules by which courts conduct themselves. It has been my experience that in most jurisdictions the courts and their rules are so arranged that frivolous proceedings are given very short shrift—very short shrift indeed. There are quite proper and well understood ways by which frivolous applications to the courts, or the frivolous beginnings of legal proceedings, are brought to a halt quickly. Such applications are brought to a halt long before trial, and in a most expeditious way. If such proceedings are not brought to a halt in that way, then either they are not frivolous or the people who are opposing them are not properly doing their jobs.

I am bound to say, therefore, that if the minister finds court proceedings so frivolous, and so difficult to deal with because they are frivolous, either he is not doing his job or the people under his authority are not doing their job in getting these frivolous proceedings disposed of quickly, or the legislation

which governs the Federal Court is not properly constituted or shaped to deal with that sort of thing.

the first thing I think of when someone complains about a frivolous proceeding being brought before the court is that the person complaining is afraid the court will not give him what he wants. That is the first thing that occurs to me in such instances, and it not only occurs to me, but to a great many people. It is near time that those who are in authority in this country began to stop complaining about frivolous applications when the courts do not find what they want, and begin to think of the rule of law and the rights of the individual.

The way in which the minister has presented his argument this evening leads me to think that it is very nearly time that he and those who are advising him woke up to the fact that Canadians are getting pretty tired of people who do not like what the courts do. Canadians are prepared to submit their controversies to properly-constituted courts. Those who would try to deprive the courts of jurisdiction are those who are afraid that the courts will not let them have their way.

[*Translation*]

Senator Marchand: Mr. Chairman, honourable senators, I would rather say what I want to say in French since I have more facility in that language. Moreover, I am not a lawyer and I am of course very impressed by the legal arguments that Honourable Senator Smith has just given.

However, I believe that knowing the law as he does and as we all do, we know that labour legislation has developed outside of traditional law and that all the efforts of the governments, whether in Nova Scotia, in New Brunswick or at the federal level, have been made from the very beginnings of labour legislation to provide exceptions to the general statutes, and this has resulted in a new branch of law called labour legislation. This has happened precisely because the basic laws, whether in the Civil Code or the Criminal Code, have never been designed to accommodate this new reality we call collective negotiations and the collective rights of workers in an industrial world.

This law is therefore based on exceptions and we try to protect it against the traditional law which did not provide for it. So we should not be shocked and say that our courts are ready to understand everything. If there is a labour relations council in Nova Scotia, if there is one here, if there is one in Quebec or elsewhere, it is indeed because we thought that there were things which the courts were not able to decide and that we needed a special system, not only for the special courts which we call administrative councils, but also special legislation for the world of labour in its relations with the employers because it involves legal problems that do not affect traditional law.

When labour law began to develop, those who opposed it used traditional law to try to stop this development. They did this, for instance, by obtaining injunctions against work stoppages or by certiorari brief procedures or by some other form of exceptional legal action, not to inforce the law, but to try to delay a process which was not in their interest.

You can say that you are shocked, but I would also be shocked to know that our legal system is such that people have no confidence in the courts as they now exist. It is not a matter of having confidence in the courts such as they are, it is simply a matter of knowing whether we subscribe to the concept that we are now facing a new type of law which we are trying to integrate into traditional law.

This is the basic problem. I do not think this should cause a scandal since we must simply determine if in such a case it is justifiable to act in this way for the common good.

Senator Flynn: Agreed.

● (2230)

[*English*]

Senator Smith (Colchester): I must say that the eloquence of Senator Marchand is only equalled by his wide knowledge of labour relations, and I accept in large measure without reservation his comments about the necessity of having a different kind of law, or an innovative way of administering law, when we come to deal with labour relations. I learned that very early in my public life—incidentally, not as perhaps the senator indicated I might have, but because of a great friendliness with people who were not labour oriented. Not to do anybody any good, but just to make it clear, I have been on both sides of these questions and, much more frequently, I have been straight in the middle.

So I think I understand very well what Senator Marchand is saying. But that does not lessen my feeling that the fundamental rights of the individual must be protected, whether we are involved in labour law or in any other kind of law you could want to mention—and there are a great many aspects to the law, of course. Nor does his very persuasive exposition of the need for innovative law convince me that this is such an important and long-standing and convincing type of situation, when the minister only thought of it after he introduced the bill in the House of Commons.

Now, surely, one can argue all one likes about the necessity of innovative law, and, generally, I suspect I would be on the side of that argument, although one should not offer one's support in advance, I suppose. But when I get right down to considering this matter as I understand it from the minister's explanation, that this was not made a part of the original bill, which was provided some time ago—I don't know the date—but that, as a secondary thought after the bill was drafted, the conclusion was reached that this change ought to be made to remedy a long-standing abuse, to me that is a contradiction in terms. I would have thought that if one who was charged with the responsibility of dealing with the very difficult field of labour relations was going to present before Parliament a bill which would deal with the most difficult problems that he had experienced, and which had to be faced and solved, he would have encompassed all those serious problems in the first draft of his effort.

When you come along after that and find yourself compelled first to go to a committee of the legislative house—is somebody saying something? If he is, I would be glad to hear

him, and I would like to be enlightened by his contribution. I do not want to carry on without giving proper attention to anyone who has anything to say.

The Chairman: That is why I called order. The honourable senator is now speaking and we should listen to him.

An Hon. Senator: We do.

Senator Côté: This is the third time he is saying the same thing.

The Chairman: I interrupted the Leader of the Opposition, and I will call anybody else to order.

Senator Côté: Of course.

Senator Smith (Colchester): That is very much in line with your usual fairness.

I must say that the honourable gentleman who tried to enlighten me has at least succeeded in interrupting my train of thought, which he would probably say was not very good. However, I regard it as being of some use and, consequently, I shall try to resume it.

Where I think Senator Marchand and I do not see eye to eye on this—and I think fundamentally we would really have no significant difference—is that I have a very high regard for the courts, and I suppose that he, being brought up in a different discipline, perhaps might have a different regard for them, and I suspect—

Senator Marchand: I have a very high regard for the courts.

Senator Flynn: Order, order!

Senator Smith (Colchester): I will just return to say this, and then I will stop. If this is such a deadly serious thing, how is it that the minister was so late in discovering the problem and asking the legislators to remedy it in such an objectionable way?

The Chairman: Senator Flynn.

Senator Flynn: I move that clause 43 be deleted and that the situation existing presently, which apparently has not worried the minister for some time, remain as it is. Therefore, I move that clause 43 be deleted. I do not know that if by the mere fact of voting against the clause it is deleted. One way or the other, I would ask you to either request that it be deleted or we vote against it.

The Chairman: You are moving, Senator Flynn, seconded by Senator Grosart, that clause 43 be deleted? Is that your motion?

Senator Flynn: Yes.

The Chairman: If that is so, those who are in favour of the amendment—I am sorry, Senator Marchand?

Senator Marchand: It is an important point, and I would like either Senator Flynn or Senator Smith to point out what prejudices they think this position can create for the people, the organization, or the employer. This is what I am just trying to understand. I understand very well their point of view when they say that if we depart from the regular procedure of the court system we should have a good reason. I understand that. We think that in this case this should be dealt with differently. I am just wondering what prejudice or what kind of rights we remove from whom.

[Senator Smith (Colchester).]

• (2240)

Senator Flynn: Mr. Chairman, I think we have explained our position. I think Senator Smith (Colchester) has explained his views many times. I say that under the present situation we can have the problem of jurisdiction settled right away at the beginning, and I do not see any advantage for anybody on either side in having to wait until we go to the Supreme Court to decide whether there is jurisdiction in the board or not. I say that the present situation is not really serious, and Senator Smith has made the point that this amendment was brought in only at the last minute.

Of course, you can say to the people, "Well, you will have to follow anybody up to the Supreme Court before you know whether you are subject to the board or not." I say it is better to have the Federal Court in the first instance decide that and, of course, if somebody wants to appeal the decision of the Federal Court it is up to him. But at least you have an opinion there that you should not take for granted that it is wrong. On the contrary, I think there is the presumption that the decision of the Federal Court on the question of jurisdiction in the first place is right, and it is up to the people who do not agree to go to the Supreme Court.

You have changed completely the burden, and you say you will not be able to question the jurisdiction until after the final decision, and you will have to go to the Supreme Court. If the Supreme Court decides there was no jurisdiction, all you will have done in the meantime will have been useless. That is my point, and I do not think that you gain anything. I think this amendment was a last minute bright idea, and we would be much safer to retain the present position.

Senator Marchand: Well, I don't agree.

Some Hon. Senators: Question.

Senator Everett: I just want to ask a clarifying question of Senator Flynn. He is suggesting a repeal of section 43, and I wonder if really what he wants is an amendment—

Senator Flynn: No, no.

Senator Everett: Please hear me out, Senator Flynn—an amendment which would say in the fifth line of section 122 "subsections 28(a), (b) and (c) of the Federal Court Act".

Senator Flynn: No, no.

Senator Everett: Well, senator, that is what we have been discussing.

Senator Flynn: I know, but if you want the explanation, then I move that we delete clause 43. The effect of that deletion will be to keep sections 122 and 123 as they are in the present legislation. That is not very difficult, and in the present legislation, if Senator Everett wants to know, section 122 says:

> (1) Subject to this Part, every order or decision of the Board is final and shall not be questioned or reviewed in

any court, except in accordance with section 28 of the Federal Court Act.

It does not mention section 28(1)(a).

Senator Everett: That is what I wanted to clarify.

Senator Smith (Colchester): I do not rise of my own volition this time; I rise because Senator Marchand asked a very reasonable and responsible question and I would like to answer it. Senator Flynn gave about three-quarters of my answer. I would just like to add two other reasons. One is that I really believe that instead of shortening the time in which frustration takes place, this is really only going to make it longer, because you are ensuring, if you pass this, honourable senators, that these decisions which now are reached at a somewhat earlier stage cannot be decided until they get to the Supreme Court of Canada. I do not think that is in anyone's interest. That was really my chief reason for objecting.

I also think, however, without having been able to give it any particular study, that there is really substantial reason to doubt whether the provincial courts will pay any attention to this, on a question so fundamental as natural justice, for instance. Therefore, I believe that instead of having what may be an unsatisfactory situation, but at least one which has some degree of certainty and which generally has a finite end, we will make it much longer, we will create a great deal of uncertainty, and we will give people who want to create problems in the way of a decision to resort to the constitutional argument. I believe that neither of those things is a good thing to do.

The Chairman: It is moved by Senator Flynn—I do not think it is necessary to have a seconder—that clause 43 be deleted. Those in favour of the motion will please rise.

The Clerk Assistant: Nine.

The Chairman: Those against the motion will please rise.

The Clerk Assistant: Seventeen.

Mr. Chairman: I declare the motion lost. Shall clause 43 carry?

Hon. Senators: Carried.

Senator Flynn: On division.

The Chairman: On division. Clause 44. Shall clause 44 carry?

Hon. Senators: Carried.

The Chairman: Clause 45. Shall clause 45 carry?

Hon. Senators: Carried.

The Chairman: Clause 46. Shall clause 46 carry?

Senator Macdonald: I wonder if the minister might comment on why they considered this necessary. It says:

> (3) Where the Board is satisfied that a trade union has an established practice of admitting persons to membership without regard to the eligibility requirements of its charter, constitution or by-laws, the Board may disregard such requirements—

That would appear to me to be a dangerous situation, one which could lead to abuses in the trade union movement. I believe it would be wholly unfair to the bona fide members of the trade union.

Hon. Mr. Munro: Mr. Chairman, there was the *Metropolitan Life* case which highlighted why this provision was necessary. It was a provision which the Government of Ontario found necessary to insert also. Some of the international unions go back for a long time and have clauses in their constitutions which are decades old, and which limit membership in accordance with some very old traditions that are there, in terms of who can join the union. They have not been changed. They are unrealistic under this situation. As a matter of fact the union has carried on ignoring these qualifications in their charter, as a matter of practice, for years and years. This provision is one that relaxes rather than restricts membership to the unions. We empower the board to do likewise, if it deems proper.

The Chairman: Shall clause 46 carry?

Hon. Senators: Carried.

The Chairman: Clause 47. Shall clause 47 carry?

Hon. Senators: Carried.

The Chairman: Clause 48. Shall clause 48 carry?

Hon. Senators: Carried.

The Chairman: Clause 49. Shall clause 49 carry?

Senator Macdonald: I wonder if the minister might comment on this. It seems to be a strange clause. It says:

> 136.1 Where a trade union is the bargaining agent for a bargaining unit, the trade union and every representative of the trade union shall represent, fairly and without discrimination, all employees in the bargaining unit.

It seems to me strange that such a clause would be necessary. I can understand that in an industrial union it could happen. I am wondering whether there have been many cases brought to the department's notice which would justify the insertion of such a clause.

● (2250)

Hon. Mr. Munro: We have had complaints from individual union members at one time or another, senator, that indicated that they were not experiencing fair representation by their union, and they desired a remedy. They asked the department to intervene on their behalf, but we had no power to do so, and so we thought we should have a remedy whereby that type of isolated case, albeit of a single union member who was suffering from poor representation, could have a remedy, and this supplies it.

The Chairman: Shall clause 49 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 50 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 51 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 52 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 53 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 54 carry?

Senator Smith (Colchester): I am sorry to be just a little slow, but that is not unusual. I wonder if clause 53 could be explained by the minister. I see what it says, but without being able to relate it to the section it is intended to amend, and the sequence of sections, I am not quite sure what the effect would be. Perhaps the minister would be kind enough to explain it.

Hon. Mr. Munro: This is identical in all provincial legislations, senator, and deals with the case where a grievance is filed under a collective agreement, and the parties agree on an arbitrator. In some situations an arbitrator is appointed, but often they both agree to the arbitrator during the currency of the collective agreement. That is what this is designed to do. There are sometimes 50 or 60 grievances under all the collective agreements, and they are not all referred to the courts. The arbitrator's decision is final.

Senator Flynn: Is this another amendment made in committee? I look at the present section, and it seems to me that the purpose of this amendment is to prevent review by any court of a decision of an arbitrator; whereas in the present section there is also some provision to prevent interference by the court. I can read it. It is as follows:

> 156. (1) Every order or decision of an arbitrator appointed pursuant to a collective agreement or of an arbitration board is final and shall not be questioned or reviewed by any court.

This is exactly the wording. It goes on to say:

> (2) No order shall be made, process entered or proceeding taken in any court, whether by way of injunction, *certiorari*, prohibition, *quo warranto* or otherwise, to question, review, prohibit or restrain an arbitrator or arbitration board in any of his or its proceedings under this Part.
>
> (3) For the purposes of the *Federal Court Act*, an arbitrator appointed pursuant to a collective agreement or an arbitration board is not a federal board, commission or other tribunal within the meaning of that Act.

This meant that the decision of an arbitrator was in any event subject to the regular court. Are you trying to take away that power of review by any court whatever—either the Federal Court or any ordinary court of any province?

Hon. Mr. Munro: I was just explaining the principle here, why subsection (1) is being amended. Subsections (2) and (3) of the old section 156 remain. The two subsections you just mentioned stay in the old code.

Senator Flynn: What is the change?

[The Chairman.]

Hon. Mr. Munro: I will tell you. It is merely housekeeping. If you refer to section 156(1), which is the same principle that was complained of a minute ago, it is there. Subsection (1) of section 156 says:

> Every order or decision of an arbitrator appointed pursuant to a collective agreement or of an arbitration board is final and shall not be questioned or reviewed by any court.

That is in the old code which is in front of you. The only change made here is with reference to the arbitrator and the words "or arbitration board."

Senator Flynn: Why do you take away the words "appointed pursuant to a collective agreement"?

Hon. Mr. Munro: I do not think that is required in the circumstances, that is all.

Senator Flynn: Gee whiz!

Hon. Mr Munro: In the same situation, as I mentioned in reply to earlier questions, some are appointed by the procedure set out in the collective agreement and some are left to the minister to appoint, so it is restricted. You will see in subsection (2) reference is made to the arbitration board.

Senator Flynn: Yes, I agree.

Hon. Mr. Munro: We had to make one consistent with the other.

Senator Smith (Colchester): I should like to make sure that the effect of this is to provide that, no matter whether or not the arbitrator or arbitration board is appointed pursuant to a collective agreement or appointed pursuant to the right of the minister to appoint, the decision is final. Is that different from the situation today?

Hon. Mr. Munro: It is not.

The Chairman: Shall clause 53 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 54 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 55 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 56 carry? Carried?

Senator Forsey: Just a moment, Mr. Chairman. I want to call attention to a mistake in English.

Senator Flynn: We had forgotten you.

Senator Côté: You won't give up.

Senator Forsey: I want to call attention to a very common mistake in English which has crept in here. The French text is perfectly clear but the English text says, "the decision of a majority of those comprising the Board", when it should say "composing the Board". "Comprising" means to include. If you say "the majority of those including the Board" you have

got a piece of absolute nonsense. I do not see why it cannot be just as it is in the French text:

sa décision est celle de la majorité de ses membres.

That is, "the decision of the majority of the members of the Board". If you are going to include the participle you had better put it in English and not pidgin English.

I have had occasion to refer to this in other instances, but usually too late, so I wanted to get up in time to have it corrected. I wish to mercy they would teach some English in the schools, and I might say also in the universities, so that we do not get this kind of vulgarization of the language enshrined in the statutes of this country.

Hon. Mr. Munro: We will take that into consideration and try to get it amended in one of the miscellaneous statutes.

Senator Forsey: I am glad to have that commitment. It would be better if we could amend it now, but I suppose in the circumstances we cannot.

The Chairman: Shall clause 56 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 57 carry?

Hon. Senators: Carried.

The Chairman: I hope I am not going too fast.

Senator Flynn: You're slowing down.

The Chairman: I am sorry. Shall clause 58 carry?

Hon. Senators: Carried.

• (2300)

The Chairman: Shall clause 59 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 60 carry?

Senator Smith (Colchester): I would just like to take time, if I may, to read clause 60. I am not sure whether I have the slightest objection to it, but I wonder, again without having the existing section to turn to quickly, if the minister would indicate what change this clause provides?

Hon. Mr. Munro: Yes. There is a change here from the old act, which provided that the report of the majority of the members of a conciliation board is deemed to be the report of the conciliation board. Here we say in this clause that if there are three members of a conciliation board and each files a different report, then to have the report we say that the chairman's report shall be the report.

The Chairman: Shall clause 60 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 61 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 62 carry?

Senator Macdonald: This is a new clause and it would be helpful for the record if the minister would give a short explanation of just what it means.

Hon. Mr. Munro: Yes. We have run into several situations over a protracted period of time in which the board has certified a particular union to represent a group of employees. The employees have endeavoured to enter into collective bargaining with the employer. No settlement is reached; it goes through all the procedures set out in the act. Conciliation officers are appointed, without success; a conciliation board or commissioner is appointed. A report is brought in, which report is unacceptable to either one or both of the parties. Then the employees may go on strike, exercising their legal right to strike and just stay on strike indefinitely. This is the situation following first certification. In other words, no settlement is ever reached; the people are on the streets for an indefinite period of time and the strike never ends. This is prevalent in certain radio station situations, particularly, where it has happened. We have had representations from various members of Parliament to see if this situation could not be corrected or, at least, a remedy made available in the event it should appear the circumstances warrant a remedy being applied.

This covers all political spectrums in terms of people being concerned with this abuse, with complaints from the Right Honourable Member for Prince Albert, various members of the New Democratic Party, and members of my own party. It follows an example of similar legislation which has been implemented. One province in particular stands out in my mind, British Columbia, where it has been effective in correcting that type of situation in which a minister using his discretion is satisfied after a protracted period of time, perhaps a year or more, even if the union still represents its employees, that he can arbitrate, in effect, the first agreement—only a first one and no other one. That agreement would provide minimum standards for one year only.

Senator Roblin: I have some difficulty in following the minister's argument, because as I listened to him he seemed to be describing what could happen in any industrial dispute, whether it be the first one or the 31st one.

I am wondering what the particular factors are in the first dispute that renders it necessary to call for the government to interpose itself in this form of arbitration. After all, this is basically an economic debate between two parties. In the collective bargaining system we leave it to them to settle it because their particular economic fate is at stake. Why should we come in on the first occasion with a form of arbitration and find ourselves able to relax on subsequent occasions when we run into precisely the same difficulty?

Hon. Mr. Munro: In my view, Mr. Chairman, this would occur in very few situations. Most certifications involve a certification for employees in an operation which has a fairly strong union and a fairly sophisticated bargaining apparatus which they could use to establish a bargaining relationship with an employer and carry it through. The strike weapon can be a weapon as, indeed, can a lockout. It is an effective threat to bring the parties together to sign a collective agreement.

I say that advisedly, because it is not new to anyone to learn that there are collective bargaining processes based upon the

adversary approach. That is the fundamental premise for its operation. That is the usual case and it always will be.

There are situations that are relatively unique where employees can—and this largely occurs in the broadcasting area—establish a bargaining unit, be certified for collective bargaining purposes, and no bargaining relationship is ever initially established. This is simply a total certification; nothing happens after that. There is no bargaining relationship and no bargaining in good faith of any kind.

Often communities can be torn apart under such circumstances. For that unique type of situation we give this particular power.

Senator Roblin: I wonder whether the description the minister just gave applies to a particular situation he has in mind. I notice this clause is made retroactive to December 31, 1975. Surely he must have had some particular case in mind in selecting that date. Is this clause aimed at some particular situation which he can tell us about?

Hon. Mr. Munro: I am quite prepared to go on record on this. I would not really want to go behind the date that this bill receives royal assent, unless there are unique circumstances whereby the union could establish, beyond any reasonable doubt, that they still represented a significant majority of the employees involved, especially if they received their certification one, two and three years ago. That may be a very difficult thing to establish. It is operating almost exclusively in the future, with very little application in terms of any retroactivity, even back to January 1, 1976.

● (2310)

Senator Roblin: Assuming that the minister holds that view, why, then, is it made retroactive to December 31, 1975?

Hon. Mr. Munro: We wanted to cover at least some contemporaneous situations where there has been a certification and no resolution of the dispute. In many cases the employees are still on strike. There has been no first agreement, and yet it is still fresh enough to be contemporaneous, in some cases, with precious little doubt that the union still represents the majority of employees.

It seems to me that if we go much behind the date of January 1, 1976, we get into situations where it is difficult to establish what the real situation is. In view of that it seemed to be a judicious time for a cut-off.

Senator Roblin: I do not suppose I am going to be successful in getting the minister to change the date. However, I would like to register my opinion that it is objectionable for us to be asked to pass retroactive legislation, particularly when the legislation would change the rules of the game in mid-course with respect to certain situations which have already developed. I do not know the specific instances the minister has in mind, and I would not like to sit in judgment of them, but certainly the concept of retroactivity, particularly when the legislation is going to interfere with conflicts that are already advanced over several years, is something which I do not feel merits much support.

[Hon. Mr. Munro.]

Senator Everett: Mr. Chairman, it is not my intention to embellish Senator Roblin's argument at all. I merely want to concur with him in everything that he has said.

Senator Flynn: Mr. Chairman, I, too, support what Senators Roblin and Everett have said regarding the matter of retroactivity. I do not see why it cannot apply from this point onwards and have them follow the procedure provided in this clause.

There are two other points in this which are very important, the first of which is that the board is to decide on all the terms of the agreement. To my mind this is not the role of the board. The board has other jurisdictions. This bill would make the board an arbitrator first, and to my mind the normal responsibilities of the board should not be mixed with those of an arbitrator.

Also, I am baffled by subclause (3), which states:

> In settling the terms and conditions of a first collective agreement . . . the Board . . . may take into account—

And listen to this.

> (a) the extent to which the parties have, or have not, bargained in good faith in an attempt to enter into the first collective agreement between them—

Just imagine! You are telling the board that if the employer was not a good boy, was not in good faith, then you would just increase the wages; and if the union did not bargain in good faith, well, then you will give them less. Just imagine that! Is that a condition that should really be suggested? It is only suggested, but should that be suggested to the board? To me it is entirely silly. The board at least should decide on the facts what should be awarded. Surely it should not make its findings on the basis of good or bad faith. If you want to impose a fine on the employer or impose a fine on the union, that is all right; but the terms of the first collective agreement should not be influenced at all by the good faith or bad faith of one side or the other. I just cannot accept that. I cannot understand it.

Maybe Senator Marchand has had that experience, but I have some experience, too, and that never even occurred to me.

Senator Marchand: Mr. Chairman, I will not speak to the entire clause, but just on that particular point I should like to stress certain aspects.

The reason for this is that we assume, and I think rightly, that for the first agreement most of the time—I cannot say all of the time, but most of the time—there are many grievances or uneasinesses that, having accumulated over the years in an organized plant, make themselves felt. The union is not used to negotiating; the employer is not used to negotiating collectively with a union, either. That is why the proportion of conflict or dispute in such circumstances is much greater than in other circumstances.

Senator Flynn: It should not affect the terms of the agreement.

Senator Marchand: When you say that it is a matter of principle that the board should not decide, say, on the substance of an agreement, I have to reply that that principle has already been violated. It was violated many years ago, because

the board has always had the right to impose, for example, grievance procedures, with a final decision where the parties had not agreed on one.

In principle, therefore, I agree with Senator Flynn that normally we should not be involved in all of this, because it means that we are heading in the direction of binding arbitration everywhere in private enterprise, and that is not our purpose at all. That is not the idea of anyone here or in the House of Commons. It is only because of these psychological factors surrounding the first agreement that we say that maybe it is a good formula for teaching them to live together. After they have achieved that, it will probably follow that the other agreements will be easier to negotiate. That is all.

It is only an assumption that is made according to the experience we have in the field of labour relations.

Senator Flynn: I do not think you have replied to my point that bad faith or good faith should not determine the level of wages or determine whether there should be more advantages or fewer advantages.

Senator Marchand: Well, I think what we have called "bad faith" or "good faith" in the field of labour relations may be something special. I have had a lot of personal experience in this. We have always said that an employer who refuses, for example, to recognize a union is not in good faith; and a union that refuses a proposal made by the employer is often considered as being in bad faith from the point of view of the employer. Those are always the contentions of the parties. Of course, what good faith is or what bad faith is is not defined anywhere.

Senator Flynn: That is why I do not want it there.

● (2320)

Senator Marchand: When an employer refuses something, is it bad faith? When a union refuses something, is it bad faith? This is an expression that is used when the parties refuse to talk to each other. I do not think you will see anywhere in the law that bad faith is defined one way or another, but I know that the spirit or the purpose of this whole process is to reach an agreement, and the parties should try to reach an agreement in good faith. When an agreement is not reached, and is not about to be reached, then there is an assumption that there is not good faith.

Senator Smith (Colchester): Honourable senators, I do not disagree in any way with the principle which is contained in this clause or which Senator Marchand enunciates. I do, however, question whether it is really very conducive to long-term relations, in this particular situation, to allow the parties to hurl accusations at each other and suggest that this thing or that thing has been done in bad faith. It seems to me, when disputes have reached this situation, the thing that is most conducive to settling them is to cut off the arguments and disagreements about the past and say, "Look, I do not care what has happened in the past, but as of now we are going to try to work out a fair, reasonable and proper agreement." To me, an invitation to rehash these old disagreements does not seem to be calculated to achieve what I am sure is the very commendable objective of the clause.

Hon. Mr. Munro: I naturally welcome your support of the principle of the clause dealing with the one matter which you identified as concerning you about bargaining in good faith. At the beginning of subclause 61(3) it says:

> In settling the terms and conditions of a first collective agreement . . .
>
> (a) the extent to which the parties have, or have not, bargained in good faith in an attempt to enter into the first collective agreement between them;

Our intent there was that the board, in endeavouring to settle the terms and conditions of a first agreement, could rely on paragraph (a) to induce the parties to go back and start bargaining directly between themselves, in an effort to arrive at a collective agreement without one having to be arbitrated by the board.

In British Columbia where they had a similar clause to this, we learned that it was indeed a deterrent in the sense that the parties, faced with the prospect of having an agreement arbitrated, did go back, and the thought that one might be arbitrated was an inducement to start bargaining in good faith and reach an agreement.

Senator Smith (Colchester): I do not dispute that at all. I cannot really see the helpfulness of inviting them to get back into the old disagreements, angers, dissatisfactions and accusations that this was done in bad faith or that was done in bad faith. I would think, as one not entirely inexperienced, when you get to the point where you have to impose an agreement, that the best thing to do is to cut off the troubles, trials and tribulations of the past and start afresh.

Senator Marchand: It may sound a little awkward from my position at this moment, but I will vote for this. However, I think the minister should exercise this right with great care because, of course, it is an encroachment on the principle of freedom of negotiation. It is an exception to the whole system that we have. I do not say we should not have that, but I think it should be used only where there is confidence that this is the only way to serve justice.

The argument you developed, of course, is a strong one, but I think it may be very useful to have that in the law because circumstances arise where there is no other way out for the first agreement. But I think that this right should be used with great care and not in principle, so that the unions which are recognized now will say, "Well, we are not going to negotiate because the minister or the board is going to solve the agreement for us."

Senator Flynn: The point I was making is made stronger by the comments of Senator Marchand. I would say that the minister, when he directs the board to inquire and to determine the terms, could then take into account the good faith or the bad faith of the parties, because this is an element. If he sees somebody is in bad faith and there is no possible settlement, this is an element that the minister should consider in deciding whether he will direct the board to establish a first

agreement. But when the board is given the task of settling the terms and conditions of a first agreement, as is mentioned in paragraph 3, then the good faith and the bad faith of the parties should not enter into consideration. I think this is probably bad drafting. But it would be very useful if the minister would say that in his opinion he interprets the clause to mean that the good faith and the bad faith of the parties would enter only in his decision to direct the board to establish the terms and conditions of an agreement, and that he would hope that the board would not take these factors into consideration because they are entirely irrelevant.

Senator Forsey: In effect, Mr. Chairman, it seems to me that what Senator Flynn is saying is that the point which is made in subclause (3)(a) should really be in subclause (1).

Senator Flynn: That is right.

Hon. Mr. Munro: Well, if this would assist in any way, when the board actually gets down to settling the terms and conditions of the collective agreement, then I believe precious little attention should be given to (a) in terms of determining what the terms and conditions should be. But I can only reiterate what I said a few minutes ago, that the intent here does seem to be in an appropriate place, that is, under the heading of settling the terms and conditions of a first collective agreement. The intent here, and I am sure the board and the parties will take note of this particular statement, was to entice the parties to go back directly. It is an inducement to settle the agreement, because both parties usually are rather hesitant about finding the board doing it in case the board's final decision is something that they may not like. They may resist taking that type of gamble in many cases. History shows that with a similar clause in British Columbia they have gone back and got an agreement between themselves without the necessity of the board's doing it. That was the intent. Maybe that accomplishes the position you are trying to get, Senator Flynn.

The Chairman: Shall clause 62 carry?

Hon. Senators: Carried.

Senator Flynn: On division.

The Chairman: Clause 63. Shall clause 63 carry?

Hon. Senators: Carried.

• (2330)

The Chairman: Clause 64. Shall clause 64 carry?

Hon. Senators: Carried.

The Chairman: Clause 65. Shall clause 65 carry?

Hon. Senators: Carried.

The Chairman: Clause 66. Shall clause 66 carry?

Hon. Senators: Carried.

The Chairman: Clause 67. Shall clause 67 carry?

Senator Smith (Colchester): Mr. Chairman, I am not too sure what change this makes in the present law. I wonder if the minister might explain.

[Senator Flynn.]

Hon. Mr. Munro: This refers to complaints about what are generally regarded as being unfair labour practices. It is a drafting improvement to the old section. Section 188(3) reads:

> A complaint in writing made pursuant to section 187 in respect of an alleged failure by an employer or any person acting on behalf of an employer to comply with paragraph 184(3)(a) is evidence—

And here are the operative words:

> —is evidence that the employer or person has failed to comply with that paragraph.

I believe the wording indicates that it is meant to place the onus on the employer. All the wording does is make it clear that that is where the onus lies. It is an improvement to the wording. I am quite prepared to read the wording of 188(3) of the old act to show that the intent is not changed.

Senator Smith (Colchester): I think I followed the existing section as the minister read it, but I thought it was left open to some interpretation other than actions by the employer. I think it made some reference to "person."

Hon. Mr. Munro: The rationale of why the onus is placed here, with respect to a person or an employer connected with the person in question, is simply that the employer, in many cases of unfair labour practices, is the only one who has the evidence and the knowledge.

Senator Smith (Colchester): I am not objecting to that. I merely wanted to know what is the difference. I did not think there was any difference.

The Chairman: Shall clause 67 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 68 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 69 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 70 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 71 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 72 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 73 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 74 carry?

Hon. Senators: Carried.

The Chairman: Shall clause 75 carry?

Hon. Senators: Carried.

Senator Langlois: Mr. Chairman, I am afraid you missed clause 71.1.

Senator Flynn: No, no.

The Chairman: Did I?

Senator Flynn: It is in clause 71. Anyway, it is deemed to have been approved.

Senator Langlois: All right, then.

Senator Smith (Colchester): Before the title carries, Mr. Chairman—

The Chairman: Would you mind, senator? I would like to clear this point. Did I forget clause 71.1?

Senator Flynn: Anyway, it is carried.

The Chairman: Shall clause 71.1 carry?

Hon. Senators: Carried.

The Chairman: Senator Smith?

Senator Smith (Colchester): I wanted to inquire of the minister whether he was aware of representations made by certain people that they wished to appear before a Senate committee to give their views about this bill, and, if so, if he had any objection to such a request.

Hon. Mr. Munro: I would suggest, Mr. Chairman, that that is a question for the Senate itself to decide, but I would make one observation that might be helpful.

I think some briefs have come in in the last very short while to senators from the following organizations: the Canadian Manufacturers' Association, the Canadian Broadcasting Association, the Canadian Bankers Association, Bell Canada, the Canadian Trucking Association, and the Canadian Motor Coach Association. Five of those organizations—the only exception being the Canadian Motor Coach Association—submitted briefs to and did appear before the standing committee of the House of Commons. As I have indicated in the answers to some of the senators' questions, as a result of some of the submissions in those briefs amendments were made—not all, by any means, but certainly a fair number.

Senator Smith (Colchester): I certainly agree, of course, with the minister, that this is a matter for the Senate to decide, as is the case with everything we have been considering tonight, but the comments, advice and assistance of the minister will be helpful in reaching that conclusion. I want to be perfectly clear about this, because to me, although he may not think so after what I have said about certain things tonight, his views on this matter are of considerable significance. I understand him to say that all the representations of which he is aware have been heard by the other place, or by himself?

Senator Grosart: Leave it alone.

Senator Smith (Colchester): No, no.

● (2340)

Hon. Mr. Munro: A lot of the associations that you have heard of, of which I read out six, submitted briefs. Five of the six submitted briefs to the standing committee; they were heard and adjustments were made as a result of those briefs. That is five of the six that the honourable senator showed me. Presumably the same thing went to all honourable senators. I will read them again if you wish.

Senator Smith (Colchester): No. You say five of the six and that is fine.

Senator Rowe: May I ask if the Canadian Manufacturers' Association—

Senator Langlois: The minister just said so.

Senator Perrault: Honourable senators, whatever may be the disposition by the Senate of the suggestion by Senator Smith, may I say that I can think of no other occasion when a minister of the Crown has given so much of his time and energy to help explain a bill which is his responsibility. I am sure we all appreciate very much the co-operation that has been demonstrated by this minister this day.

Hon. Senators: Hear, hear!

Senator Flynn: I am quite sure this has been a unique experience for the minister, and that he did not suspect coming to the Senate meant so much hard work.

The Chairman: Shall the title of the bill carry?

Hon. Senators: Carried.

The Chairman: Shall I report the bill without amendment?

Hon. Senators: Agreed.

Senator Perrault: Honourable senators, this may be a relatively small point, but on a sort of check list of the sections that we have been keeping I have no record of sections 27.1 and 27.2 having been carried. I think it was presumed they were carried. They are on page 15, and I do not have those two on my list. I simply bring that to the attention of the Senate.

Senator Flynn: When we carry the bill at the end we carry all the preceding sections.

The Chairman: I am sorry if I made a mistake.

Senator Flynn: You did not.

[*Translation*]

Senator Bourget: Before closing, on behalf of honourable senators I would like to thank the honourable minister for his excellent explanations. Our thanks are also extended to the two people with him.

[*English*]

Hon. Mr. Munro: Mr. Chairman, may I say to you, and through you to all honourable senators, that I appreciate very much your making yourselves available at such short notice to work on this bill all afternoon and this evening. I know it was probably at great inconvenience to many of you. On behalf of myself, the government and my officials, I appreciate your courtesy very much. Thank you.

The Hon. the Speaker: The sitting is resumed.

REPORT OF THE COMMITTEE OF THE WHOLE

Senator Bourget: Madam Speaker, the Committee of the Whole, to which was referred Bill C-8, to amend the Canada Labour Code, has considered the said bill and has the honour to report the same without amendment.

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

Senator Grosart: Honourable senators, I move that the bill be referred to the Standing Senate Committee on Health, Welfare and Science.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Nay.

Senator Flynn: I would suggest that this debate, which has not started, be adjourned until tomorrow, just because I think that at this time of the night, with the number of senators who cannot be present, it would be taking undue advantage of those who are strong enough to be here.

An Hon. Senator: They would also miss the arguments.

Senator Flynn: Yes, especially because we would like to hear Senator Perrault again, although I believe tomorrow his voice will be fresher. I also believe that everyone will be in better humour.

Senator Marchand: If they were not here, they will not know what has been discussed and the reasons for it.

Senator Flynn: That is why tomorrow will be better, as they will have had the chance to read *Hansard*, including what Senator Marchand and others have said. I think we would have a more, let us say—

Senator Côté: *Hansard* may come out very late tomorrow.

Senator Flynn: No, it comes out before 2 o'clock and we sit at 2 o'clock.

Senator Langlois: Not before 2 o'clock; they would not have time to read it.

Senator Flynn: They will have ample time to read it.

Some Hon. Senators: No.

Senator Flynn: I found ample time to read it this morning and it was quite a heavy *Hansard* for yesterday but, of course, not everything was worth very much.

The Hon. the Speaker: It is moved by the Honourable Senator Flynn, P.C., seconded by the Honourable Senator Grosart, that this debate be adjourned until the next sitting of the Senate.

Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: No.

Senator Grosart: Oh, no; you are not going to refuse to adopt the motion to adjourn the debate. Honourable senators, speaking to the motion, I find it unbelievable that a motion to adjourn by the Leader of the Opposition under circumstances such as this, particularly on an occasion when there were a number of senators on this side—

Senator Flynn: On the other side, also.

Senator Grosart: —who had a previous engagement that they could not miss. I am sure that the Leader of the Government is aware of what that engagement was; some of us had to miss the engagement, regrettably.

Senator Langlois: We all did.

Senator Grosart: No, I do not believe there were too many senators on the other side who were invited to attend the dinner for Joe Clark at the Château Laurier.

Senator Langlois: Oh, no; not there, no.

Senator Grosart: But in view of that circumstance, it does seem reasonable. We are not trying to pull any trick, or anything. We just believe that any discussion as to whether the representatives of several hundred thousand Canadians should or should not be denied the opportunity of making representations, which they have urgently requested, should take place tomorrow.

I appreciate the statement made by the minister that the representations made by some of those who have now urgently requested that they be heard have already been heard. However, I am quite sure that honourable senators are aware that the reason most, or some at least, are requesting that they be heard is that there was an amendment made after they had been heard previously. They have specifically indicated the importance of this—and they represent, I say again, hundreds of thousands of Canadians—and I cannot believe that the Leader of the Government would not entertain a motion by the Leader of the Opposition that we adjourn until tomorrow the debate as to whether we hear them.

• (2350)

It is now one minute to midnight. I am asking this in fairness and reasonableness to the position we take on this side. We would like to debate this tomorrow.

Senator Perrault: Honourable senators, the hour is most certainly late. I regret very much that the attendance has not been better this evening, especially since the minister was present to explain some very controversial clauses which we are all aware caused some concern to this chamber.

I am sure that some honourable senators may have had social engagements this evening, but most of them ended an hour and a half ago. I think it is unfortunate that there was not a better attendance.

I would certainly entertain the view of any other senators on this matter. I will do nothing to restrict the legitimate rights of the opposition senators to put forth their views on this. I would be pleased to hear from them on this matter.

On motion of Senator Flynn, debate adjourned.

NORTHERN GAS PIPELINE

APPOINTMENT OF SPECIAL COMMITTEE

Hon. H. A. Olson moved pursuant to notice of Monday, April 10, 1978:

That a special committee of the Senate be appointed

(1) to inquire into any matter relating to the planning and construction of the pipeline for the transmission of natural gas from Alaska and Northern Canada described in the Bill C-25, intituled: "An Act to establish the Northern Pipeline Agency, to facilitate the planning and construction of a pipeline for the transmission of natural gas from Alaska and Northern Canada and to give effect to an Agreement between Canada and the United States of America on principles applicable to such a pipeline and to amend certain Acts in relation thereto",

(2) to consider, in particular, all reports, orders, agreements, regulations, directions, recommendations and approvals referred to in the said Act, and

(3) to report to the Senate thereon at least once in each session of Parliament during the period of the planning and construction of the pipeline; and

That the committee have power to send for persons, papers and records, to examine witnesses and to print such papers and evidence from day to day as may be ordered by the committee.

He said: Honourable senators, I discussed this matter earlier today with the Leader of the Opposition and other honourable senators, and it is my understanding that there need be no debate on the question.

Senator Flynn: I have one point to put on the record in this respect.

We can debate it tonight. There is no problem in doing that, but it will not be very useful because, with dissolution coming, this committee will have no power to do anything until the new Parliament assembles in the fall. This is, more or less, an empty gesture, but it may be symbolic.

Motion agreed to.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, April 13, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Department of the Environment for the fiscal year ended March 31, 1977, pursuant to section 7 of the Department of the Environment Act, Part I of Chapter 42, Statutes of Canada, 1970-71-72.

Report of the Canadian Egg Marketing Agency for the year ended December 31, 1977, including its financial statements and the auditors' report thereon, pursuant to section 31 of the Farm Products Marketing Agencies Act, Chapter 65, Statutes of Canada, 1970-71-72.

Report of The Canadian Wheat Board for the crop year ended July 31, 1977, including its financial statements certified by the Auditors, pursuant to section 7(2) of the Canadian Wheat Board Act, Chapter C-12, R.S.C. 1970.

ANTI-INFLATION ACT

BILL TO AMEND—REPORT OF COMMITTEE

Senator Macnaughton, on behalf of Senator Hayden, Chairman of the Standing Senate Committee on Banking, Trade and Commerce, reported that the committee had considered Bill C-18, to amend the Anti-Inflation Act and guidelines, and had directed that the bill be reported without amendment.

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

Senator Hicks: With leave, now. In explanation, I will be leaving this afternoon and will not be here tomorrow to move the third reading.

Senator Flynn: Someone can move third reading on your behalf.

Senator Hicks moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

FISHING AND RECREATIONAL HARBOURS BILL

REPORT OF COMMITTEE

Senator Smith (Colchester), Chairman of the Standing Senate Committee on Transport and Communications, presented the following report:

Wednesday, April 12, 1978

The Standing Senate Committee on Transport and Communications to which was referred Bill C-2, intituled: "An Act respecting the administration and development of certain fishing and recreational harbours in Canada," in obedience to the order of reference of Wednesday, February 22, 1978, examined the said bill and now reports the same without amendment.

Although it did not amend the bill, your committee reports that it held five meetings during which there were lengthy discussions with the Minister and his departmental advisers. As a result of these discussions, your committee is pleased to report that the Minister has made certain undertakings, one of which is an undertaking that when the Act is next amended, subclause 19(2), dealing with the redelivery by order of the court of any seized vessel or goods, will be amended so that the amount and form of the security to be given for the redelivery is determined by the court rather than the Minister.

With respect to clause 8 of the bill, the Minister has given an assurance that a clause will be contained in every lease of a scheduled harbour, as defined in the bill, ensuring that access to such harbours is not denied to any person during the term of the lease.

With respect to clause 10 the Minister assured your committee that the Public Service Commission would be consulted to obtain its views as to the proposed method of appointing enforcement officers.

Your committee reports that the Minister has also undertaken to re-examine certain clauses of the bill with a view to considering the possibility of amending these clauses in accordance with the suggestions and observations made by your committee. The provisions involved in this undertaking by the Minister are the following:

(1) *Clauses 11 and 15:* These clauses relate to the seizure and detention of vessels and goods and contain the expression "reasonable grounds". Consideration will be given to replacing these words with the expression "reasonable and probable grounds".

(2) *Clause 14:* This clause relates to the authority of an enforcement officer to remove an abandoned vessel to such place as he "deems suitable." The Minister has undertaken to consider amending this clause to delete the word "deems" in order to permit the courts to rule on the matter of the suitability of the place to which a vessel has been removed.

(3) *Subclause 16(3):* This subclause relates to the protection of persons claiming an interest in any forfeited

vessel or goods. A suggestion has been made regarding the possible inclusion of applicable provisions of the *Fisheries Act* instead of their incorporation by reference.

(4) *Clause 18:* This clause relates to the return of a seized vessel. Your committee considered the period of 21 days during which the Minister must either return the vessel or apply for an order authorizing its sale. The Minister has undertaken to review the time allowed to determine if this period can be shortened.

(5) *Clause 25:* This clause, which must be read with clauses 12 and 20, relates to the authority of the Governor in Council to designate by regulation the offences under the Act or the regulations that will be subject to a fine not exceeding fifty dollars, all other offences being subject to the maximum penalty of $25,000 or six months. The Minister has undertaken to review the residual power contained in this provision whereby certain offences may be determined to be subject to the lower penalty.

Respectfully submitted,

George I. Smith,
Chairman.

• (1410)

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

Senator Cottreau moved that the bill be placed on the Orders of the Day for third reading at the next sitting of the Senate.

Motion agreed to.

JAMES BAY AND NORTHERN QUEBEC NATIVE CLAIMS SETTLEMENT ACT

REVOCATION OF ORDERS IN COUNCIL—NOTICE OF MOTION

Senator Connolly (Ottawa West): Honourable senators, with leave, I give notice that later this day, I will move:

That orders P.C. 1978-503, P.C. 1978-504 and P.C. 1978-505, dated February 23, 1978, made under paragraph 4(1) (a) of the James Bay and Northern Quebec Native Claims Settlement Act, approving, giving effect to and declaring valid certain agreements amending the James Bay and Northern Quebec Agreement be revoked; and

That order P.C. 1978-502, dated February 23, 1978 made under paragraph 4(1)(b) of the said Act, approving, giving effect to and declaring valid an agreement to which the Government of Canada is a party with the Naskapi Indians of Schefferville, Quebec, concerning the native claims, rights, title and interests that such Indians may have had in the territory defined in the Act prior to its coming into force be revoked.

Honourable senators, I speak to the question of leave. As it is explained to me, the motion has to do with certain provisions of the James Bay and Northern Quebec Native Claims Settlement Act, which was passed by this Parliament about a year ago, and is chapter 32 of the Statutes of Canada, 1977.

There have been four supplementary agreements made under the provisions of that legislation. These agreements are valuable to the native peoples in northern Quebec. There is a danger that if the motion is not considered by the house shortly, the implementation of all these agreements may be delayed appreciably and, I think it can properly be said, to the detriment of the native peoples of the area. I will, of course, be explaining the detail of the matter in due time, but if leave could be granted to allow the motion to be presented later this day, I think the Senate might consider this proposal favourably.

The Hon. the Speaker: Is leave granted, honourable senators?

Senator Flynn: Would the honourable senator say when the day provided in the bill would expire, normally?

Senator Connolly (Ottawa West): I am not quite sure whether I understand what the honourable senator means by "the day when it would expire," but perhaps I could take just a moment and say this. These agreements are required to be ratified by order in council and tabled, and when they are tabled, if there is no parliamentary action, after the expiry of 30 sitting days of Parliament the agreements and the orders in council which approve of them come into force and effect.

That time will run out, it is said, on April 27. I am making no predictions about certain cataclysmic events that may happen between now and then, but I understand from rumours I have heard that there is a possibility that Parliament may not be sitting at that time. I think that is perhaps the point the honourable senator makes.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

• (1420)

BUSINESS OF THE SENATE

Senator Flynn: Honourable senators, may I ask the Leader of the Government why the usual motion that when the Senate adjourns today it do stand adjourned until next Tuesday has not been made? Is it the intention to sit tomorrow? I should like to know what the program is.

Senator Langlois: I did not move the motion for the adjournment of the Senate at this time because there is a possibility of more legislation coming from the other place this afternoon. I would suggest, after we have completed the Orders of the Day, that we adjourn to the call of the bell later this day, at approximately 8 o'clock. If we do that, we will likely have to sit tomorrow morning.

Senator Flynn: If no legislation comes before us before 8 o'clock, do you propose moving the motion to adjourn until next Tuesday?

Senator Langlois: It is very likely that will happen.

Senator Grosart: Would that be at 8 o'clock or 6 o'clock?

Senator Langlois: To the call of the bell. It would be at approximately 8 o'clock.

THE CONSTITUTION

REPORT OF ONTARIO ROYAL COMMISSION ON CONSTITUTIONAL REFORM—QUESTION ANSWERED

Senator Perrault: Honourable senators, yesterday a question was asked by Senator Olson with respect to the report of the Ontario Royal Commission on Constitutional Reform. He asked the following question:

> May I ask the Leader of the Government if the government has received a copy of, or been apprised of, the report of the Ontario Royal Commission on Constitutional Reform? If so, does the federal government intend to respond to this report, especially regarding those recommendations dealing with certain important federal institutions such as the Supreme Court and the Senate of Canada?

The answer to that question is no.

NORTHWEST TERRITORIES

MINERAL EXPLORATION ACTIVITY IN BAKER LAKE AREA—INQUIRY RE QUESTION ON THE ORDER PAPER

Senator Austin: Honourable senators, on December 13 last, I placed a question on the Order Paper regarding—

Senator Flynn: What date was that?

Senator Austin: December 13 last.

Senator Grosart: What year?

Senator Austin: Last year. I am always pleased to help Senator Flynn in understanding what I am trying to do.

This question was with respect to the Baker Lake area, and with respect to the government's freeze on uranium exploration in the Baker Lake area.

I understand that there are substantial rumours about the government's "unfreezing" the freeze, and that members of the Baker Lake community are quite agitated about that possibility and the alleged jeopardy to that particular community if uranium exploration does go ahead.

Therefore, I ask the Leader of the Government whether the government has taken a decision not to continue with the exploration freeze in the Baker Lake area, and whether members of the Baker Lake community have made submissions to the government in that respect?

Senator Perrault: I must take that question as notice. I should apologize for the long delay involved in providing an answer to the honourable senator's question. An investigation will proceed immediately.

[Senator Langlois.]

Senator Flynn: Second notice.

DISTINGUISHED VISITORS IN GALLERY

Senator Marchand: Honourable senators, I should like to draw your attention to the presence in the gallery of Mr. Joe Morris, who served the Canadian Labour Congress very competently for many years, and who is now the immediate past president. Accompanying Mr. Morris are his advisers, Mr. Major and Mr. Lang.

The Hon. the Speaker: Honourable senators, on your behalf I also welcome a delegation of Congressional Fellows of the United States of America who are spending a few days in Ottawa.

Hon. Senators: Hear, hear.

CANADA LABOUR CODE

BILL TO AMEND—MOTION TO REFER BILL TO STANDING COMMITTEE NEGATIVED

The Senate resumed from yesterday the debate on the motion of Senator Grosart that Bill C-8, to amend the Canada Labour Code, be referred to the Standing Senate Committee on Health, Welfare and Science.

Senator Flynn: Honourable senators, this motion speaks for itself. The idea is to give a day in court to all those who have asked to be heard on this motion. I do not suppose it meets any objection.

Senator Perrault: Honourable senators, the proposal advanced by Senator Flynn is an interesting one.

Senator Grosart: It was proposed by me.

Senator Perrault: I think it should be said at the outset that we had a unique experience in the Senate last night. Many honourable senators were present for the study of Bill C-8 in Committee of the Whole. I believe that all of us, regardless of our political affiliations and persuasions, were impressed by the fact that the Minister of Labour, the Honourable John Munro, spent over five hours with us. I am sure he discovered, among other things—perhaps he knew it in advance—that the Senate has a keen interest in labour-management relations and other legislation which comes before it, and that it is not a rubber stamping group or organization.

Senator Flynn: Who would suggest that?

Senator Perrault: True, I am certain that no sane person would suggest that. I am sure that all of us were impressed by the direct nature of the replies the minister gave to questions asked about the various clauses of the bill.

In the course of consideration of Bill C-8, as it has proceeded through Parliament, a number of briefs have been submitted to honourable senators and to the appropriate committee in the other place. I should like to read into *Hansard* the names

of the organizations who have submitted briefs to a committee of Parliament in the other place. Of course, this process certainly does not rule out the possibility of groups appearing before a committee here at some point. The groups are: Air Transport Association of Canada; Bell Canada; the Board of Trade of Metropolitan Toronto; The Canadian Bankers' Association; The Canadian Association of Broadcasters; Canadian Construction Association; Canadian Labour Congress; Canadian Manufacturers' Association; Canadian Chamber of Commerce; Canadian Motor Coach Association; Canadian Steamship Lines; Canadian Railway Association; Canadian Railway Labour Association; Canadian Trucking Association; Cape Breton Development Corporation; Christian Labour Association of Canada; Confédération des syndicats nationaux; Fédération des travailleurs du Québec; L'Union des artistes; Miss Betty Garbutt; Canadian Grain Handling Industry; Grain Services Union; Retail Council of Canada; Saskatchewan Federation of Labour; Telesat, and the United Transportation Union.

The clerk of the House of Commons committee reports that only two groups who requested to make oral presentations could not be included in the committee schedule. These were the Canadian Motor Coach Association and the Board of Trade of Metropolitan Toronto.

Additionally, the B.C. Maritime Employers, the Manitoba Federation of Labour, the Alberta Federation of Labour, the Business Council on National Issues, and the Canadian Pulp and Paper Association were heard.

In addition to that there were literally hundreds of consultations from coast to coast, both individually and with organizations and associations in all provinces.

The fact is that Bill C-8 has been under preparation for a period exceeding two years. It is regarded by the Government of Canada—and obviously by the opposition parties as well, who gave their unanimous support to this measure in the other place—as a very important piece of proposed legislation on behalf of the working people of this country, and as a measure designed to improve labour-management relations in this country.

● (1430)

Last night the bill was given virtually unanimous approval in Committee of the Whole. Our deliberations here extended to almost midnight.

I know, however, that there are many honourable senators who would like to have the Senate give an additional hearing, a full hearing, to all the groups I have listed, and perhaps several more. All of us are aware of the fact that there are certain deadlines looming for this Parliament of Canada—deadlines which would make it literally impossible for all these groups to be heard. If we meet the requests that have been received from certain groups to be heard now with repeated and new arguments, with variations of the views that they set forth in the other place, if we give those groups the kind of attention Senate committees traditionally give to important representations, the process might take days, perhaps even weeks. Within the timeframe available to Parliament, with the imminence of a national election—and there is no mystery about that possibility—the Senate literally could not deal with this measure in committee, hear all these groups and report back to Parliament before prorogation.

I fully support the view that groups who feel they have legitimate, important views that should be heard by the Senate should have the right to be heard. I think we are faced here with certain parliamentary imperatives while at the same time assuring that our democratic traditions in this chamber continue. At the same time, I think none of us would wish to see left on the order paper such an important piece of legislation, legislation which would bring undoubted benefits to thousands of Canadians—legislation which is the product of long weeks and months of intensive consultation with all sectors of society.

While I cannot find myself in support of the proposal made by Senator Flynn to refer the bill to committee—

Senator Grosart: It was not Senator Flynn. Wake up!

Senator Flynn: By Senator Grosart.

Senator Perrault: By Senator Grosart, backed by his leader.

Senator Grosart: Led by his leader.

Senator Langlois: I thought it was the other way around.

Senator Perrault: I want to give this commitment to the house. I shall undertake the appropriate initiative in the near future to have the subject of labour relations in the federal sector referred to the Standing Senate Committee on Health, Welfare and Science. I certainly hope that all groups not heard on the subject of Bill C-8, and indeed many of those who will have been heard if the committee should so decide, would appear before that committee to state their views—indeed to state ways in which they think the Labour Code of Canada should be changed at some future date.

The proposal contains the possibility that the committee will wish to propose changes in not only the Labour Code but other legislation affecting labour-management relations in the public sector. In other words, with this proposal to have a standing committee take the proper time which these groups deserve, they can be heard at length, if the committee desires, on certain aspects of labour-management relations in the public sector.

Some honourable senators—this was evidenced last night in the discussion with the Minister of Labour—have suggested that certain sections of the bill still cause them a degree of concern—two sections in particular. I have just received a communication from the Minister of Labour, which I would like to read:

> The minister and his department give the commitment that during the next few months they will seek the re-establishment of a labour-management advisory committee within federal labour jurisdiction which will: (1) pay particular attention to the effects of these amendments to the Canada Labour Code; and (2), maintain in collaboration with the minister and his officials an ongoing scrutiny of legislation and programs in this field.

Honourable senators, I have received this commitment from the Minister of Labour in writing and I desire honourable senators to know that it is the intention of the minister to make certain that at all times all sections of this bill work in the manner in which they are intended to work, which is to serve the interests of the working men and women of this country and those who sustain the economic viability of this nation, whether in labour or in management.

I oppose this motion not in any vindictive spirit at all—because I know it is well intentioned—but because this motion, if adopted, could well result in a splendid bill, one of undoubted merit, dying on the order paper, thereby depriving thousands of working people from coast to coast of the undoubted advantages which would flow from it. I urge honourable senators to defeat this motion and to proceed to third reading. Let us put this bill on the statute books of Canada. Let us see how it works. With the commitment given to us by the Minister of Labour and the commitment I have given here that we will be ever watchful of the rights of groups and organizations to be heard in this chamber, let us see whether we can really advance the cause of labour-management relations in this country in the way in which I think the bill is designed to do.

Senator Roblin: Honourable senators—

Hon. Senators: Hear, hear.

Senator Roblin: As a new member of this chamber I certainly appreciate the encouragement that honourable members have just given me. I hope I can live up to whatever expectations they might have with respect to my performance. However, I doubt if my performance could be as persuasive and as well rounded as that to which we have just listened from the lips of the honourable leader on the government side, because he certainly impressed me with his ability to deal with problems of this nature in a way which would attract the largest measure of support. I only regret that I cannot really include myself among those who are persuaded by his eloquence, because it seems to me that if I know anything about the function of the Senate—I agree that I have a great deal to learn—one of the important duties that we have here is to provide a sounding board, to provide a forum before which members of the general public and others interested may come to discuss matters that are before the Parliament of Canada. I have the impression that, while it is not always possible for the other house to devote the attention to these matters which they might like, we are, perhaps, a sort of safety net to catch those who fall through the chinks and to hear those who wish to be heard on matters which come before the Parliament of the nation.

● (1440)

In this particular instance we know that there are groups who wish to be heard in respect of matters on which they had no opportunity to speak before the committee of the other house. I was very impressed with the recital of hearings and work of that committee. I think it is very good. However, it seems to me that what we have been debating here in the last little while has to do with the two clauses referred to by the Leader of the Opposition, one which would restrict the right of appeal and the other having to do with the retroactive nature of certain clauses of the bill which, if I am correct, were adopted by the other house on April 7 after they had heard all the representations from these people. As a result, those who object to the changes which were made so late in the progress of this bill—it has been making the rounds for two years, I understand—now wish to be heard again. They want an opportunity to explain their views on these new matters which were introduced subsequent to their original submissions.

That seems to me to be a perfectly reasonable and simple proposition for this house to accept. I do not believe it is the desire of anyone to have this bill referred to committee for the purpose of going over all of the ground that has been so well covered on previous occasions. The intention of the mover and supporters of this motion is that the bill should be referred to a standing committee so that we can deal with two specific points which have not been discussed before any committee of Parliament that I know of, and in respect of which people have asked to be heard. There aren't very many of them, but they are important. I know of only four—the Canadian Manufacturers' Association, the Canadian Broadcasting Association, and the Canadian Trucking Association, and I have also had a personal inquiry from one of the banks, which may well be speaking on behalf of the banks of Canada.

If we proceed as the Leader of the Government suggests, these people will not be heard. The Leader of the Government made a very reasonable and, I think, worthy attempt to meet this situation by giving us the undertaking of the minister that at some time in the future there would be an opportunity for a special body to be convened before which these matters and any others could be ventilated. However, his suggestion has the not inconsiderable defect of being after the fact. We are being asked to pass this bill now. If we were to have the bill referred to committee, we would probably be able to hear these people on Monday, and my hunch is that that would still be a good date for us.

The Leader of the Government shakes his head. He may know more about it than I do. However that may be, I would like to follow him up in his accommodation attitude here this afternoon and put forward a proposal which I think might meet the needs of all and the desire of those who wish to make further representations on this measure, and I urge him to accept it.

I note that clause 75 of the bill states:

> This Act or any section or sections thereof shall come into force on a day or days to be fixed by proclamation.

That offers us a way out of this dilemma. I wonder whether the Leader of the Government can give the Senate the assurance that two clauses with which we are concerned will not be among those which are proclaimed in the immediate future. If these were left in limbo and not proclaimed, we would have an opportunity to deal with the matter at a more leisurely pace at

some future time. No one's interests, I suggest, would be seriously impaired if that course were followed.

My suggestion to the house is that we ask the Leader of the Government to give us the assurance, if he can, that the proclamation of those two clauses in question will be delayed. The rest of the bill, which he speaks so highly of, could then go forward without any let or hindrance. If the Leader of the Government does not wish to give us that assurance, then I, for one, would be willing to support Senator Grosart's motion that the bill be referred to the Standing Senate Committee on Health, Welfare and Science.

Senator Langlois: Honourable senators, I shall endeavour to be brief in my remarks. After receiving notice of Senator Grosart's motion last evening, I devoted a few hours to the reading of authorities on parliamentary procedure to satisfy myself as to the effect of such a motion, if passed. As a result of my reading, I had to come to the conclusion that the effect would be mainly an exercise in futility, because once the house, sitting in Committee of the Whole, after a thorough clause-by-clause study of the bill, has passed the bill without amendment, there is no provision for a creature of the house, whether a standing committee or a special committee, to either review or revise that decision.

My main authority for this proposition is found in *May*—

Senator Flynn: May I ask the deputy leader if he is rising on a point of order?

Senator Langlois: No, I am speaking to the motion.

Senator Flynn: As I understand your remarks, you are saying that the motion is irregular in some way.

Senator Langlois: No, I am not rising on a point of order at all. I am merely making my comments, as I am entitled to do, on the motion before the house. In preparing to speak to the motion, I endeavoured to determine the effect of such a motion, if passed.

Senator Grosart: But you agree that the motion is in order?

Senator Langlois: The motion is in order, yes. I agree with that. My position is that this motion would be merely an exercise in futility, because nothing that the committee to which this bill might be referred does could change the unanimous decision of the house. We could not have a creature of this house reviewing or revising a decision made by its main body, or creator, if you wish to put it in those terms, and I found support for that proposition in *May*.

I apologize for not being able to give the house the reference, but *May* says that this could take place only if there were some particular or special circumstance, such as new evidence having been brought before the Senate—or the House of Lords, in the case of Britain—which would warrant such a review, or in the case where there were some very important amendments brought in by the Committee of the Whole which could affect some other sections of the act. Otherwise, the decision of the Committee of the Whole should not be altered by any decision of a committee of the house.

I received a number of telephone calls this morning on this matter, most of which came from management people. I was on the telephone for quite a while with these people, one of whom called on behalf of a broadcasting chain of Quebec. I do not want to involve anyone, so I will not mention the name—

Senator Flynn: Everyone knows.

Senator Langlois: That may be. When I said "of Quebec", I was not referring to the city of Quebec but to the province.

This broadcasting chain objected to the amendment which brings about a degree of retroactivity in the bill. This, apparently, is the only point they wanted to put before us. I readily admitted to the gentleman who called that I was impressed by his argument. However, I pointed out to this gentleman that even if the Senate agreed to refer this bill to one of its committees, it would only be a gesture in light of the decision made last night in Committee of the Whole to report the bill without amendment.

I asked him what his view would be if we were to give him an opportunity to be heard by the committee knowing beforehand that there is nothing we could do. He replied, "That is not what we want, because it would be a waste of time for you and for us." I think that is the situation.

● (1450)

Senator Molson: Honourable senators, I rise on a point of order. May I call the attention of my honourable friend to rule 58 dealing with reconsideration? Rule 58 reads:

> At any time before a bill is passed a senator may move for the reconsideration of any clause thereof already carried.

So therefore I feel there is no question that this agreement could not be raised if, as a result of a committee's report, an honourable senator wished to move for reconsideration.

Senator Langlois: May I first answer the first question? I am in agreement with that. One could move anything on third reading. If the motion before us were carried, it would merely have the effect of satisfying those who wish to be heard, knowing in advance that there is nothing we can do about it. That is why I prefer the alternative suggested by my leader; that is, a commitment from the minister to the effect that at a future date—probably in a few months—we will have a special committee appointed to consider the implications of this bill, possibly even before the bill is proclaimed. Whether there is a possibility of that, I do not know. I have not gone that far into the matter, but that is a possibility.

The only thing we have in mind is to try to pass a piece of legislation which has appeared to a Committee of the Whole as being a good piece of legislation.

We are probably not getting all the publicity we should have in this place. My memory takes me back to 1970, when we went into a new exercise to consider the subject matter of any legislation in advance of such legislation coming before the Senate. This first exercise was a review of the taxation legislation at the end of December 1970. We were faced with a deadline of January 1.

The Banking, Trade and Commerce Committee, to which this legislation was referred, proposed approximately 54 amendments—again, I am speaking from memory—which the then Minister of Finance, Mr. Benson, could not accept, but with which he seemed to be in agreement. He gave an undertaking to the committee that the amendments would be considered at a later stage—again speaking from memory, within one year. The bill was reported without amendment. In the meantime, Mr. Benson went to another department and was replaced by Mr. Turner as Minister of Finance, and the undertaking was fulfilled by Mr. Turner.

Since then we have followed the practice of giving consideration to legislation in advance of its coming before the Senate, which enables us to organize our work in an orderly manner so that we can give consideration to representations coming from the various groups across the country.

We are faced with different circumstances today. I am not saying that we ought to have known in advance what was going to face us. We are in the dying days, not of a session but of a Parliament. Probably in a matter of days this Parliament will be dissolved.

An Hon. Senator: Hours.

Senator Langlois: We have an important piece of legislation before us. We received briefs as late as yesterday afternoon; the last one came to my desk at 4 o'clock yesterday afternoon. When we are dealing with a piece of legislation which has been in gestation and negotiation for the past two years, I think these briefs should have reached us before. Lack of publicity or communication was probably responsible for this situation.

It may not be widely known that once a bill is introduced in the other place we can receive, from that moment, representations from groups who are interested in such legislation. The Senate would then immediately pass a motion to study the subject matter of such legislation in advance of its being submitted to the Senate.

I am not blaming those organizations for not having come to us sooner. They are probably not aware of this practice in the Senate. It is a good practice which should be continued. We should publicize the practice in order that in future we will not be faced with the situation that faces us today, that in the dying days of Parliament we are faced with an important piece of legislation and there are groups that would like to be heard perhaps even for a second time. I do not mind if they have been heard once in the other place and would like to be heard again. I am in favour of that. We should obtain all the information we need before passing any piece of legislation. Perhaps on both sides there are not the communication links that should exist, but we should not put aside legislation to die on the order paper with the dissolution of Parliament. It may not come back to us for many months; probably not for two years.

We should try to be practical in facing this situation. There are some clauses in the bill that I do not line any more than anyone else, but perfection is not of this world. That is true of any legislative body.

[Senator Langlois.]

We should do our best to consider the implications of any legislation, legislation which might not be altogether perfect. We should not delay the application of its benefits just for the purpose of improving some aspects of it. We can probably do that in a few months. The minister might consider the possibility of delaying proclamation of some objectionable clauses—there is that possibility—in view of the strong representations and thorough study that was made in this house. I do not think that we should consider that our role is not being taken into account in parliamentary circles. I know that we are not getting all the publicity we should receive, but we are acting as adults and we endeavor to do a good job. We were working very hard yesterday so that attention would be paid to it by the government of the day. We should try to demonstrate a willingness to hear all those concerned with this legislation, perhaps in a few months' time, rather than face the possibility that the legislation might not be passed before the dissolution of Parliament.

It is a question of being practical and of finding a way out of the situation, which is not of our own creating. We did not create the situation. We have no control over the flow of legislation coming from the other place. We have no control over the flow of representations that come from outside parliamentary circles, but we have to arrange our schedule of work.

• (1500)

Somebody mentioned a while ago—I don't know if it was Senator Roblin or Senator Flynn—that there might be a way of getting some support in hearing these representations. But, honourable senators, we are not an elected body; we are not looking for support. We are not looking for publicity, and we shall not be individually affected by the results of the coming election. We will be here after the election, no matter what happens and no matter what the decision of the people of Canada is. We will still be here talking on behalf of the people of Canada, and working in their best interests. So I hope we will consider this legislation and the motion before us in that spirit, and in that spirit alone.

Senator Perrault: Honourable senators, in response to the invitation directed to me by the Honourable Senator Roblin, I have been in contact with the minister, and I have before me a communication from him which, with leave of the Senate, I propose to read.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Senator Perrault: The minister wishes to inform the Senate as follows:

> The minister intends to confer with interested and affected parties both as to the effective date of significant provisions of Bill C-8 and as to their views concerning administrative policy in connection with their application.

I have been assured that after the passage of this legislation the groups concerned about these two sections will be contacted and will meet with the minister to discuss the proclamation

date of those sections. This information may be relevant in view of Senator Roblin's suggestion.

Senator Grosart: May I ask the Leader of the Government if he is suggesting this as an assurance by the minister that he will accept the proposition put forward by—I was going to say Premier Roblin—Senator Roblin?

Senator Perrault: Honourable senators, I do not wish to mislead the house. The assurance suggests the possibility of postponing proclamation if sufficient grounds can be cited by the interested parties. I think this is the only reasonable response that can be given by the minister who has the responsibility to make his judgment only after all the facts have been studied.

Senator Cook: Honourable senators, when the Senate is reviewing legislation, the consideration given by its standing committees is, I think, even more important than the debate on second reading. To pass legislation without having fully informed ourselves by hearing evidence from citizens who would be affected by the legislation is to pass legislation blindfolded. As it is our duty to review legislation already passed by the House of Commons, it would be just plain silly to suggest that we need not refer this bill to a standing committee because it has already been passed by the other place and that the same witnesses were heard by the Commons committee.

The issue is more important than this bill. The Senate is justly proud of the work done by its committees, and unless there are some exceptional reasons all bills are referred to a standing committee. In my view, the very large and important groups which continually appear before our committees is striking proof that taxpayers generally appreciate and value the privilege of expressing their views to the Senate through our committees. To refuse referral to a standing committee will be a disservice to all those interested in and affected by this important and far-reaching bill, and to the Senate itself.

Senator Marchand: Honourable senators, I think this is outside the bill which is before us. There are important points in what we are discussing, and I want to stress one—the problem of relationships between this house and the House of Commons. I think that bills or any documents coming from the other place to the Senate do not have exactly the same weight as far as the Senate is concerned. What I mean is that we are not all the time in the same situation. If we receive a bill that has been passed in the Commons on division, after a vote or after a fight in committee, and if we feel that the population really is not in agreement, then, of course, I think we have a definite role to play. We are not then in the same situation as we are when we have a bill before us that has been adopted unanimously by the House of Commons, and not only that but a bill which having been referred to a committee has been unanimously accepted by that committee. In addition to that two or three amendments have been presented, and that means that special attention has been given by the house to those amendments, and after studying them they have said, "We all agree."

I am telling you that we are not in the same position as we would be if in the committee and in the house there had been division. I do not say that we do not have the right to intervene, and those who do not understand that do not understand the relationship between the two houses.

I think we all agree, honourable senators, that we should have the right to refer any piece of legislation to a committee if we feel it should go there. We have that right, and I do not think that should be contested at all. But this is not a philosophical exercise that we are indulging in this afternoon. We are studying a specific case. This is Bill C-8, which was adopted by the Commons in circumstances that you know about, and all the representations that have been made there have been listed here. I can repeat that list, but you already know it. There have been representations by labour, management, banks, and chambers of commerce—everybody was consulted.

But the argument of Senator Flynn and other honourable senators who want the bill referred to a committee is that there were two or three amendments which were adopted and that on these the parties were not heard. But let us not kid ourselves. We know what those arguments are. I agree that there were points raised last evening and discussed at length by honourable senators, using all the arguments known by the parties that asked to be heard. We know all that. There will be no new arguments brought up before the committee concerning restriction on the right of appeal and concerning the first agreement.

If you say that in principle people should be heard on all new amendments that have been brought up, and if we refer it to committee, and if we decide to adopt some amendments, then after that I can also say, "Well, let us refer it back to committee because people have not said what they think about those new amendments we are bringing in."

● (1510)

We know that nothing has been hidden. We know that this has been discussed thoroughly. Senator Forsey, Senator Everett, Senator Flynn, Senator Smith (Colchester) and Senator Macdonald have brought forward all the arguments, and I was impressed by them. You know my thinking, however, about the powers given to the board or the minister concerning new agreements.

We all agree on the principle of referring a bill to a committee when there is something to be gained from it. But in this case we know that nothing will be gained and that nothing new will come to the surface. If we refer the bill to a committee at this moment, it will be just for the sake of doing so and for the sake of creating a lot of embarrassment at this particular moment, which is very special, as you know.

I do not think that anybody in this country can say at this stage that they would be frustrated because the Senate passed Bill C-8. We know the arguments of all those who spoke last night in the Senate to the effect that if we hear these people they will bring new arguments forward. But we know very well that they will not do that.

I have been on the telephone all morning. I know all their arguments, you know all their arguments, and those arguments have been repeated here. Why refer the bill to committee on those two points when we know that the whole thing has been studied and discussed thoroughly?

I think, honourable senators, that we have to exercise our responsibility. This is a very important piece of legislation. Nobody has been frustrated. Everybody has been heard. If the bill were referred to a committee I would be willing to bet with anybody that no new legal or philosophical argument would be brought up, because we all know what the bill is about. We know what it means to put a restriction on the right of appeal, and we know how important it is. When we say that the board and the Minister of Labour have the right to impose an agreement, I know very well what it means, and I do not need the Association of Broadcasters to come and tell me that they support it. I know that, and they know that I know, and you know that they know.

We now have the opportunity, which has been offered by the Minister of Labour, to revise this whole matter and give further opinions on it. Considering all the circumstances I do not think that anyone who understands the situation can be opposed to passing Bill C-8 right here and now. I am not speaking of bad faith or good faith. I think everybody is in good faith here, even though he has his own opinion, and I am giving you mine, though I noted that even before I started to speak just now some honourable senators were shaking their heads. However, I am not the type to do that.

When the minister was here last night I had some very serious reservations on certain things, and I still have those reservations, but looking at the over-all picture I think it is in the interests of Canada that the Senate pass this bill right away.

Senator Everett: Honourable senators, I wish I could accept Senator Marchand's argument, but the function of the Senate, surely, is to hear representations whether they have been made before or not.

Senator Marchand, you were just saying that you saw some people shake their heads before you even started to speak. Your head is now shaking very hard, and I have not even got five words into my presentation.

Senator Marchand: I am using the same technique.

Senator Everett: I did not do that. I assure you I did not do that.

Surely part of the job of the Senate is to permit people to make representations. Whether they have made them before the House of Commons or not, or whether they are well known or not, is not the issue. A bill is before the Senate, and people should be allowed to make representations.

It seems to me that what is being suggested here is that in the interests of time, and in view of the fact that Parliament may be dissolved at any moment, these representations be confined to two issues. Those issues are that the right of the Canada Labour Relations Board to negotiate a first agreement is being made retroactive to December 31, 1975, and the other is that the right to appeal against a decision of the Labour Board is being reduced.

Those amendments were made after the hearing of representations in the other place, and it seems reasonable that the Senate, taking into account that this Parliament may be dissolved, should hear the representations of those who are interested in the legislation on at least these two points.

But I do not base my argument solely on the fact that those amendments were made after the hearings in the other place. I make my case, rather, on the point that those two amendments are repugnant. It is repugnant to say that this legislation, in respect of agreements negotiated by the board, should be made retroactive to December 31, 1975. Therefore, I find myself against it, not on the basis of whether representations were made or not, but on the basis of the fact that I do not think this type of clause should be in a bill. Furthermore, I think there should be a full right of appeal from the decisions of the Canada Labour Relations Board.

It is repugnant that the minister, in his amendments, proposes to remove two very basic rights of appeal in law. In the first place he proposes to remove section 28(1)(b) of the Federal Court Act, which gives a right of appeal if a tribunal—for example, the Canada Labour Relations Board—has erred in law. Secondly, he proposes to remove section 28(1)(c) of the Federal Court Act, which gives a right of appeal if, in this case, the Canada Labour Relations Board has based its decision or order on an erroneous finding of fact that it made in a perverse or capricious manner or without regard for the material before it.

Now, I do not really care whether representations were made or not made. I do not care if they have to be made a thousand times. These two amendments are repugnant. They should not be in any act. It is on that that I base my case, and it is on that that I am happy to support the suggestion by Senator Roblin that these two clauses not be proclaimed until an opportunity has been given to those who are affected by them to make representations on them.

Senator Bélisle: Honourable senators, may I be permitted to ask one question of the Deputy Leader of the Government? He has gone to great pains this afternoon to suggest to us that we should not be concerned about the voters or the electors; that we are free. Then, in another breath, he says that we must be concerned about the dissolution of Parliament. Are we free or are we not?

• (1520)

Senator Langlois: Honourable senators, I am afraid that my honourable friend was not paying attention to my remarks when I addressed this matter a short while ago. I said that our main considerations were not political; that we were here to serve the people of Canada; and that we have no political advantage in being on one side or the other. That is the way we consider issues in this house.

I mentioned dissolution of Parliament because there is an important piece of legislation before us, and because we are in the dying days of a Parliament. We are running the risk of

putting this legislation aside for a considerable length of time. That is my worry, and that should be the worry of all members of this chamber. This legislation is not all bad.

Senator Grosart: Do not make a speech.

Senator Langlois: There are only three clauses which seem objectionable, to my knowledge. Are we going to throw out the complete bill because someone objects to three clauses?

Senator Grosart: Answer the question. Do not make another speech.

Senator Langlois: My honourable colleague challenged my interest in this bill and interpretation of my duty as a member of this house to the Canadian public. I am answering that question.

I received correspondence and calls from the management side this morning. They told me that this retroactivity clause was discussed and negotiated, but that they were afraid because the department sided with the trade union which is not their own. I asked them whether they wanted the Senate to be an arbitrator between trade unions and management. I told them that this was not the role of the Senate. I told them that the duty of members of the Senate is to serve the Canadian public. I try to do that to the best of my ability and conscience.

Senator Sparrow: Honourable senators, at the outset I wish to make it very clear that I am in favour of referring this bill to committee for further study. I believe it was an initial mistake not to refer this bill to committee. I shall elaborate on that later, if you will permit me.

I now wish to speak to Senator Marchand's comments regarding the bill and his remarks indicating that, if it were referred to a committee, there would be no further amendments to it.

I take exception to this, particularly when we have the Leader of the Government saying that the minister himself says that he would allow a review of those sections which concern us. The minister said, "Yes, I am somewhat concerned about certain provisions in that bill and I will make . . ."—

Senator Marchand: On a point of order. I never said that there would be no amendments. I said that there would be no new arguments.

Senator Sparrow: I do not know how Senator Marchand can make that statement. He has not heard the witnesses who might appear before the committee. Unless he has some power that we have not, he cannot know what they might say. He listened to arguments raised by senators, and explanations made by the minister. Those are the only people who were in this chamber last evening. Unless the honourable senator was listening to some other voices, I do not know how he can make that statement. We have not heard the representations from people who might very well have arguments which senators, even with their wide knowledge, may not have put forward.

I reiterate that the minister himself, through the Leader of the Government, said that he was not sure about some of the provisions in that bill. I have been in this house a long time. I have heard similar assurances given by other ministers, but within the next two or three months those ministers were replaced.

Senator Langlois: Can you give us an example of that?

Senator Sparrow: This occurred with the communications bill, the wiretap bill. The Honourable Otto Lang, if you wish me to mention names, gave those commitments, but shortly after giving them he was replaced. I can go on and mention the Minister of National Revenue and bills which the Standing Senate Committee on Banking, Trade and Commerce dealt with. Another example would be the tax bill. Commitments were made in respect to that bill which were never kept. If you wish documentation, I can give it to you. However, I am not prepared to give it to you today.

I wish to take exception to the remarks made by Senator Langlois respecting the dying days of this Parliament. We are not here to decide when Parliament will be dissolved. By law this Parliament could go on for well over a year before it is dissolved. That is not our problem.

Senator Langlois: I never said it was our problem.

Senator Sparrow: The only authority Senator Langlois has for saying this is what he has read in the newspapers. I, too, read the newspapers, and I don't know that dissolution of Parliament is about to happen next week. If he is prepared to state that Parliament will be dissolved next week, let him give us that assurance and we can get on with it.

My role in the Senate is to study legislation. I have always been assured that if a bill comes before the Senate it can be referred to a committee and, whether I am a member of that committee or not, I will have an opportunity to study the submissions made to that committee. I have always felt that it was not necessary—in fact, counterproductive, to some degree—to read what went on in the House of Commons committee. It is my responsibility to study what takes place in the Senate and in the Senate's committees so that I can make my judgment on the evidence put before us. Surely, we are a separate house of Parliament, and that is our job.

I don't know why pressure is being applied to us. We have over a year to go before the law requires the holding of a general election. I was never told that I could be satisfied with the evidence presented before a House of Commons committee. All of a sudden people are telling me to consider that. In the past I was told that our committees could study any testimony presented before them, and, as far as I am concerned, I have never restricted any person or group in respect of appearing before a committee and presenting evidence. Now, because of an impending election, I hear people saying that we are not going to allow those people to appear.

It is not my responsibility to be aware as to when this bill will come to this house. It is my responsibility to know when it does come to this house, and it is my responsibility to know when it is referred to committee, but, as I say, it is not my responsibility to watch the bill in an effort to find out when it might come to this house. I am prepared to tell not only this chamber but the Canadian people that, in the short period of time we have been given to study this bill, I do not have the

brainpower, expertise and knowledge to know what is in it. Surely this chamber would allow me, as a member of the committee, the time it would take me to review the evidence that would be called before that committee.

● (1530)

The Leader of the Government in this chamber said that this bill has been before the House of Commons for two years. If it has been before the House of Commons for two years, why does it have to be before us for two days? I believe that is nonsense. This chamber and its committees have always co-operated with the government in an effort to be realistic in trying to have legislation passed, but this is certainly not the situation this time. I have seen it happen before, and it is happening again and again, and I am not so sure that it is right and proper.

I mentioned earlier that it was great to see the minister give commitments, but I am not so sure, in my own mind, that that is enough because the only commitment I rely on is that given by this chamber when it votes.

Honourable senators, I wish to tell you that I want this bill to go to committee, and I am going to vote for this motion.

Senator Molson: Honourable senators, may I first say how impressed I have been by the defence that has been made for the program by the Leader of the Government and his supporters. I would only add that if I ever found myself in a jam and needed a good defence, I would like to think that they were sufficiently my friends to come and defend me because they would be a hard team to beat.

Senator Flynn: For a bad case.

Senator Molson: That is an assumption, because we have not got the case yet.

I believe that passing this bill without the fullest possible study is unwise. As the Deputy Leader of the Government said, last-minute representations made by those wanting to be heard are really inexcusable. We have every right to criticize those who now express disappointment that they did not do something earlier.

I should like to call your attention to the fact that yesterday we dealt with this bill in a very different way from our ordinary Senate practice. I do not say that we did not deal with it in the best possible way. That is not what I am trying to suggest. What I am trying to say is that we do not often deal with a major bill of this type by moving into Committee of the Whole. As we know, this procedure takes no notice, and we did it with great rapidity. People who are used to making representations to our committees may, at least in part, be excused if they felt there would be enough time after the bill received second reading and was referred to committee for them to make known their wish to appear. To that extent we have to admit that, by the unusual speed with which we dealt with this bill, we could have taken a good many people by surprise.

I do not wish to make too much of this. I understand election constraints, and speaking as an Independent, which I am, I do not think I have any right to express any opinion on that situation at all. If there are severe problems or constraints imposed by the imminence of an election, then I feel the political parties involved have every right to take what they feel is the proper course of action. I cannot criticize in any way the fact that passage of this bill is being rushed, as it is, if it is necessary, or considered necessary, for an election.

Quite honestly, looking at it coldly from the outside, I fail to understand how the passage of this bill is going to add anything more for the party in power than the mere knowledge and existence of this bill after a period of approximately two years. The intent and goodwill of the government are well known, but the fact of whether this bill is passed or not—well, perhaps I should not express an opinion at all.

The case has been made by the sponsor, my colleague, Senator Marchand, and by the Leader and Deputy Leader of the Government, that it is a good bill. I do not disagree. I feel it probably is. However, that is not quite the point of our present discussion.

I should like to call your attention to the fact that there are an awful lot of people affected by this bill—workers and employers. I should also like to call your attention to the fact that conditions in the world of industry, commerce and finance are changing extremely rapidly, and this makes me think that moving unnecessarily quickly for its passage is not really wise.

The government has probably noticed that business is not doing very well in this country. It is generally agreed that the government's handling of labour relations has been about as poor as we could possibly imagine. It seems to be a poor time to rush anything, and to hasten unnecessarily any measure that can substantially affect the business climate, the economic climate, the employment climate, the unemployment climate and inflation in this country. I believe we should take all the time that is necessary to make sure that what we do is the best possible for all those hundreds of thousands of individuals who are affected.

In my own case, I have had 40 years of business experience and I have learned to appreciate fully the overriding importance of employee relations. To impose further government standards on labour relations, having regard for the business climate in this country, may not be wise, but to do it in haste, I suggest, is very unwise. I think this is liable to work to the disadvantage of both the employee and the employer.

● (1540)

My only point, honourable senators—and perhaps I am taking too long to make it—is that I believe all those affected by this bill would have a chance of being better served if we in the Senate took all the time we felt necessary to make it the best possible bill.

Senator Neiman: Honourable senators, I should like to say just a few words. I must confess that I am not in the least an expert in labour relations law, and being rather inexpert as a lawyer and as a parliamentarian I still have a few doubts about the bill and the attempts to pass it as it is at the moment.

I fully understand that this bill has been studied, has been referred to innumerable interested groups and has been the subject of a great deal of discussion in the other house. I am

very sorry that we got it in the last couple of days of a dying session. I understand the constraints that have been imposed upon the minister, and upon the house as well, but I guess we will constantly reiterate that this is a very unfortunate procedure that we seem to be faced with constantly. This is an important bill that will have many ramifications in many sections of our country, and we should not be expected to deal with it in a matter of hours.

Having said that, I realize that the bill has been considered for a long time by people far more qualified than I, and that, by and large, it was, as Senator Marchand said, accepted unanimously in the other place. There are two clauses, to which several honourable senators have referred, concerning retroactivity and the question of appeal. Those are two clauses that concern me greatly, and I would not want the bill passed without understanding the effect of those two clauses in particular, and without hearing further arguments or submissions.

While we have been sitting here I have read last night's *Hansard* again very carefully, trying to understand the questions that were put, the arguments made and the explanations given by the minister, and I still am not clear in my own mind what it all means.

I would be very happy if this bill could be referred to a committee for at least clarification of those two clauses. I would be prepared to accept the minister's undertaking that he will not proclaim those two sections until we have had a chance to hear the people or organizations who wish to make submissions. In that case I would have no objection whatsoever to passing the bill, but only on the understanding that those two clauses would not be proclaimed. However, I should like to have a further explanation from the minister and his undertaking in that regard.

Senator Forsey: Honourable senators, I want to make just a couple of very brief observations on this matter. As I understand it, the main complaint of those who want to make representations to a committee now is that certain changes were made at the last moment in the House of Commons after they had made their previous representations. As I understand it, they are not saying they did not have a sufficient hearing before the committee of the other place. What they are saying is that after they had had their hearing new features were brought in and they would now like to be heard on those new features. I looked at the principal brief on the subject, and that seemed to be the sense of it. It was delivered to my office yesterday afternoon and I have had the opportunity of running through it. The two features they refer to are exactly the two the Honourable Senator Neiman has just been speaking about, and those features are the aspects of the bill that have caused some disquiet to several of us.

On the other hand, it seems to me that both those questions were very thoroughly thrashed out last night, almost *ad nauseam* I would say, certainly until a very late hour, midnight exactly, I think, or possibly half a minute afterwards. I am inclined to think that nothing further can be said on those two points than was said, was dealt with and was decided on last night by the Senate in Committee of the Whole.

In the circumstances, I am very doubtful indeed whether sending this bill now to a standing committee would really accomplish anything. I do not see how we could possibly expect to pass an amendment and get it accepted in the other place before dissolution. I do not see how we could possibly allow the people who have made representations to the government and to the House of Commons over a long period of time to repeat it all to us here, nor do I think they desire to do so.

So I am inclined to feel that if the bill now went to the standing committee it would really be, as I think perhaps the Deputy Leader of the Government said, though I failed to catch certain of his remarks, something of an exercise in futility. I am all for saying that everybody should have his hearing, that everybody should have his day in court, and when we feel they have not had a proper hearing we should give them one. But in this case I am inclined to think our doing so would be a mere gesture and would have no practical effect whatsoever; that we should find ourselves merely retreading old ground; new people would make the old arguments and the same people would repeat the old answers, and we would end up in exactly the way we ended up at midnight last night.

Rather regretfully, I shall have to vote against the motion.

Some Hon. Senators: Question.

Senator Grosart: Perhaps, honourable senators, I might be permitted to speak to the motion, as I have not done so.

Senator Langlois: Are you closing the debate?

Senator Grosart: Under our rules I am not necessarily closing the debate, because that rule applies to second reading, to a substantive motion, which this motion is not, as it arose out of an Order of the Day. It is not a substantive motion, and under our rules it is not necessarily the case that the mover of the motion closes the debate. I am quite sure that Her Honour the Speaker is in agreement with that.

I have been very impressed with the discussion on the motion, and I think we have made a lot of progress. I thank the Deputy Leader of the Government for conceding that the motion is in order, although I did not quite follow his futility argument, which Senator Forsey seems to have accepted, because to me the principle is not whether it is a good or bad bill; it is not whether it should be amended; it is not whether referring it to a committee would achieve any change in the bill. I moved the motion on the principle of the right of petitioners to be heard.

It has been suggested, by Senator Marchand for example, that there is a difference between the situation where the House of Commons passes a bill and sends it to us without a vote, without dividing the house, and where this is not the situation. I do not follow that argument, because the fact of the matter is, of course, that the vast majority of amendments that have been made by the Senate to bills have been made with respect to those that were sent here without a vote. The record will show that of the hundreds of amendments that have been made by the Senate during the last few years the majority have not been made on the basis of division of the other place.

• (1550)

I congratulate the Leader of the Government, of course, on the fact that he has moved a long way from the apparently adamant attitude he was taking last night, when he indicated very strongly that he opposed at first Senator Flynn's adjournment of the debate so that it could be discussed today. He gracefully receded from that position—

Senator Langlois: I am sorry, but in all fairness to my leader, I was the one who did that.

Senator Grosart: I will have to take Senator Langlois' word for that. I am quite sure he was the one; I would have been very surprised if he was not. However, I noted, and I believe the Leader of the Government will agree, that he did indicate at first, very definitely, opposition to the motion to adjourn. I congratulate him for consulting with his colleagues and changing his mind on that.

Senator Perrault: An agonizing reappraisal.

Senator Grosart: Yes, an agonizing reappraisal, at which the Leader of the Government has recently become an expert, and I congratulate him on that. He has recently on many occasions given consideration to motions which have been put forward and which might have appeared to have been in opposition to government policy. However, he has been very flexible, and on this occasion he has been more flexible than usual.

He has suggested many alternatives, which would certainly improve the situation, with which I agree entirely. He has gone so far, I take it, as to obtain a message from the minister, which shows definite concern for the points which have been raised by our petitioners. Senator Roblin has made a suggestion, with respect to which I saw the Leader of the Government nodding. I am not saying that he was prepared to accept it, but I believe he regarded it as another interesting alternative.

There is another, of course, which has been mentioned, and that speaks to this question of whether the approval of this motion which I have made would unnecessarily hold up the proceedings on the bill to the point at which the bill would not be given royal assent before dissolution, if we are to have dissolution. On that point I was interested in the very positive statement made by the Leader of the Government that we are going to have dissolution soon and, as far as I know, that is the first time we have had such an announcement from the government. I have been wondering for some time, as have many Canadians, whether the announcement of the writ might be made this week, next week, or months from now.

An Hon. Senator: October.

Senator Grosart: I am interested—I will not say whether I am glad or otherwise—in the definite statement by the Leader of the Government that there is going to be dissolution soon, and that that is a reason for—

Senator Perrault: There is always a possibility.

Senator Grosart: I believe the record will show that the Leader of the Government went further than saying it is a possibility. I believe he said the house will be dissolved soon.

[Senator Grosart.]

Senator Perrault: The Leader of the Opposition in the other place says so.

Senator Grosart: No, I did not refer to any statement on the matter by the Leader of the Opposition in the other place. I was referring to government announcements, and the leader thinks there will be.

Senator Perrault: Mr. Clark said there will be.

Senator Phillips: Is Mr. Clark already Prime Minister?

Senator Langlois: Never.

Senator Grosart: Having said that, honourable senators, I return to the principal reason for making this motion. It was to maintain what I believe is one of the finest traditions of the Senate, that we will not deny any petitioner under reasonable circumstances his, her or their right to a day in court. For that reason I am not discussing the merits or otherwise of the bill. I rest my case entirely on that fine tradition of the Senate, that we will hear witnesses who take the trouble to inform us that in their opinion if the bill is passed in its present form their interests will be jeopardized.

All that we have been asked is to grant them a hearing. There is no petition here that we bring in a bill, or that we amend a bill. All that we are asked in the five communications that I have in my hand is that people who think their interests are affected deleteriously by the bill be heard. It has been said that this might delay the eventual passage of the bill, and I agree that that would be a mistake. I would not as a senator wish to take the responsibility for having placed this bill and the government in a situation in which the bill would not become an act of Parliament by receiving royal assent before dissolution.

However, another alternative has been suggested. If the Leader of the Government were to propose an amendment to my motion to limit the terms of reference of the standing committee to clauses 171 and 62, he would certainly find me very interested, and I would consider very carefully whether I would be prepared to accept such an amendment. This, of course, would remove the argument that we would have to call all those, the long list of those, who appeared before the committee of the other place. It would narrow it to those who are at this moment petitioners, and it has been our practice not to deny petitioners their day in court.

It has been said they came in at the last minute. Of course they did; they came in as soon as they possibly could. One of the petitions is by telegram. The petitioners are saying that they have just heard that there has been a last minute change in the bill and are concerned about it. Some of the letters go beyond that, but it might satisfy the carrying out of our tradition if we were to limit the reference to the standing committee to those two particular clauses. I am thinking on my feet, but that is my feeling at the moment. I suggest to the Leader of the Government that this is only one small step further than the concessions that he has already made and on which I congratulated him, and continue to congratulate him.

• (1600)

I think the statements he has made, the efforts he has made, to understand the feelings and to meet the requirements of these petitioners make this whole debate worthwhile. We are a long way from where we were last night. We are along the road to giving justice, if I may use that term. It is probably an extravagant term in the context, but I feel it is common justice, having in mind the tradition of the Senate, having in mind the fact that a standing Senate committee is the agency of Parliament to which people normally come when they object to what is happening or has happened in the House of Commons. After all, it is very seldom that we have petitioners before us, unless it is on a bill originating in the Senate, requesting that they be heard by a Senate committee.

With that, honourable senators, I rest the case as far as the motion is concerned. I would ask that we do not, in this important case, deny the traditional position we have taken over the years. It is not my intention to discuss the bill itself. I did not take part in the debate last night because I do not know anything about the bill. I have no position on it at all. However, it has been said, in some of the representations that have been made, that labour, management and the provinces are concerned. Whether they are concerned specifically with these matters, I do not know, but there is at least evidence before us that the concern is widespread.

We are being asked to grant a hearing to some important organizations in Canada. I might say I would take this same stand if the organizations in question were unimportant, because I think it would be—well, I will not say a disgrace, but certainly it would be regrettable if on any occasion the Senate departed from its long-held principle of a person's day in court and his or her right to be heard, especially when the request is made of us in such specific terms and with such sound rationale. These individuals or organizations could not have petitioned on these points before this time and they have nowhere else to go.

Senator Perrault: Honourable senators, perhaps I might be permitted to respond to the invitation extended by the Deputy Leader of the Opposition. At the outset, I want to welcome the conciliatory spirit of the presentation made by the distinguished Senator Grosart. All of us, wherever we sit in the house, are interested in maintaining the traditions of this assembly, our continuing concern that minority rights, the rights of individuals, the rights of organizations, are going to be adequately protected in this country. That is the spirit of the Senate, and I think we are all imbued with that spirit.

Senator Grosart, in one of his preliminary remarks, used the words "where reasonable grounds exist for referral to a committee." What we should consider, honourable senators, is the meaning of the word "reasonable" under present circumstances. Of course, it is never unreasonable to discuss the views of people who wish to appear before committees of the Senate. From the standpoint, however, of the parliamentary deadlines which confront us—the possibility of a very early dissolution—even the referral of these two clauses, which are important clauses, could invite a great many time-consuming submissions and briefs, and requests for appearances.

Given the possible imminence of dissolution—and I am not making any specific statement on that subject; it would be impossible for me to do so because that is the prerogative of the Honourable the Prime Minister—given the possibility of dissolution, long committee hearings would constitute an unreasonable proposal if we are to advance this measure into statute form where it will undoubtedly confer great benefits on the working people of this country.

In this bill we are looking at an instrument which, in many ways, will be a pioneering piece of legislation. There are some concepts in this bill which are new and innovative. They have been brought in with the co-operation of the great labour movement in Canada as well as management representatives from coast to coast, and representatives of the various governments in Canada.

I have no doubt whatsoever that when enacted this may not be perfect legislation. I have yet to see a bill which is perfect. In this session alone, we have made in excess of 162 amendments to House of Commons bills—a fact which indicates our belief that perfection does not emanate from the other place, and the acceptance of those amendments by the other place certainly indicates that they are in agreement.

I have no doubt that at some point in the future there will be amendments to this bill, as there are every year to taxation and other legislation. The Miscellaneous Statute Law Amendment bill—

Senator Flynn: No, no.

Senator Perrault: Well, Senator Goldenberg admitted the other day, in response to a suggestion from the Leader of the Opposition, that some mistakes had been made—

Senator Flynn: Yes, but he was speaking of minor errors. We are speaking of serious errors.

Senator Perrault: Yes, there can be minor errors in bills and serious errors. All we can strive for is an approximation of perfection. We can only attempt to produce the best legislation possible, given the human resources we have from across the country.

I want to reiterate, in response to the suggestion—a suggestion which I know has been advanced in good faith and in a conciliatory fashion by the Honourable Senator Grosart—that we refer these two clauses to committee, the statement of the minister, which is that he intends to confer with interested and affected parties, both as to the effective date of significant provisions of Bill C-8 and their views concerning administrative policy in connection with their application.

What does this mean? It means there will not be any proclamation on these two controversial clauses until the minister has consulted with the groups who have these concerns. That is the government's response, given the political imperatives which exist at the present time; namely, the imminence of dissolution.

Honourable senators, a more satisfactory course of action, undoubtedly, as Senator Everett, Senator Sparrow and others have pointed out, would be to refer this measure to committee for long and detailed hearings. However, in weighing the action which the Senate may wish to contemplate in respect to any proposed measure, surely we must take into account the advantages which will flow from a given proposal, even if such proposed legislation may not have been developed to its highest and most perfect form. That is a judgment we have to make. We are continually asked to balance where the greatest good lies in relation to the time and resources available in Parliament.

I have cited a commitment from the minister that there will be no proclamation of these controversial clauses until he has met with the interested parties, and I have been assured by the minister's office that, should this bill receive third reading today or tomorrow, communication will immediately go forward to these organizations and they will be invited to come to Ottawa to meet with the minister in order to discuss their concerns. Secondly, honourable senators, let me repeat that both of these commitments are handwritten from the minister's office. It is rather unusual to have this kind of commitment from ministers. It rarely happens. The Minister of Labour—this is handwritten on his behalf—says that he will re-establish:

● (1610)

> . . . a labour-management advisory committee within federal labour jurisdiction which will . . . pay particular attention to the effects of these amendments to the Canada Labour Code—

Particularly the controversial ones to which reference has been made; and, secondly, to:

> . . . maintain, in collaboration with the minister and his officials, an ongoing scrutiny of legislation and programs in this field.

That is a commitment which will be kept by the minister if the Senate gives approval to this legislation.

An Hon. Senator: If he is there.

Senator Perrault: Within the time frame available to this Parliament in its remaining days, it seems to me that this is a fair, practical, and reasonable proposal. It is a commitment which I give on behalf of the minister and the government.

Honourable senators, a number of senators who have spoken today have said that they want a full exposition of certain allegedly controversial clauses. I can only express my regret that more honourable senators were unable to be in the chamber last night as we met in committee until midnight. Those clauses were dealt with by the minister almost to the point of exhaustion. Indeed, he was losing his voice toward the end of his testimony. He dealt with all the controversial clauses, such as those relating to retroactivity. His explanations may not have been to the ultimate satisfaction of all honourable senators, but when a democratic vote was taken among those senators who took the time and trouble to remain and listen to the arguments and to vote, the bill's clauses were approved. Yet I wonder if some of those honourable senators who have been very vocal today have taken the time and trouble to read the transcript of last night's proceedings.

Honourable senators, we are faced with the task of passing an important bill, and I would urge all honourable senators to undertake that process as quickly as possible. For the reasons I have stated, I cannot support the amendment and proposal made by Senator Grosart, but I certainly support the spirit of his recommendation.

The Hon. the Speaker: It is moved by the Honourable Senator Grosart, seconded by the Honourable Senator Flynn, P.C., that Bill C-8, intituled "An Act to amend the Canada Labour Code," be referred to the Standing Senate Committee on Health, Welfare and Science.

Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: Yes.

Some Hon. Senators: No.

The Hon. the Speaker: Will those honourable senators who are in favour of the motion please say "yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion please say "nay"?

Some Hon. Senators: Nay.

The Hon. the Speaker: In my opinion, the "nays" have it.

And more than two honourable senators having risen.

The Hon. the Speaker: Please call in the senators.

● (1620)

The question was resolved in the negative on the following division:

YEAS

THE HONOURABLE SENATORS

Bélisle	Marshall
Bell	Molson
Cameron	Phillips
Cook	Quart
Everett	Riel
Flynn	Riley
Fournier	Roblin
(Madawaska-Restigouche)	Smith (Colchester)
Grosart	Sparrow
Inman	Steuart—20.
Macdonald	

NAYS

THE HONOURABLE SENATORS

Adams	Bourget
Anderson	Côté
Austin	Cottreau
Bonnell	Denis
Bosa	Forsey

Fournier (de Lanaudière)	McIlraith
Fournier	McNamara
(Restigouche-Gloucester)	Michaud
Guay	Molgat
Haidasz	Norrie
Lafond	Perrault
Langlois	Petten
Macnaughton	Rizzuto
Marchand	Rowe
McElman	Williams—29.

The Hon. the Speaker: I declare the motion lost.

Senator Riley: Honourable senators, I stood up inadvertently when the vote was being taken. Had I voted, I would have voted against the motion.

Senator Phillips: Are you voting for unemployment in New Brunswick?

The Hon. the Speaker: When shall this bill be read the third time?

Some Hon. Senators: Now.

Senator Flynn: At the next sitting. If you tell us we are meeting at 8 o'clock, we may reconsider.

Some Hon. Senators: No, now.

Senator Flynn: Too bad; we have a veto.

Senator Marchand moved that the bill be placed on the Orders of the Day for third reading at the next sitting of the Senate.

Motion agreed to.

● (1630)

FARM CREDIT ACT

CONSIDERATION OF REPORT OF AGRICULTURE COMMITTEE'S ADVANCE STUDY OF AMENDING LEGISLATION

On the Order:

> Consideration of the Report of the Standing Senate Committee on Agriculture on the subject matter of the Bill C-29, intituled: "An Act to amend the Farm Credit Act".—(*Honourable Senator Argue.*)

Senator Molgat: Honourable senators, if I may rise on a point of order, last evening when Order No. 5 was called, which was for the second reading of Bill C-29, to amend the Farm Credit Act, it was pointed out by the Leader of the Opposition that the next order, Order No. 6, was consideration of the report of the Agriculture Committee on its advance study of the subject matter of Bill C-29. He suggested at that time that the logical way to proceed would be to reverse the sequence and deal with the report first. I said that I had no objection to our proceeding in that way, and, as a matter of fact, the orders have been reversed as they appear on today's order paper.

Honourable senators, I believe that Senator Argue is prepared to proceed with the consideration of this report, but I do not see him in his place at the moment.

Senator Grosart: He is not prepared, then.

Senator Flynn: Do you want to do it in his place?

Senator Molgat: I can. I was at the committee and I can explain what went on, if it is so desired, or we can stand the order and proceed to the next one.

Senator Phillips: On the point of order, honourable senators, I asked the establishment who would be moving second reading of this bill and I was told that it would be the Honourable Senator Molgat, although I had assumed that it would be the Honourable Senator Argue. It is rather puzzling when you do not really know who is interested in a bill.

I would suggest that we are agreeable to having anyone move the bill and explaining it. But, for heaven's sake, move it. Don't be Grits. Just move it.

Senator Molgat: Honourable senators, on the point of order, I certainly intend to move second reading of the bill, but we are not at that order yet. We are at Order No. 2. In any event, I see that Senator Argue is now in the chamber, so if he is prepared to proceed I will sit down.

Senator Argue: Honourable senators, the committee was quite pleased with the bill, in that it brought about the implementation of most of the recommendations that the committee had made a couple of years ago with regard to the bill that we had before us at that time. Under the present bill, capitalization is being increased from $100 million to $150 million. The increase in loan ceilings is going from $150,000 for an individual to a maximum of $200,000. In a family operation loans may be made equal to double the ceiling on a single loan, namely, to a maximum of $400,000.

In its report, our committee said that it felt that the Farm Credit Corporation should monitor loan sizes in that situation, because we felt that with the capitalization of some $263,000 being the average for farms in which the gross income is above $10,000, soon we would be at the point where the $200,000 should be raised to $250,000.

Senator Phillips: Excuse me, senator. That is gross?

Senator Argue: Gross, $10,000.

Senator Phillips: I understood you to say the gross above $10,000.

Senator Argue: Farms with a gross above $10,000 have an average capitalization of $263,000.

Senator Phillips: Can you tell me what the net would be at $10,000?

Senator Argue: No. We were not given that information. This figure was an average for farms with a gross income above $10,000.

Senator Phillips: Did you ask for it, Senator Argue?

Senator Argue: The present legislation provides for a maximum loan of $150,000 to persons under 35 years of age, and in this bill the 35-year age limit has been removed, so that anyone whom the corporation feels is worthy may be given a loan up to $200,000. The 35-year provision will remain in

effect only for a person who lives off the farm and whose principal occupation is not farming. They will be given five years to establish their principal occupation as farming, provided they are under 35 years of age. They must be back in farming by age 35.

● (1640)

There are other minor amendments. Under this legislation there is recognition that loans may be made up to the full market value of the property involved. There is the removal of the $25 supervisory fee, and the increased penalty rates on arrears. The interest rate on arrears will merely be at the regular rate.

The committee felt—and this was a major point in our recommendation—that legal costs are excessively high. For example, legal fees for the sale of a farm might amount to as much as a thousand dollars. We asked the Farm Credit Corporation Board to make a report to us at a later date as to what steps they feel can be taken to reduce the cost of legal fees. Incidentally, legal fees are borne by the borrower. They must be paid at the time of the loan and are not covered by the loan itself.

There was one provision in the bill to which we objected. This is found in clause 3 of the bill, which repeals section 12 of the act. It is subsection (2) of section 12. This is found at the top of page 2 of the bill. That subsection reads:

> (2) Any provision of an *Appropriation Act* authorizing an increase of the aggregate amount referred to in subsection (1) stands permanently referred to any Committee of the House of Commons established for the purpose of reviewing matters relating to agriculture.

We felt that there should not be an exclusive reference to the House of Commons committee, but that it should be either a committee of the Senate or a committee of Parliament.

We made these representations to the minister and to certain members of the House of Commons. Because of those representations, I am pleased to say that an amendment was provided in that committee and subsequently approved by the House of Commons which removes this reference to the House of Commons committee and substitutes the following wording:

> . . . permanently referred to any committee of the Parliament of Canada established for the purpose of reviewing matters relating to agriculture.

That amendment puts the Senate on the same footing as the House of Commons in relation to this particular feature.

The committee was generally favourable to this legislation. We support it wholeheartedly. The only particular thing to which we objected was the reference to the House of Commons committee. Since that has been amended, I would certainly commend the bill to the house.

Senator Roblin: May I ask the honourable senator whether he said that the amount of loan could be up to 100 per cent of the appraised value of the property concerned, or did I misunderstand him on that?

Senator Argue: The market value.

[Senator Argue.]

Senator Roblin: One hundred per cent of the market value?

Senator Argue: Yes. We thought that was a good idea. The Farm Credit authorities explained to us that they have to be convinced that there is repayment ability by the borrower. If a farmer asks for a loan of $100,000 to buy a farm, the authorities must be satisfied that he is able to repay the loan, either from income derived from his present farm or income he might derive from the farm which he is purchasing. As long as there is repayment ability, they are empowered to loan to full market value. This would not happen in every case.

The Hon. the Speaker: Honourable senators, there being no other senator wishing to participate in this debate, this order is considered as having been debated.

BILL TO AMEND—SECOND READING

Hon. Gildas L. Molgat moved the second reading of Bill C-29, to amend the Farm Credit Act.

He said: Honourable senators, before going into the details of the bill itself, I wish to briefly go over the background of the Farm Credit law in an attempt to show you the importance of this bill.

The Farm Credit Corporation has been in operation for approximately 20 years. It is the successor to the Canadian Farm Loan Board, which had its origins back in 1929. In the 20 years since the Farm Credit Corporation has been in operation, it has made 192,000 loans, accounting for approximately $3.1 billion. At the end of its last fiscal year it had outstanding loans of $2.2 billion. When one recognizes that this covers approximately 60 to 70 per cent of the needs for farm credit, one will appreciate the importance of this particular legislation.

In recent years provincial farm loan boards have filled in some of the gap, but still the bulk of farm credit comes from this source. If one were to look for one principle in this bill, I suppose the principle of flexibility would be the one to look to. It will allow much more flexibility to the board in its loan-granting activities.

There are a number of amendments, but I will deal with the three most important ones. The first is the increase of capital from $100 million to $150 million. This will mean that the corporation's borrowing capacity will increase from its present $2.5 billion to $3.75 billion. There is urgency in this particular amendment because, as was indicated to us in committee, at their present rate of lending funds the agency will be out of funds within the next month. It will have exhausted its supply of capital and will be unable to continue to make loans.

The second most important amendment is that the majority of age restrictions in the present act are being phased out. Where there were special provisions at age 35, these are being removed, except in one particular area; that is, new persons entering the farming profession and not being full-time farmers.

● (1650)

The third major amendment increases the maximum loan for a single-family enterprise to $200,000 if there is one

qualifying applicant; and increases it to $400,000 where there are two or more qualifying applicants. I will explain the reasons for these three main proposals in a little more detail because they are really the heart of the bill.

The present authorized capital for the corporation is $100 million. Under the act their borrowing capacity is 25 times their authorized capital. That gives them $2.5 billion. The last increase in capital was in 1975 when there was an increase of about 50 per cent from $66 million to $100 million. Between 1971 and 1976 the total value of farm capital in Canada increased from $23.7 billion to about $57 billion—an increase close to 140 per cent. Therefore, we did not really keep pace in that area.

Similarly, the number of farms with annual sales of $5,000 or more per year has increased by 18 per cent; and the number with sales exceeding $10,000 increased by more than 63 per cent. Therefore, the corporation needs further capital to keep pace with the changing farm picture.

In order to meet future demands, we are also proposing that henceforth requests for additional capital could be authorized under an appropriation act. Any provision of an appropriation act authorizing an increase in the aggregate amount would stand permanently referred to any committee of Parliament for the purpose of reviewing matters relating to agriculture.

On this item I want to refer back to Senator Argue's report and the discussion we had in committee where, at that time, the bill read, "to a committee of the House of Commons." After our discussion in committee, the suggestion was made in the other place that that ought to be changed, and the amendment was made. As a result of our request it reads, "committee of Parliament" rather than "committee of the House of Commons."

Again our committee has indicated, as have other committees of the Senate in the past, their concern with this whole question of appropriation acts and the method by which they are handled. We believe it requires further consideration. However, for the time being the position and responsibility of the Senate certainly have been protected and covered by the amendment that has been made since the original act.

Although there have been these substantial increases in the amounts, I want to make it clear that the FCC will continue to be restrictive in its lending guidelines in order to stay in line with the government's restraint program. Therefore, applications will continue to be assessed according to the applicant's need for funds from the Farm Credit Corporation.

The second major amendment removes age as a qualifying factor for the lending limits. You may recall that in 1975 the Minister of Agriculture had proposed a number of amendments to the Farm Credit Act. The main thrust of that bill was to help young people to get started in farming. Since then the FCC's total lending to young farmers has steadily increased. This year almost three-quarters of all loans went to persons under 35 years of age. This represented some $410 million.

A great number of farmers, the farming organizations and the FCC advisory committee, have made recommendations to the minister on this subject in the past few years. One of the points they have made regularly is that the need for farm credit does not magically stop at age 35. The present amendments extend these advantages to all farmers. Nothing is taken away from young farmers by these amendments. Their position is in no way decreased. The advantages are really extended to all others.

Experience has shown that under the previous legislation there was a tendency to force people into restructuring their farm operations because of the age 35 provision. It meant that sometimes legal changes had to be made to qualify a spouse or a child, and it was needless legal work that imposed costs and did not achieve anything. Now the corporation can deal with the subject as each case comes up.

The 35-year age limit will remain on what is called Part IV or beginning farmer loans. That is where a borrower retains an off-farm job for a period of up to five years but before he principally becomes engaged in farming.

The third major amendment is the one regarding the amount of each loan. Capitalization, in all its forms, has been increasing steadily in agriculture, and every indication is that it will continue. Many of the costs of technological change cannot be paid for immediately out of current income; time is required.

We are all familiar with the cost-price squeeze that farmers have found in the past few years, and in many cases they have been forced to get more capital to extend their repayment period. Therefore, the third amendment deals with the increases in the lending limits.

At the moment the limit is $100,000, as I indicated, for a standard farm loan; and $150,000 for young farmers. The new limit is going to be $200,000 for any single farmer.

This loan limit applies to farm units as well as to applicants. So the maximum loan for a farm operated by a farmer and a child, or by partners, presently is $100,000 or $150,000, depending on age. If this bill is approved, the Farm Credit Act would provide a new loan limit of $200,000 for each qualifying operator, or $400,000 for each farming unit if there are two or more qualifying operators. We feel this will facilitate joint operations. It will encourage greater efficiency, and it will provide for a smoother phasing of the young operators into the family farm business.

These amounts, I know, appear large if you do not look at what farm costs really are today. For example, for a grain livestock operation in Alberta of some 1,000 acres or so, the present capital cost is something in the neighbourhood of $400,000. In Saskatchewan, on the Regina plains, a two-section wheat farm, which is not an excessive unit under present circumstances, would probably cost over $500,000. In Ontario a 75-cow dairy farm would cost more than $300,000. Therefore, it is obvious that the present capitalization, while it sounds like a large amount, is not at all out of line with the needs.

On looking at the proposed amendment, I recognize that some may say that raising the loan limits, removing the age

limits and adding capital to the corporation, may have an inflationary effect on land values. This has always been a problem in the provision of capital for farm purposes. However, farmland gets its value mainly because of its capacity to produce income, and it is really the economic conditions and the level of income produced that is the main long-term determinant of land prices, not credit. This excludes, of course, the pressure of other activities, such as the growing need for housing near big cities, that tend to artificially increase farmland prices. In the final analysis, the farmland price *per se* is based on long-term productivity.

● (1700)

There are a number of other smaller amendments included in the bill which will actually streamline the operations of the act. One is the use of market value to assess all the loans. At the moment there are two possible methods of assessing the amount of the loan; one can be market value and the other can be appraised value. This has created confusion in the minds of some borrowers. It is felt that it would be much better if the corporation had one system only, and that that be market value. However, I hasten to add that the amount of all loans is, in the final analysis, determined by the repayment ability of the proposed operation, so even if it were an inflated market value, if the productivity is not there the amount of the loan will be limited to the repayment possibility.

Another amendment concerns the supervision fee of $25 for supervised loans under the present act. Those are loans that exceed 75 per cent of the appraised value. This fee has been found to be more of a nuisance than anything else, and it frequently gets in the way of having a good relationship between the borrower and the corporation staff. It is suggested that it be removed.

Another change is the provision for losses on loans. This follows a recommendation from the Auditor General, which recommendation the corporation proposes to follow. Provision will be made for losses according to accepted accounting principles. In the past there was a separate fund for this purpose, and that will be changed.

The last amendment proposes that penalty interest be dropped. It is believed that the removal of penalty interest would make the Farm Credit Act more compatible with the spirit of the Interest Act, which prohibits penalty interest except under those acts which specifically provide for it. The act does presently provide for penalty in the case of arrears, and that also is being removed.

Those are the main provisions of the bill. I want to make it clear, as I am sure all honourable senators know, that, although sometimes people interpret legislation for farm purposes as providing gifts to farmers, this is no gift to farmers. This act does not provide grants to farmers; it provides loans which the farmers repay with interest. True, the interest is slightly lower than the market rate. The present interest rate on the loans is 9½ per cent, and the market rate would probably be some 2 per cent higher.

Senator Phillips: What will it be in six months?

[Senator Molgat.]

Senator Molgat: That will depend on the cost of money. However, this is still higher than the cost to the corporation of the money it borrows, so in those terms it is not by any means a gift to the farmers.

Over the years the Farm Credit Corporation has been a great boon to farmers throughout Canada. Under the act, loans have been made from one end of the country to the other. It is true that the large proportion has been in the prairie provinces, but by no means have loans been made only in those areas; other provinces have made substantial use of the loan facilities as well.

I believe the amendments will substantially improve the act and provide help to farmers at a time when it is badly needed, and I commend the bill to the Senate.

As a normal rule I would be proposing that we refer the bill to the Standing Senate Committee on Agriculture. However, in view of the fact that the committee has already studied the subject matter of the bill, on this occasion I think there would be no purpose in referring it to the committee. I would, however, be more than pleased to answer any questions that I can at this time.

Hon. Orville H. Phillips: Does the election have anything to do with it?

Honourable senators, I very much appreciate the explanation of the Honourable Senator Molgat. It is always a pleasure to hear him on a matter dealing with agriculture, and it really does not matter whether it is under rule 46(g) or on the Orders of the Day. Sometimes he gets to be almost interesting on both.

I was rather intrigued by one statement he made when he said that the interests of the Senate were protected by an amendment made in the other place. I find it rather strange that a Grit would get up and say the Senate has been protected. I thought we were dealing with farmers. Would it not have been much better, Senator Molgat, if you could have risen in your place and said that we have protected the farmers? I think you would have been happier, and I would have been much happier.

Senator Molgat kept referring to the greater efficiency of farmers. He said that this legislation will make farmers more efficient. Is he saying that farmers are not efficient now? Are you suggesting, Senator Molgat, that the farmers in the prairies are not efficient? I would not dare to go back to my area in the Atlantic provinces and tell the farmers there that they are not efficient. Yet you say the basis of the legislation is more efficiency from the farmers. This I find rather strange, and I hope that later on you will explain to the Senate what you mean by your statement that farmers have to be more efficient.

● (1710)

Honourable senators, Senator Molgat stated that the Farm Credit Corporation is running out of funds, if I understood him correctly. If I am wrong, I would like the honourable senator to correct me. Since the Farm Credit Corporation is running out of money, the natural thing to do is to turn to the

estimates and, honourable senators, I would ask you to take a look at the estimates, the so-called blue book, where you will find on page 2-56, under the heading "Agriculture", that for some yet unexplained reason the budget for the Farm Credit Corporation has been reduced by approximately $32.5 million. To me, it takes some sort of miracle to arrive at a situation where the amount of money available is being reduced but, on the other hand, the amount of the loans is being increased. I believe it is known that I do not look on this government as being miraculous, but it will need some sort of miracle to explain how with less money they can lend more.

Senator Langlois: You have a lot of faith in this government.

Senator Phillips: No, my honourable friend, I am sorry, you have been missing the point, or I have been wasting my time. I have no faith in this government.

Senator Langlois: You said the opposite a little while ago.

Senator Phillips: If I did, I thank you for correcting me, senator.

The Honourable Senator Molgat was very careful in his explanation of the bill not to make any reference to agriculture generally. The whole tenor of his remarks was, "We are being generous, the government is generous, the Grits are generous." Honourable senators, I do not know of any business that can borrow itself into prosperity, yet this is exactly what the government is asking the farmers to do. It is saying, "Borrow yourselves into prosperity." Later on I will mention the cost of borrowing, but I just cannot believe that the Liberal Party would be saying that at this time, when there is what Senator Buckwold described as a general malaise of the agricultural industry—and that was said in the debate we had under rule 46(g).

I do not really believe that the government is taking this bill too seriously; it is a propaganda measure. I point out to you, honourable senators, that on March 20 last the Minister of Agriculture introduced the bill in the other place. He made his speech and the matter was adjourned. But then let us go to April 6, when my colleague from Prince Edward Island, the Minister of Veterans Affairs, rose in the House of Commons, moved the same motion and gave, word for word, the same boring speech that was made by the Minister of Agriculture. Now, you may think that that was due to a misunderstanding, but I would ask you to look at the record further. The parliamentary secretary to the Minister of Agriculture rose in the House of Commons and said that the Minister of Agriculture never made the speech and never moved the motion. So I do not believe that this government is too interested in farming. We on this side can readily understand the need for farmers to borrow money, but, then again, as I have already stated, you cannot borrow your way into prosperity.

Honourable senators, let us take a look at the record. Between 1973 and 1977 the costs of farm production increased by 80 points, but at the same time the returns to farmers increased by only 50 points, and I am sure that my honourable friend will wish to explain the difference. Then let us take a look at a couple of matters that are really important to farmers. At the same time the costs of labour increased by 160 per cent. The costs of building—and every farmer is aware of building costs—have increased by 92 per cent. We are left in a situation, honourable senators, in which the farmer is expected to meet 1978 costs on his 1974 income.

• (1720)

The Farm Credit Corporation, in its annual report to the minister, expressed the same view regarding the increase in the cost of farming. In its report it stated:

> Lending at this time in our history is not without difficulty. The Corporation has the freedom to lend the full market value in some cases but repayment capacity remains the first consideration. Unfortunately, the capital required to establish a farm is so great that the income generated from the farm cannot always support a high debt load.

I suppose that is what Senator Molgat was getting at when he mentioned the cost of buying a farm. I do not remember the figures he used, but I am sure he would agree with the Farm Credit Corporation that unless the farmer makes a profit, there is no use in farming.

When considering a bill of this nature, the question of the farmer's debt situation arises. In 1966, the agriculture community owed $3.4 million. Today, after 10 years of Liberal Trudeauism, the agriculture community owes $9.5 million—three times what it was before the present Prime Minister took office. If some mortgages today were three times what they were 10 years ago, we would not accept it. Yet, we are asking our farming community to accept it.

Senator Molgat, during his remarks, made mention of interest rates, which is something that causes me a great deal of concern. In 1976 the average interest rate was 6.75 per cent; in 1977 the average interest rate was 7.1 per cent. When this bill was introduced in the House of Commons, the minister stated that the interest rate was 9¼ per cent. Senator Molgat says that today it is 9½ per cent. As honourable senators are aware, the interest rate is adjusted every six months. What is it going to be in October, Senator Molgat? Is it going to be 9½ per cent? Is it going to be 10 per cent? What is it going to be?

How can we expect the farmers to operate without knowing what the interest rate will be? I suppose Senator Molgat will come back and say that they can operate on the rate in existence at the time of their application. However, the average application will take far longer than six months to process. When dealing with the total cost of the farm, we must consider the interest rate. Consider, for example, that the average dairy farm in Ontario costs $300,000. With an interest rate of 9¼ per cent, that farmer would pay to the Government of Canada interest in the amount of $27,750. After he has paid $27,750, the government comes along and tells him that he cannot produce beyond a certain point. In other words, the government will lend him whatever he wants, but he had better not attempt to repay it by producing milk. To me, this is rather ridiculous.

Senator Molgat, in his explanation, said that one of the amendments would result in the Farm Credit Corporation, in its generosity, forgetting the $25 that it used to charge for supervising the loan.

Honourable senators, I suppose it is within the rules to ask a question of the chairman of the committee. I am not sure whether I should do so at this time, but I would like to ask Senator Argue whether he considers a $25 reduction really important on an interest payment of $28,000. It is going to go a long way, isn't it?

I would ask any honourable senator here whether he is prepared to borrow $400,000 to purchase a farm, and then repay it at an interest rate of 9½ or 10½ per cent. If so, I wish him the best of luck.

Another amendment in this bill deals with market value as opposed to appraised value. I suggest to honourable senators that the reason "appraised value" is being removed is simply that "appraised value" means profit, and farmers are not making a profit.

Another amendment that interests me is the idea that the interest penalty is being removed. I do not wish to embarrass the sponsor of the bill, but I would ask him whether this has anything to do with the situation of some two years ago in the province of Quebec when the government assured the dairy farmers of Quebec that they would not have to pay interest in the event that they were unable to repay their loans. I do not object to that idea. I think it is reasonable. After all, it was the federal government that created the situation in the first place.

● (1730)

I would like to ask the sponsor of the bill how many loans are outstanding. I do not want the total amount; I want the number of farm loans outstanding—the number of individuals, if he wishes. I would like to have them for the various regions of Canada.

Honourable senators, we will not deny the farmers of Canada this small titbit in the bill, but we would ask the government to have a good long serious look at the situation.

Senator Michaud: Would the honourable senator permit me a question?

Senator Phillips: I would be delighted.

Senator Michaud: I appreciate Senator Phillips' great concern for farmers' efficiency. Does not Senator Phillips think that experimental stations, new ones particularly—

Senator Phillips: I am sorry, I missed the word after "experimental."

Senator Michaud: Experimental stations. Does not the honourable senator think that a new experimental station—like the one in Kent County, for instance—can be of great value in assisting farmers to be more efficient?

Senator Phillips: In reply to the Honourable Senator Michaud, I would point out that in 1945 my father-in-law was operating an experimental station, or whatever he would like to call it. I would return a direct question to the honourable senator. If experimental stations have not been successful from 1945 to 1978, are they likely to be successful in the next ten years? Perhaps the honourable senator can answer that.

[Senator Phillips.]

Hon. Jack Marshall: Honourable senators, I hope you will forgive a Newfoundlander for standing on his feet to speak about farming in a fish-oriented province, but I am prompted to say a few words on the amendments to the Farm Credit Act because the honourable sponsor indicated that the Farm Credit Corporation was making vast loans throughout Canada.

In my time as a member of the House of Commons I always criticized the Farm Credit Corporation for taking the banker's hard line view of credit and its lack of attention to the provision of venture capital, and taking a chance on those whom we hope will become farmers.

Honourable senators will probably be surprised to learn that we do have rich agricultural territory in Newfoundland. In this day of high transportation costs, when we have to bring in all our vegetables, and the high cost of energy, it is vital—and this has been recognized—that a province such as Newfoundland, which is so isolated, must try to become self-sufficient in its production of farm commodities. This is necessary, and corporations such as the Farm Credit Corporation should get away from the hard lines they take and should be a little more flexible in helping farmers rather than sending out formal letters telling most prospective Newfoundland farmers that for some stupid reason they do not qualify.

I say to the honourable sponsor that he can increase the capital all he wants, he can increase the loan all he wants, but if there is no compassion and no endeavour to develop, motivate, produce and support the initiative of the prospective farmer, who can produce for an island like Newfoundland and help to reduce costs to the consumer, to become self-sufficient—as honourable senators know, a large majority of low-income people are in Newfoundland—then this bill might as well not be on paper. I appreciate the fact that it helps farmers in other parts of Canada, but there has to be a more concentrated effort to help isolated provinces such as Newfoundland become self-sufficient, and this is one way to do it.

I have not had a chance to look at the annual report of the Farm Credit Corporation for this year, but I have followed the monthly reports showing the schedule of loans granted, and the breakdown by province. If I had a breakdown of the monthly reports here, honourable senators would see that every year the amount of the loans going to Newfoundlanders is negligible. Indeed, it is a crime. It shows the passive attitude that is taken by government bureaucrats who, rather than try to help on a one-to-one basis, decline to help Newfoundland achieve self-sufficiency in the production of foodstuffs so necessary to low-income earners in the province.

I certainly have no objection to the principle of the bill, but I hope that the honourable sponsor will understand what I have said. I have not had much success in the House of Commons in pointing out the lack of attention, lack of compassion, and lack of responsibility that bureaucrats show in the provision of loans under this act. Although I commend the bill, I hope the

honourable senator will point out that fact to his colleagues in the government.

Hon. Gildas L. Molgat: Honourable senators—

The Hon. the Speaker: I must inform the Senate that if the Honourable Senator Molgat speaks now, his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator Molgat: Honourable senators, I am prepared to answer what questions I can. Starting in reverse order with the last speaker, the Honourable Senator Marshall, I want to make it clear that the Farm Credit Corporation is a lending institution. It is not an institution charged at this point with the development of farming activities. That belongs in other departments of government. The Department of Agriculture certainly has a responsibility in that regard—

Senator Marshall: It is part of the process.

Senator Molgat: —at both the federal and provincial levels, but it is not the prime responsibility of the Farm Credit Corporation, as I understand the act.

However, there is provision for the supervision services. At the present time, until this bill is passed, they are mandatory in certain cases. Basically, those services provide advice on farming operations, business arrangements, and financing problems, and they are available to farmers who want them. I recognize that at the moment that is not the thrust of the act. It is not considered to be a development agency; it is basically a lending agency. We could properly consider that as being something that might be changed.

Referring to loans in Newfoundland, I recognize that the honourable senator, being new to the Senate, may not have the documents, but the annual report for 1976-77, at pages 26 and 27, gives the breakdown of outstanding accounts in all provinces. Newfoundland, at March 31, 1977, had outstanding loans of $4,180,000. That is in total.

Senator Phillips: Only $4 million in Newfoundland?

Senator Molgat: Yes. The interesting comparison there is in the fact that outstanding loans in Nova Scotia amounted to only $5.4 million. There is really not that much difference between two provinces, one of which would be considered more highly agricultural than the other. There is another interesting figure in that comparison as well, and that is that in Newfoundland the $4 million outstanding was in 68 loans, whereas in Nova Scotia the $5.4 million was in 238 loans. That would indicate that the Newfoundland loans were for larger enterprises.

• (1740)

I might say, as well, that when we were discussing the subject matter in committee with the officials of the Farm Credit Corporation, one of the very concerns expressed by senators—this was brought out in particular by senators from the Atlantic region—was as to how the Farm Credit Corporation apportioned its money. Did it in fact treat each region fairly? And I think we were satisfied by the replies given by the corporation, that they did, in fact, try their very best to see to it that there was proper distribution across Canada. But they, of course, can only respond to the requests that come to them from farmers for loans, and to that extent they have to ensure that they do not, early in the year, give very large sums in one part of the country, to end up later being short elsewhere. I was satisfied from their replies that they do not do this. The additional capital that they will have under this act will, of course, put them in a position whereby they should not have to restrict any area at all which may want loans.

I think that covers the specific points raised by Senator Marshall.

Coming now to the questions raised by Senator Phillips, I was not quite sure at the outset of his comments whether he was suggesting that he always likes to listen to me on farm bills, on any bills, or on none at all.

Senator Phillips: If I had the choice, Senator Molgat, it would be on none at all, but it is always a pleasure, in the alternative, to listen to you.

Senator Molgat: Whichever it was, I thank him for his comments. He covered a large number of items. I made note of some of them and I may have missed others, but I shall answer as best I can. Again, these may be in reverse order of their presentation.

Senator Phillips asked a specific question as to the total number of loans outstanding, and here I would refer again to the annual report of the corporation, where on page 6 are the highlight figures—not all the details—indicating a total at March 31, 1977, of 71,282 loans. That is the number outstanding at that date. And that compares to the total number of 192,000 loans granted since the beginning of the Farm Credit Corporation in 1959.

On the question of the penalty interest amount, I assure Senator Phillips it has nothing to do with problems of the dairy industry in the province of Quebec. The reason for the change is that this was a recommendation under the Interest Act. This, I think, is one of the very few acts still existing where there is such a penalty, and this amendment is to bring it in line with that recommendation.

As to the $25 fee for supervision, I certainly agree that if you are paying out $10,000 or $15,000 in interest per year, then $25 is not going to change the picture. The reason its elimination is being proposed is that it is not a significant amount; it does not do anything; it does not provide any revenue; it is a very annoying element in so far as some of the borrowers are concerned and, in fact, it results in a costly administrative procedure for the Farm Credit Corporation, so it was judged to be unnecessary.

Senator Phillips referred several times to "borrowing into prosperity". That certainly is not the purpose of the act, nor is it the view of the corporation. On the other hand, it is certain that if the farmers of Canada are under-capitalized, and if they do not have access to sufficient sources of capital, then they cannot be successful.

He made a point as well about my comments regarding the efficiency of farmers. I do not believe that I said anything that

was in any way derogatory in that regard. In fact—and I think most of us would agree—agriculture is probably the industry that has shown the greatest increase in efficiency and productivity since the end of the Second World War. The record of Canadian farmers is unsurpassed, and that is something we should always keep in mind as being a very important element of Canada's position in world affairs and trade. Canadian farmers are to be congratulated for that. They are the ones who did it. All the Farm Credit Corporation can do is to give them the tools whereby they can keep abreast of modern practices.

Senator Phillips mentioned my comments regarding the Senate and its role under the appropriation act. If my words were not well chosen in that regard, I extend my apologies to the Senate. What I was trying to point out was that in the first bill, when it came to us, there was a clause whereby appropriation acts would be referred only to committees of the House of Commons. This, in my view, is wrong. We do have a responsibility. I think the Senate can honestly take credit for having been the body that urged the present changes in the act. I think Senator Argue indicated this in his comments with respect to the committee, whose recommendations in 1975 are largely being acted upon in this bill. So the Senate has a role to play in this regard, and it has played its role. But if these matters are not to be referred to the Senate in future because appropriation measures will be going only to the House of Commons, then quite obviously we will not be in a position to do our job. That was all that was meant by that.

Then, as a last comment, my honourable friend referred to this bill as being a propaganda measure. Well, I did not think I presented it in that way. However, if he chooses so to take it, then I certainly agree that it has great potential as a propaganda measure. I say to him that I would think that the 865 farmers in Prince Edward Island who at the present time have loans of some $17 million would agree it is a worthwhile bill, and that it should receive support.

● (1750)

Senator Phillips: Honourable senators, before the debate is concluded may I direct a question to the Honourable Senator Molgat? He referred to a number of points that I brought up in my scattered remarks, except for one. That was the reduction of the $32.5 million in the estimates for the Farm Credit Corporation. Would the honourable senator explain that to me, please?

Senator Molgat: Honourable senators, I regret I do not have my blue book here, and I do not know what the figure refers to. All I can say about the matter is that section 13 of the present act spells out the lending powers of the corporation. It can lend up to 25 times its capitalization. The present capitalization being $100 million, it can lend up to $2.5 billion. We are now increasing the capitalization to $150 million, so it will be able to lend up to $3.75 billion. That is the total amount the corporation can lend. It borrows its money from government and proceeds to lend it out. I do not know what the figure in the blue book is. I do not have it here.

Motion agreed to and bill read second time.

[Senator Molgat.]

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

Senator Molgat moved that the bill be placed on the Orders of the Day for third reading at the next sitting of the Senate.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of the 1977 Report of the Canadian Consultative Council on Multiculturalism, issued by the Minister of State (Multiculturalism).

Copies of Report entitled "Multiculturalism and Ethnic Attitudes in Canada," issued by the Minister of State (Multiculturalism).

Senator Bosa: Honourable senators, because of my particular interest in the policy of multiculturalism, and because of my position as National Chairman of the Canadian Consultative Council on Multiculturalism, I should like to make a few remarks with regard to the tabling by the Leader of the Government of these two reports, one being entitled "Multiculturalism and Ethnic Attitudes in Canada", and the other being the report of the Canadian Consultative Council on Multiculturalism.

The Hon. the Speaker: Is leave granted, honourable senators, to allow Senator Bosa to go on, since it is after 6 o'clock?

Hon Senators: Agreed.

Senator Bosa: This will not take more than a few moments.

Since the first report was tabled in the House of Commons in 1974, the Canadian Consultative Council on Multiculturalism has undergone some profound and fundamental changes in its structure. There are now five standing committees. These committees are known as follows: Media; Grants; Human Rights and Humanitarian Concerns; Immigration Policy and Orientation; Language and Cultural Development and the Relationship between Multiculturalism and Bilingualism.

The human rights committee was subdivided into four areas, dealing with the administration of justice, education, immigration and the media.

Part I of the report summarizes the findings of the committee and contains the committee's recommendations. Part II is a progress report taking into account the recommendations put forth in the council's report. Since the recognition of cultural diversity and its acceptance are interdependent concepts in the eyes of the public, the two are related in this discussion.

The council also found in its studies that the cultivation of cultural diversity and the public acceptance of cultural diversity are no simple matter, and that the government must take the lead in these tasks.

I hope honourable senators will lend their support to the council's endeavours in this area.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

FOURTH REPORT OF STANDING JOINT COMMITTEE PRESENTED

Leave having been given to revert to Reports of Committees:

Senator Forsey, Joint Chairman of the Standing Joint Committee of the Senate and the House of Commons on Regulations and other Statutory Instruments, presented the following report:

Thursday, April 13, 1978

The Standing Joint Committee on Regulations and other Statutory Instruments has the honour to present its Fourth Report as follows:

1. In its Third Report for the 1976-77 Session your Joint Committee reported that in its judgment the Postmaster General Authority to Prescribe Fees Order, SI/76-101, section 6 of the Domestic First Class Mail Regulations, SOR/76-552, and Items 1 and 2 of Schedule A to the Second Class Mail Regulations, amendment, SOR/76-553, constituted unusual and unexpected uses of section 13 of the Financial Administration Act, R.S.C. 1970 C.F-10, in that they invaded the traditional rights of Parliament to set by statute the rates of postage for letters of one pound or less and for Canadian newspapers and periodicals transmitted by mail in Canada. Your Committee also reported its doubts as to the validity of the Postmaster General Authority to Prescribe Fees Order, under the authority of which the other two statutory instruments reported were made.

2. In accordance with its permanent reference, section 26 of the Statutory Instruments Act, S.C. 1970-71-72 C. 38, your Joint Committee has reviewed and scrutinized SI/78-60, Postmaster General Authority to Prescribe Fees Order, SOR/78-297, Domestic First Class Mail Regulations, amendment, and SOR/78-298, Second Class Mail Regulations, amendment. These three instruments purport to effect further increases in the rates of postage for letters of one pound or less and for Canadian newspapers and periodicals transmitted by mail in Canada "notwithstanding" sections 10 and 11 of the Post Office Act. The instruments are claimed to be grounded in the same authority as those instruments included in your Joint Committee's Third Report for the 1976-77 Session. Consequently, these new instruments are drawn to the special attention of the Houses as constituting unusual and unexpected uses of section 13 of the Financial Administration Act and, further, as being of doubtful validity. Your Joint Committee affirms its reasons as contained in its Third Report.

3. Since your Joint Committee's Third Report for the 1976-77 Session was tabled in the two Houses, no further explanation has been made available by the Postmaster General's Department as to the validity of proceeding by Order under paragraph (b) of section 13 of the Financial Administration Act, notwithstanding Parliament's will as to the level of postal rates expressed in sections 10 and 11 of the Post Office Act, as enacted by S.C. 1970-71-72 C. 53, section 3, and S.C. 1968-69 C. 5, section 4, respectively Nor has there been any announcement that an amendment to the Post Office Act will be sought, either by specifying new rates or by granting power to the Governor in Council or the Postmaster General to set by regulation the rates now dealt with in sections 10 and 11 of the Act.

4. Your Joint Committee reaffirms its objection in principle to the use by the Crown of subordinate legislation under section 13 of the Financial Administration Act to prevail against Parliament. It reiterates its grave doubts as to the validity of relying on the general power in section 13 of the Financial Administration Act to set postal rates, to override the special enactments contained in sections 10 and 11 of the Post Office Act, to overcome the will of Parliament as to the domestic letter rate expressed subsequently to the enactment of section 13 of the Financial Administration Act, or to empower the Postmaster General to set rates when Parliament has empowered neither the Governor in Council nor anyone else to do so.

Respectfully submitted,

EUGENE A. FORSEY
Joint Chairman

The Hon. the Speaker: When shall this report be taken into consideration?

Senator Forsey moved that the report be taken into consideration at the next sitting of the Senate.

Motion agreed to.

CONFERENCE ON ALTERNATIVES CANADA

PROPOSALS CONCERNING THE SENATE—DEBATE ADJOURNED

Senator Hazen Argue rose pursuant to notice of Monday, April 10, 1978:

That he will call the attention of the Senate to the recent Conference on Alternatives Canada, sponsored by the Canada West Foundation, and in particular to the proposals made at the Conference concerning the Senate of Canada.

He said: Honourable senators, I have been waiting for some time to move the inquiry now standing in my name. I think this inquiry is an important one to the Senate. I should like to be allowed to introduce it and then adjourn the debate. I may not be here tomorrow, and another senator might wish to speak. In this way it will be before the chamber.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Senator Argue: Honourable senators, I move the adjournment of the debate on the inquiry standing in my name.

Motion agreed to.

• (1800)

BUSINESS OF THE SENATE

Senator Perrault: Honourable senators, it was anticipated that we would have before us later this day a bill respecting the postal service in Canada. I have a report from the other place indicating that progress has not been as rapid as had been anticipated on this proposed measure.

Therefore, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until tomorrow, April 14, 1978, at 11 o'clock in the forenoon.

Senator Forsey: May I ask what has happened to Senator Connolly's motion made this afternoon? It was supposed to be taken up later this day.

Senator Perrault: It is our intention to proceed with that early tomorrow morning.

Senator Rowe: Would it be advisable to meet earlier than 11 o'clock?

Senator Perrault: An attempt was made to advance the time to 10 o'clock, but the difficulty is that the other place will not convene until 11 o'clock in the morning, and there being no anticipated major action tonight, it may be impossible to obtain from the other place the proposed legislation which we hope to have before us at 11 o'clock. If it were feasible to meet at 10 o'clock we would certainly do so.

Motion agreed to.

The Senate adjourned until tomorrow at 11 a.m.

THE SENATE

Friday, April 14, 1978

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

Prayers.

SPEECH FROM THE THRONE

MESSAGE FROM HER MAJESTY THE QUEEN

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that the following communication has been received from the administrative secretary to His Excellency the Governor General, which reads as follows:

RIDEAU HALL
OTTAWA
GOVERNMENT HOUSE

April 13, 1978

Madam,

The Governor General has directed me to to send you the enclosed message which has just been received from Her Majesty The Queen.

I have the honour to be
Madam,
Your obedient servant,
Edmond Joly de Lotbinière
Administrative Secretary to the
Governor General

The Honourable
The Speaker of the Senate,
Ottawa

The Hon. the Speaker: The message from Her Majesty the Queen reads as follows:

To the Speaker of the Senate and the Speaker of the House of Commons,

"I have received with great pleasure the loyal and dutiful expression of your thanks for my speech at the opening of Parliament on October 18, 1977.

Elizabeth R"

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Dinsdale had been substituted for that of Mr. Hnatyshyn on the list of members appointed to serve on the Standing Joint Committee on Regulations and other Statutory Instruments.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Northern Transportation Company Limited, including its accounts and financial statements certified by the Auditor General, for the year ended December 31, 1977, pursuant to sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between School District No. 70 (Alberni), Port Alberni, British Columbia and the group of its non-teaching employees, represented by the Canadian Union of Public Employees, Local 727. Order dated April 11, 1978.

List of Commissions issued under authority of section 3 of the Public Officers Act, during the year ended December 31, 1977, pursuant to section 4 of the said Act, Chapter P-30, R.S.C., 1970.

BUSINESS OF THE SENATE

Senator Langlois: Honourable senators, I should like to inform the Senate that later on today I will be asking for leave to revert to Notices of Motions.

Senator Flynn: With reference to the adjournment?

Senator Langlois: Yes.

ANTI-INFLATION ACT

BILL TO AMEND—THIRD READING

Senator Langlois moved the third reading of Bill C-18, to amend the Anti-Inflation Act and guidelines.

Motion agreed to and bill read third time and passed.

FISHING AND RECREATIONAL HARBOURS BILL

THIRD READING

Senator Cottreau moved the third reading of Bill C-2, respecting the administration and development of certain fishing and recreational harbours in Canada.

Motion agreed to and bill read third time and passed.

CANADA LABOUR CODE

THIRD READING

Senator Marchand moved the third reading of Bill C-8, to amend the Canada Labour Code.

[*Translation*]

Senator Jacques Flynn: Fear not, honourable senators, I am not rising to dwell on the arguments already made on this bill but merely to voice my regret that imminent dissolution of Parliament has been accepted as valid reason to rush the passage of this bill. It is the main argument used by the mover of the bill and the government leader and this is why the Senate decided yesterday that the bill would not be referred to a special committee and that no amendment would be made to various clauses of the bill, clauses whose deficiencies, flaws and even scope have been brought out very clearly. I submit that the argument is not valid in the case of a measure that innovates very boldly in various fields.

To my mind, it would be far better for this bill to be passed in four or five months rather than too hastily. In the case of complex laws, such as the Bankruptcy Act, the Combines Investigation Act, Parliament took its time with the result that in the end when the bills were passed, we had much better legislation than had originally been introduced.

If by any chance dissolution were to be postponed, well, we would have deprived those who wanted to be heard, which is their right, to expose their grievances, and deprived the Senate of the possibility of amending certain clauses of the bill, of changing them in ways repeatedly suggested, and which almost met with the approval of the sponsor of the bill. Had dissolution of Parliament interrupted our examination, the bill would have been held in abeyance for perhaps six months, at the most; but six months is not that long when, I say it again, the legislation concerned is important and innovates very boldly.

I feel we should not adopt that attitude under the circumstances. With some bills we may be justified in proceeding quickly, taking dissolution into account. In the case of some financial bills or bills of technical nature, I agree. But, with this type of legislation, I am sorry the Senate allowed itself to be convinced that it should accept the possibility of dissolution as good enough reason to pass this bill quickly, to refuse hearings to those who had grievances to make and to refuse consideration of certain amendments. I am sorry, but I do not feel that is good enough a reason. That is why, though the bill will surely be adopted, it will be passed on division.

Senator Marchand: Honourable senators, I do appreciate the fact that the opposition leader has been so reasonable in his comments. For myself, it was a first and rather trying experience in the Senate. I think I come out of it enriched. I have still higher regard for the senators who took part in the debate. I do not know whether my colleagues opposite intend to have a vote or merely record their dissent. In any event, I am convinced that the Minister of Labour has appreciated the way things developed in the upper chamber. For several, I think it was an eye-opener. We can uphold our views and stand up for them while respecting one another. I think the discussion was extremely intelligent and always based on the general interests of the country.

[Senator Cottreau.]

• (1110)

[*English*]

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Senator Flynn: On division.

Motion agreed to and bill read third time and passed, on division.

FARM CREDIT ACT

BILL TO AMEND—THIRD READING

Senator Molgat moved the third reading of Bill C-29, to amend the Farm Credit Act.

Motion agreed to and bill read third time and passed.

JAMES BAY AND NORTHERN QUEBEC NATIVE CLAIMS SETTLEMENT ACT

MOTION FOR REVOCATION OF ORDERS IN COUNCIL NEGATIVED

Leave having been given to proceed to Motions:

Hon. John J. Connolly, pursuant to notice of Thursday, April 13, 1978, moved:

> That orders P.C. 1978-503, P.C. 1978-504 and P.C. 1978-505, dated February 23, 1978, made under paragraph 4(1)(*a*) of the *James Bay and Northern Quebec Native Claims Settlement Act,* approving, giving effect to and declaring valid certain agreements amending the James Bay and Northern Quebec Agreement be revoked; and
>
> That order P.C. 1978-502, dated February 23, 1978, made under paragraph 4(1)(*b*) of the said Act, approving, giving effect to and declaring valid an agreement to which the Government of Canada is a party with the Naskapi Indians of Schefferville, Quebec, concerning the native claims, rights, title and interests that such Indians may have had in the territory defined in the Act prior to its coming into force be revoked.

He said: Honourable senators, I shall simplify this motion, and in doing so, perhaps I will over-simplify it at the beginning. The motion deals with four agreements respecting groups of native peoples in northern Quebec. If I may say so, I think these agreements are helpful to those people and should become effective as soon as possible. However, it is not immediately clear from the wording of the motion that this is the result, and that is why some explanation is required.

Honourable senators may recall that in the spring of 1977 the James Bay and Northern Quebec Native Claims Settlement Act was passed by this Parliament. It is now chapter 32 of the statutes of 1976-77, and it approved the James Bay and Northern Quebec Agreement which, during the course of my remarks, I will refer to as the "Mother Agreement." That

agreement is dated November 11, 1975. It was amended on December 12, 1975 and approved, as I indicated, by Bill C-9 of the last session, which is now chapter 32 of the statutes of 1976-77.

Section 4 of the act provides for approval by order in council of supplementary agreements made pursuant to the general provisions of the act. We have before us today four such supplementary agreements. There are three made—and I am saying this for the record—pursuant to section 4(1)(a), and these are amendments to the mother agreement. There is one made pursuant to section 4(1)(b), and this is an agreement provided for specifically in the mother legislation, in which reference is made to a future agreement between the federal government and the Naskapi Indians of Schefferville.

All of these supplementary agreements must be approved by the Governor in Council. Thereafter the orders in council must be tabled within 15 days, and the agreements would automatically come into force 30 sitting days after the tabling, if there is no parliamentary action taken.

I should like now, before I move on to the procedural part of the problem, to say something in respect of the four supplementary agreements we have before us. Three of them, as I have said, are made under the provisions of section 4(1)(a) of the act. The first of these, Complementary Agreement No. 1, provides for the implementation of an agreement called the Northeastern Quebec Agreement, which deals with the Naskapi Indians. Complementary Agreement No. 1, would not be required were it not for the fact that the Naskapi Indians, under the mother agreement, were deprived of any rights to participate in what is known as the environmental regime. This is an agency for monitoring environmental conditions affected by projects that might occur in the area. The agency is a joint creation of both the federal and provincial governments concerned. This agreement is really a *pro forma* agreement to validate the rights of the Naskapi to participate in the provisions of that part of the James Bay and Northern Quebec Agreement.

● (1120)

The second of the complementary agreements deals with the rights of the people of Port Burwell in Quebec only. The people of Port Burwell are Inuit who have lived on Killinek Island in Hudson Strait, which is at the northern tip and just off the north coast of Quebec.

The mother agreement to which I referred earlier extinguished the rights of the Port Burwell people in all lands for all of Canada. This, of course, included certain islands off the east shore of James Bay, the east shore of Hudson Bay, and in Hudson Strait. The Inuit of Port Burwell in fact have, I am told, long-standing native rights in these islands, and Complementary Agreement No. 2 re-establishes those rights. These rights are the right to fish, to hunt and to trap, and they are very important and valuable rights to these people.

Complementary Agreement No. 3 has to do with the relocation of the community of Fort-George, which is on the west coast of James Bay, from a site which they now occupy on an island called Ile du Gouverneur. Ile du Gouverneur is at the mouth of a river called La Grande. With the development of the James Bay project, the establishment of the dams and the flooding of the countryside, this island would have been cut off. I am told it would have cost some $5 million to connect it to the mainland with a bridge. There are some 1,200 people living on that island, and that seemed to be a considerable amount of money to service them, although if all else failed this work would have been done. However, an agreement has been made with these people to relocate them elsewhere on the mainland. I am told, too, that the island is subject to severe erosion and inundation.

The agreement provides for the relocation of the people on a site acceptable to them not too far away on the mainland, and the cost, not only of relocating but of establishing the services that have been agreed to between the people on the one hand and the federal and provincial government representatives and the James Bay Energy Corporation on the other, will come to approximately $50 million. So the natives are going to get a great deal more out of these arrangements than would have been the case if the bridge had been built. It is a very important agreement for these people.

I come now to the fourth agreement called the Northeastern Quebec Agreement. This is the agreement which was concluded, and dated January 31, 1978, with the Naskapi Indians. These people, some 400 of them, were not ready, at the time the mother agreement was negotiated, to participate in those discussions to a conclusion. By that document and the subsequent legislation their rights were extinguished subject to the provisions of section 4(1)(b) of the act, which allows a future agreement to be made and recorded to modify the mother agreement. This is the future agreement now being brought into being, and this agreement confirms to the Naskapi the specific rights which they actually had at the time the mother agreement was negotiated.

I am told that as a result of this agreement they will be given the exclusive use of some 126 miles of territory and exclusive hunting, fishing and trapping rights over another 1,600 square miles of territory, plus the cost of the provision and installation of social services, schools, a hospital, health services and even a court. In addition, they will receive $9 million in cash compensation.

I am told that there is a program to be initiated, if possible early this summer, called the Hunter's Support Program, and the budget for this program alone is $60,000. Apparently it means a great deal to these people that this program should get started at a very early date.

Honourable senators, that is a brief account of the agreements with which we are concerned. Section 4 of the act which was passed a year ago by this Parliament requires this type of agreement to be approved by order in council, and on February 23 last four orders in council were passed. No. 502 of 1978 approves the agreement called the Northeastern Quebec Agreement with the Naskapi Indians; and Nos. 503, 504 and 505 of 1978 amends the mother agreement, the James Bay and Northern Quebec Agreement, as I have just explained.

Section 5(1) of the act requires that these orders in council be tabled in Parliament within 15 days of their issue. The orders in council, as I have said, were all passed on February 23, 1978, and they were tabled in the House of Commons on March 2, 1978, and in the Senate on March 7, 1978.

• (1130)

As I indicated earlier, the orders in council approving these agreements become effective 30 sitting days after they have been tabled in Parliament, unless a motion to revoke them has been filed with the Speaker of the appropriate house within 20 days of the tabling. The twentieth day for a motion to be made in the House of Commons expired on April 10. So the time for anyone in the House of Commons to move to revoke these orders in council has now expired. April 13 was the twentieth day for the Senate, and a motion signed by more than 20 senators was filed with the Speaker on April 12.

Senator Flynn: Name them.

Senator Connolly (Ottawa West): Are you serious?

Senator Flynn: No, not really.

Senator Connolly (Ottawa West): If you are, I will do so. I was afraid someone might ask me to do that, so I had the signatures deciphered. I would be happy to put them on record.

Senator Flynn: No, no.

Senator Connolly (Ottawa West): I gather you do not want them. At any rate, you have all heard of them. They are all estimable ladies and gentlemen.

If the motion to revoke had not been made yesterday, today would have been too late to do so in the Senate. However, it was filed with Her Honour the Speaker on April 12, and the Senate most obligingly gave me permission to make the motion yesterday and waived notice.

The long and short of the situation is that the Senate can save these agreements and put them beyond reach and beyond peril by proceeding in the way the statute indicates, and that is precisely what I propose to ask the Senate to do after a few more words of explanation.

I have said that the House of Commons is now precluded from moving to revoke the orders in council which approve the agreements. This is important. The orders in council can only become effective on the thirtieth sitting day after tabling in Parliament. If Parliament should continue to sit, that day would not be reached until April 27.

Senator Flynn: In the Senate.

Senator Connolly (Ottawa West): Well, a sitting day is a sitting day. Let me put it the other way. If either house sits on a given day, that counts as a sitting day. So if Parliament is dissolved before April 27, the agreements will not automatically come into force. As a result, the order in council would have to be retabled in the next Parliament, and thereafter thirty more days would have to elapse before they would automatically come into force. No one knows when Parliament will be dissolved; no one knows when the next Parliament will be convoked. In any event, whenever it is, an additional thirty days will have to elapse before anything can be done under the agreements.

So what the Senate is asked to do now is apply section 5(7) of the James Bay and Northern Quebec Native Claims Settlement Act. To this end there is before us a motion to revoke the four orders in council approving these agreements. If this motion is defeated by the Senate, the orders in council and the agreements, by virtue of the provisions of section 5(7) of the act, come into force immediately.

May I read the pertinent part of section 5(7) for the purposes of the record? I shall not read the whole of subsection (7), but only the part that applies to the proceedings in which we are now engaged. It provides:

> Where a motion taken up and considered in accordance with this section is not adopted by the House in which it was introduced—

That is, this house.

> —the particular order to which the motion relates comes into force immediately upon the failure to adopt the motion—

Honourable senators, this seems to be a ridiculous situation, but having obtained your permission to make this motion, I now solemnly ask you to defeat it!

This is a purely formal motion. It is a process based upon the negative resolution procedure set out in section 28(1) of the Interpretation Act. I believe we all know that some regulations and orders are subject to a negative resolution of Parliament. This means that they must be tabled within 15 days after they are made, and they may then be annulled by a resolution of both houses.

Honourable senators, as I visualize it, what will happen is that at the conclusion of this debate Madam Speaker will say, "Those in favour of the motion will please say 'yea', and very quietly Senator Macnaughton and I will say, "yea." Madam Speaker will then say, "Those against the motion will please say 'nay'," and I hope there will be much more noise.

Hon. Jacques Flynn: Honourable senators, it is a very nice scenario that has been described by the mover of the motion. I was wondering whether he would tell us what to do under the circumstances. It is not a bad solution, that he and Senator Macnaughton, his co-sponsor, should say, "Yea," but what about the other 18 senators who approved this motion? Are they too going to say, "Yea" in a low voice?

I see that the Leader of the Government is back in the house. His presence will be very helpful in obtaining a resounding "Nay." I am sorry that Senator Guay is not here, because with the two of them together saying, "Nay," it is obvious that Madam Speaker would have to say, "The nays have it."

There is only one point on which I am not too clear. Perhaps it is not too important, because, after the explanation given by the sponsor of the motion, we realize the reason for it and the way that is has to be done. However, the way that I under-

stand it is that in the other place the delay for a motion to revoke has elapsed, and that in the Senate it has not.

The orders in council were tabled on March 7. Since then, the Senate has sat for only 15 days. We would have to sit for another 15 days, which would bring us to April 27. If the delay is counted only on the basis of the sitting days of Parliament, including all the sitting days of the House of Commons, the delay would have expired here also.

● (1140)

Senator Connolly (Ottawa West): That is true. It starts from the date of tabling in the Senate.

Senator Flynn: If the time allowed has expired, I would have preferred that this motion not be put, because as you say, it is somewhat silly to move something in order for it to be defeated. In any event, that is the way I understand it, and dissolution—which in this particular case is a better argument than it was when it was used yesterday in another matter—is certainly a good reason not to deprive these people of the advantages contained in these agreements, which have been signed by all concerned. There is, therefore, no problem in this regard. I agree with the scenario. I would have been happier if it could have been avoided, but it seems it cannot be, which is why I say that the sitting days from the date of tabling have to be considered for each house, and not for Parliament as a whole.

Senator Connolly (Ottawa West): Quite so.

Senator Flynn: In the circumstances, not being one of those who signed the motion or resolution, I will be able to join with the Leader of the Government in saying, "Nay", and it will be clear that the agreements will come into force.

Senator Connolly (Ottawa West): I thank Senator Flynn for his comments. I would just like to say that Senator Molson has sent me a note to the effect that I said that Ile du Gouverneur is on the west coast of James Bay. Actually, it is off the east shore of James Bay. It is on the east side of James Bay and of Hudson Bay.

Senator Langlois: That is quite right.

Senator Connolly (Ottawa West): That makes it clear. I thank Senator Flynn for his comments.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Some Hon. Senators: No.

The Hon. the Speaker: Will those honourable senators who are in favour of the motion please say "yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion please say "nay"?

Some Hon. Senators: Nay.

The Hon. the Speaker: In my opinion the "nays" have it. I declare the motion lost.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

CONSIDERATION OF FOURTH REPORT OF STANDING JOINT COMMITTEE—DEBATE ADJOURNED

On the Order:

> Consideration of the Fourth Report of the Standing Joint Committee of the Senate and House of Commons on Regulations and other Statutory Instruments.—(*Honourable Senator Forsey*).

Hon. Paul C. Lafond: Honourable senators, in the absence of Senator Forsey, I ask leave to give a brief explanation of this report.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

Senator Lafond: Honourable senators, in its third report, in the second session of this Parliament, your committee reported that in its judgment the prescribing by the Postmaster General of increased fees for domestic mail, and items in schedules I and II of the second class mail regulations, constituted an unusual and unexpected use of section 13 of the Financial Administration Act. At that time, in our report, we quoted the opinion expressed by two previous postmasters general to the effect that an increase in fees should not be carried out through order in council. Since then, under a succeeding postmaster general, another instance of this has occurred. His attention was drawn to the matter in a committee of the other place, and he agreed at that point in time that the Post Office Act should probably be amended in order to collect this amount. This was not done.

Now, with still another subsequent and very new postmaster general in office—

Senator Flynn: There is always a new one.

Senator Lafond: —we have the same procedure being repeated. Your committee asked for explanations, and asked the present Postmaster General whether there was any intention of amending the Post Office Act. The reply was a flat no.

In the circumstances, your committee is using the only ammunition at its disposal by reaffirming in this report its objection in principle to the use by the crown of subordinate legislation under section 13 of the Financial Administration Act to prevail against Parliament, which still has the only right to do that under the Post Office Act. The only channel open to your committee is to report the incident to both houses, which we are doing through this special interim report.

That is the case, and that is all there is to it. I do not propose to pursue it any further. Unless any honourable senator wishes to speak, or unless there are any questions, I would propose that this debate be adjourned in the name of Senator Forsey, who may be back on Monday and may wish to add something to these remarks.

Senator Flynn: That will also give a chance to the Leader of the Government to consider a reply or make some comments.

Senator Perrault: Yes, indeed.

On motion of Senator Lafond, for Senator Forsey, debate adjourned.

ANTI-INFLATION ACT

BILL TO AMEND—QUESTION OF PRIVILEGE

Senator Grosart: Honourable senators, I rise on a question of privilege.

During the debate on Bill C-18, to which we have third reading today, I criticized certain clauses on the grounds that they were retroactive, and stated my objection at all times to retroactive legislation. In doing so I suggested that because of the retroactivity of those clauses the bill itself was retroactive, and a certain order in council to which it referred was also retroactive. Senator Hicks, the sponsor of the bill, subsequently showed me the order in council, and it is now clear to me that the order in council itself was not retroactive.

My reason for rising is that I believe that if Senator Hicks had been able to be here he would have drawn the attention of the Senate to this during the debate on third reading. It is, therefore, only fair that I should say at this time that the statement I made was not correct, although I believed it was. I thank Senator Hicks for drawing this to my attention, and enabling me to correct the record.

• (1150)

ADJOURNMENT

Leave having been given to revert to Notices of Motions:

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, April 18, 1978, at 8 o'clock in the evening.

Senator Flynn: What is expected from the other place?

Senator Langlois: I do not have much of a statement to make today because there is not much expected from the other place. The only piece of legislation which is likely to come to us on Tuesday is Bill C-45.

Motion agreed to.

The Senate adjourned until Tuesday, April 18, 1978, at 8 p.m.

THE SENATE

Tuesday, April 18, 1978

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

Prayers.

POSTAL SERVICE OPERATIONS BILL, 1978

FIRST READING

The Hon. the Speaker *pro tem* informed the Senate that a message had been received from the House of Commons with Bill C-45, to provide for the continuation of regular postal service operations.

Bill read first time.

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

Senator Perrault: Honourable senators, with leave of the Senate, I move that the bill be placed on the Orders of the Day for second reading later this day.

Senator Flynn: Honourable senators, leave will not be refused, but we have been here for some weeks now with dissolution hanging over our heads like the sword of Damocles, not knowing how much time we can take to consider the bills we are sent. Last week it was absolutely urgent that we go through all stages of the Canada Labour Code amendments and other bills. I should like the Leader of the Government—the government, in fact, because I do not blame the leader for that—to be frank with us. When do they want to dissolve Parliament? How much time do we have to deal with these four bills that are apparently coming before us tonight? Perhaps Senator Marchand knows more than the Leader of the Government. He used to know more, but apparently he has lost his touch. I should like to know from the Leader of the Government how much time we have in which to deal with these bills. Some of them are not important. We could possibly dispose of the three readings tonight if dissolution is going to come tomorrow.

Senator Connolly (Ottawa West): When do you want it?

Senator Flynn: As soon as possible, because the situation is becoming intolerable, if not in this chamber then certainly in the other place. Conditions are unacceptable when the Prime Minister is not able to keep his cool and walks out of the house saying, "I am going to see the Governor General."

Senator Croll: Maybe.

Senator Flynn: The situation has become rather ludicrous.

Senator Denis: If you are sure you will win the next election, what are you worried about?

Senator Flynn: The only worry Senator Denis ever has is about who will win the next election.

Senator Denis: It is not the sword of Damocles if you win the next election.

The Hon. the Speaker *pro tem:* Order. I must ask honourable senators not to interrupt the senator who has the floor.

Senator Flynn: It is not a question of winning an election; it is a question of having an election, which is quite different. It is a question of clearing the air one way or the other. Perhaps in a way it will not clear the air. In any event, we would like to know where we stand, and that is the only question I ask the Leader of the Government. Tell us what you want us to do. Do you want us to rush these bills through?

Senator Côté: Yes.

Senator Flynn: I might have known Senator Côté would say we should rush these bills. If all contributions were like his we would always be rushing bills through. Fortunately, some of us think we should give some time and some reflection to these bills that are sent us. To us on this side the question is a fair one. It may not appear useful to Senator Côté, but it may be useful to others.

Senator Perrault: Honourable senators, of course the question posed by the Leader of the Opposition is fair, and it is precisely the same kind of question that those on the government side would ask were they in the position of the Honourable Leader of the Opposition. I regret to say that I can provide no definitive information on the subject of dissolution, apart from the fact that I believe it may come sooner rather than later. I know that that reply can bring little satisfaction or solace to the Leader of the Opposition but, of course, his was a fair question. I can only state that a number of bills will be coming before us which those in the other place, regardless of party, have regarded as quite important at this time, and I would hope that we can give these bills fair but speedy consideration. However, I can think of no measures coming before us in the next few days which will be of a highly partisan or highly controversial nature.

In saying this, I wish to express on behalf of the government our appreciation to those in the Opposition who have been co-operative and helpful in dealing with the measures which have come before us during the past two or three weeks. Honourable members of the opposition as well have had in mind the possibility of dissolution. Certainly, there is no mystery about the possible imminence of that event. We have this evening four bills which will come before us for consideration. Later there may be two or three other bills, depending upon the decision taken by the Right Honourable the Prime Minister with respect to dissolution. In this regard I can say

now that there has been no decision yet taken on the subject of dissolution, so in all candor I cannot answer the fundamental question posed by the Leader of the Opposition. I reiterate my hope that speedy consideration be given to the measures which are coming before the Senate tonight. Certainly, of first importance is that fair consideration be given to these measures by all members. I am not suggesting that we waive the right of the opposition or of government members to speak on any of these measures, but I would hope that we could have royal assent for at least some of them tomorrow night or Thursday night. However, it really depends on the views of honourable senators.

The Hon. the Speaker *pro tem:* Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to.

PETROLEUM ADMINISTRATION ACT ENERGY SUPPLIES EMERGENCY ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker *pro tem* informed the Senate that a message had been received from the House of Commons with Bill C-19, to amend the Petroleum Administration Act and the Energy Supplies Emergency Act.

Bill read first time.

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

Senator Perrault, with leave of the Senate, moved that the bill be placed on the Orders of the Day for second reading later this day.

Motion agreed to.

● (2010)

TAX REBATE DISCOUNTING BILL

FIRST READING

The Hon. the Speaker *pro tem* informed the Senate that a message had been received from the House of Commons with Bill C-46, relating to the discounting of overpayments of tax under the Income Tax Act and related payments.

Bill read first time.

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

Senator Perrault, with leave of the Senate, moved that the bill be placed on the Orders of the Day for second reading later this day.

Motion agreed to.

CANADIAN CENTRE FOR OCCUPATIONAL HEALTH AND SAFETY BILL

FIRST READING

The Hon. the Speaker *pro tem* informed the Senate that a message had been received from the House of Commons with Bill C-35, to establish the Canadian Centre for Occupational Health and Safety.

Bill read first time.

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

Senator Perrault, with leave of the Senate, moved that the bill be placed on the Orders of the Day for second reading later this day.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of Via Rail Canada Inc. for the year ended December 31, 1977, together with the auditor's report on the accounts and financial statements.

Report of Air Canada for the year ended December 31, 1977, pursuant to section 27 of the Air Canada Act, Chapter A-11, R.S.C., 1970.

THE BUDGET

ALLEGED REMARKS BY PRIME MINISTER—QUESTION

Senator Flynn: Honourable senators, I should like to put this question to the Leader of the Government: In view of the fact that all those who criticized the implications of last week's budget with regard to the provincial retail sales tax cuts were accused by the Prime Minister of siding with the separatists, I wonder whether the Leader of the Government considers Claude Ryan, the new leader of the Liberal Party in Quebec, a separatist because he had some reservations about that particular aspect of the budget.

Senator Perrault: Honourable senators, I know that the Leader of the Opposition would never quote out of context any remark made by the Prime Minister.

I suggest that the quotation attributed to the Prime Minister is not accurate. Certainly, a recent statement made by the Prime Minister related to the attitude of a number of provincial premiers with respect to the reduction in the sales tax. His statement was not confined solely to one province. Indeed, the quotation attributed to the Prime Minister with respect to the province of Quebec, I do not believe—

Senator Flynn: It was attributed by the opposition in the other place.

Senator Perrault: It may be attributed by the opposition. I do not have the full text of the Prime Minister's remarks before me, and I would not wish to comment on a truncated and fragmentary report which may have appeared in a newspaper or magazine, or have been heard over a radio station.

Senator Flynn: I based my question on what appears in *Hansard.*

Senator Perrault: But what is most heartening, I think, to most Canadians is the excellent reception accorded the budget

presented by the Honourable Jean Chrétien the other evening. There has been a substantial body of editorial and other support from Canadians from coast to coast. Consumers are now having placed in their hands substantial amounts of purchasing power, which will create jobs all over Canada.

Senator Flynn: Yes, but I was asking whether the government considered Mr. Claude Ryan's observations or reservations as being in the class of the separatist. That is the only question I put to the Leader of the Government, and he can reply yes or no.

Senator Perrault: I suggest that Mr. Claude Ryan enjoys substantial support from people of all parties in the province of Quebec who are dedicated to the ideal of a practising and working federalism.

Senator Flynn: In that event, I suppose that those who share Mr. Ryan's views should not be considered separatists.

An Hon. Senator: They are Canadians.

PROVINCIAL RETAIL SALES TAX—QUESTION

Senator Asselin: Honourable senators, I would like to put a question to the Leader of the Government regarding the retail sales tax problem that has arisen between the Minister of Finance and the Quebec Minister of Finance.

I should like to know from the Leader of the Government whether the government has found any solution to the problem existing between Quebec and Ottawa regarding the reduction in the provincial retail sales tax and, if so, when an announcement in that respect will be made by the Minister of Finance.

Senator Perrault: Honourable senators are aware, of course, that the matter of the reduction in the sales tax was a subject of discussion among provincial premiers and the federal government a number of months ago. The suggestion that somehow this recent retail sales tax action was a unilateral decision taken by the Government of Canada, and imposed upon the provinces, is not correct.

Honourable senators, of course, are equally aware of the position taken by Mr. Parizeau, the Minister of Finance of the Province of Quebec. The representations made by Mr. Parizeau are under study by the Minister of Finance at the present time. There is a determination, however, on the part of the government to treat all Canadian provinces equally and the same.

STUDENT LOANS

NEWSPAPER ARTICLE—QUESTION

Senator Buckwold: Honourable senators, I should like to direct a question to the Leader of the Government. I was stunned to read in the Toronto *Star* yesterday that students owe $60 million in loans they will not repay. This amount represents loans made to students attending university and, presumably, other educational institutions to help them pursue their education. They are interest-free, and become payable six months after leaving university.

I am sure those of you who may have read that news item share my deep concern about the fact that this almost elitist group of Canadians—

Senator Grosart: Question.

Senator Buckwold: —are able to get away with not meeting this financial and, indeed, moral obligation.

Senator Flynn: They are unemployed.

Senator Buckwold: The honourable senator says they are unemployed. There are, in fact, certain names in the newspaper report. I do not intend to disclose those names, but they include an alderman of the City of Toronto and a chartered accountant. I do not know whether the names of any senators are included, but the fact is that there are some very prominent people involved.

My question to the Leader of the Government is: What further steps is the government taking to have these moneys collected, and to instil a sense of responsibility in those who use government funds?

● (2020)

Senator Perrault: This question must be taken as notice. However, as honourable senators are aware, education is a provincial responsibility under the British North America Act. Consequently, a reply to a question of this kind can only be framed in terms of possible actions of two levels of government. However, information will be sought and will be brought to this chamber as soon as possible.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

CONSIDERATION OF FOURTH REPORT OF STANDING JOINT COMMITTEE—DEBATE ADJOURNED

The Senate resumed from Friday, April 14, the debate on the consideration of the fourth report of the Standing Joint Committee of the Senate and House of Commons on Regulations and other Statutory Instruments.

Hon. Eugene A. Forsey: Honourable senators, in the present circumstances—

The Hon. the Speaker *pro tem:* Honourable senators, before the Honourable Senator Forsey starts to speak, may I ask him if he would like to move the adoption of the report.

Senator Flynn: But the debate was adjourned.

The Hon. the Speaker *pro tem:* I was told that it was probably necessary to have Senator Forsey move the adoption of the report. He does not have to, but I was just asking him.

Senator Flynn: My understanding is that Senator Lafond moved the motion and adjourned the debate in the name of Senator Forsey since he could not be here. So Senator Forsey is just resuming the debate.

Senator Forsey: I should be very happy to move the adoption of this report because I think it merits adoption. However, this is a technicality which I leave to the higher authorities to

decide. I am perfectly prepared to move the adoption of the report, but if that is not technically possible in the present circumstances, I am perfectly prepared merely to resume the debate, and I might add, in the present circumstances, to be very brief about it.

This report, as honourable senators will have noted—and I hope they have managed to glance over it at least—this report is concerned with the raising of the postal rates once again by a method which appears to the Standing Joint Committee on Regulations and other Statutory Instruments to be of very dubious legal validity, to put it mildly. We have the gravest doubts of its *vires* and it is certainly an unusual and unexpected use of the powers, the possible but doubtful powers, to take this action under the Financial Administration Act, section 13, instead of by an amendment to the Post Office Act. In sum and substance, we think it is highly improper that the raising of postal rates should now for the second time—we protested against this once before, and so reported to the two houses—we think it is highly improper that the raising of postal rates should be done by administrative action, by subordinate legislation, when in our view it should be done, legally it should be done and certainly morally and constitutionally it should be done, by amendment to the Post Office Act. I don't propose to go into the detail here which we have recounted in the report as grounds for these views.

But I certainly commend this to the attention of the Senate for such action as this honourable house sees fit to take. I think it strikes the members of the committee unanimously that this is highly improper. I might add that at the request of one member of the committee we specifically approached, through the co-chairman, the Postmaster General, to ask if he had any intention of proposing an amendment to the Post Office Act, because of course, if he was prepared to do that, we were prepared to say, "Well, perhaps, for the moment, this irregularity, much as we disapprove of it, might be allowed to proceed."

But the answer we received from the Postmaster General was that he and his officials, and presumably the government, were perfectly satisfied of the legal validity of what they were doing and perfectly satisfied that what they were doing was altogether right and proper, and that there was no intention of moving an amendment to the Post Office Act.

I feel very strongly myself about this, because it is the second time it has been done. It has been done in this dubious and probably illegal fashion even in the teeth of our previous report drawing the attention of both houses to the action the government had taken. I very much hope, therefore, that the Senate will give its imprimatur to our view of the impropriety of the action which has been taken in raising the postal rates by a decision of the executive rather than by an act of Parliament.

The Hon. the Speaker *pro tem:* Do I understand that the Honourable Senator Forsey is moving the adoption of the report?

[Senator Forsey.]

Senator Forsey: Yes, honourable senators. If that is in order, I certainly wish to do so.

The Hon. the Speaker *pro tem:* Is there any other senator who might wish to speak on this report or who would wish to adjourn the debate?

Senator Flynn: Honourable senators, I would like to adjourn the debate, because I want to be sure what exactly the situation is. I understand that the proposition moved by Senator Lafond last week was that consideration be given to the report, but not that it be adopted. If the motion is made to adopt the report, I have no particular objection, but I should like to adjourn the debate in order to consider exactly what has happened.

On motion of Senator Flynn, debate adjourned.

POSTAL SERVICE OPERATIONS BILL, 1978

SECOND READING—DEBATE ADJOURNED

Hon. Sidney L. Buckwold moved the second reading of Bill C-45, to provide for the continuation of regular postal service operations.

He said: Honourable senators, you will recall that Senator Laird once made a famous remark about a bill being a simple bill, and then we ran into all kinds of trouble with it. I should like to say that Bill C-45, which I am now proposing for second reading, may not be a simple bill, but at least it is short. It represents just one page. Despite that, in the opinion of many of us it is a most important bill.

I am sure that members are aware that this bill has just come through the House of Commons where it was introduced by the Minister of Labour, the Honourable John Munro.

Unlike some other bills we have dealt with recently, this one, as I have just said, is brief and can be easily summarized: it provides for the continuation of regular postal service operations during the period of dissolution of Parliament.

Probably, one of the reasons I was given the responsibility of proposing this particular bill and carrying it through the Senate was that I had the privilege of being the Co-Chairman of the Joint Committee of the Senate and the House of Commons on Employer—Employee Relations. One of the major problems we looked at, among many others, as a committee, was the question of what to do in the public interest when, legally—or sometimes illegally—public service employees go on strike at a time when Parliament has been dissolved. The only way to bring them back would be by an act of Parliament, and if there were no Parliament there would be this vacuum, this hiatus.

● (2030)

It might be of interest if I quote briefly from two or three paragraphs of our report, which, in fact, resulted in this particular legislation which applies just to the postal service, whereas Bill C-28, which we would have considered had it reached us, would have included an all-encompassing opportunity by order in council to bring back striking workers of the Public Service at a time of dissolution.

The report of the committee, which I believe was concurred in unanimously by all members of the committee with the exception of the one NDP member, says:

> It is perhaps appropriate that your committee's study should have been conducted during the course of the longest strike that has occurred since the collective bargaining in the Public Service became law. We have been obliged to consider very carefully whether Parliament in 1967, in its concern that public servants should not be deprived of rights granted to others, went too far. Experience over the past eight years allows us to examine the consequences of granting the right to strike for the Public Service. Your committee decided to determine where to draw the line between the rights of public servants and the rights of the public: at what point the public, through the Government and then Parliament, should be prepared to intervene in the collective bargaining process; and, if intervention is appropriate, whether it should be by a continuing statutory prohibition or by an ad hoc response to a particular situation.
>
> Your committee concluded that where the activities of the parties engaged in collective bargaining do not adversely affect the public interest, the collective bargaining process should be free to operate without government intervention. But when the public interest becomes adversely affected, Government and Parliament should be prepared to intervene.

And further paragraphs:

> With respect to the national economic or social impact of a strike by public servants, or indeed by any other group of employees, your committee has no doubt that where the welfare of the community as a whole is concerned, the right to strike is not sacred and its suspension is the responsibility of the Government and Parliament or the appropriate Legislature.
>
> The continued protection of the national economic or social interest can be provided by statute at the cost of a total denial of some rights now available to persons providing services to the public; or it can be protected by granting a statutory right to strike and imposing on Government and Parliament the responsibility of determining when a strike has so affected the public interest that the right must be suspended.
>
> Your committee recognizes that the public interest can be adequately protected by Government and Parliament determining when and where the public interest is adversely affected. When Parliament is dissolved, the Governor-in-Council should be similarly empowered.

And the ninth recommendation of our report at that time was:

> That when Parliament is dissolved, the Governor-in-Council be empowered to suspend the right to strike, whenever in its opinion a strike is adverse to the public interest.

I have quoted at some length so that honourable senators may be aware of the overall scope of what I am proposing in regard to this bill and the references which I have given.

I am sure that the distinguished Leader of the Opposition will probably indicate that this is ad hoc legislation, that it should have been introduced earlier, that it has been brought in just before—

Senator Flynn: Do not steal my speech.

Senator Buckwold: —the possibility of an election. I would have to say that, as co-chairman of that committee, I was disappointed that this was not introduced earlier. We recommended it, and, as I say, it is included in the section 102.2 referred to in clause 10 of Bill C-28. However, that bill, which is a complicated and complex piece of legislation, has not reached us. I believe that this particular aspect should be supported by all members of this house, as it was to a great extent by members of the other place.

The contract of the postal employees—I refer, of course, to the Canadian Union of Postal Employees—expired on June 30, 1977. Negotiations were continued, have since broken down, and now the government has asked for conciliation. The conciliation board has just recently begun its hearings. Hopefully there will be no further breakdown and no strike.

It must be stressed that the introduction of this bill in no way interferes with the negotiating process now being conducted. The sole application of this bill would be in the future, in the event of a breakdown in negotiations that might occur in the course of a federal election. It is to be hoped that there will be no such occurrence and that we will be able to resolve the differences which presently exist between the union and the employer, the Government of Canada. In the event that such a meeting on minds does not occur, however, then a strike in the postal service would, quite evidently, affect the due process of the election system and present the Canadian public with an unacceptable situation that would be disruptive, costly and basically unsupportive of the public's situation at that time.

A strike would therefore have to be deferred until after the election campaign had been completed. The emphasis here must be on the word "deferred," because the bill seeks only to defer the right to strike, and not to withdraw it or impair it in any other way.

A further point which should be made is that the proposed legislation does not represent a departure from legal principle or practice. For example, the Canada Labour Code, in section 181 of Part V, already provides that a strike or lockout that would adversely affect the national interest during an election could be deferred until after the return of the writs.

It should be made manifestly clear that the government continues to view the collective bargaining process and right to strike, as vital and fundamental aspects of our democratic procedures. The government will not countenance any withdrawal or reduction of these hard-earned rights, in the absence of anything less than crucial consequences to the public at large. This statement reaffirms the government's traditional commitment to a system of industrial relations that will con-

tinue to possess its entrenched and respected democratic rights and privileges. The statement at the same time refutes absolutely any suggestion of a trend or pattern of government intervention. Such a trend would, as I have indicated, be repugnant to the government. I say this so that there can be no doubt whatever that the course of action upon which the government has embarked is one that is necessitated by the very particular circumstances and demands of this period.

Honourable senators, with those relatively few words of introduction I ask for your support in passing this legislation.

On motion of Senator Asselin, debate adjourned.

● (2040)

PETROLEUM ADMINISTRATION ACT ENERGY SUPPLIES EMERGENCY ACT

Bill to Amend—Second Reading—Debate Adjourned

On the Order:

Second reading of the Bill C-19, intituled: "An Act to amend the Petroleum Administration Act and the Energy Supplies Emergency Act".—(*Honourable Senator Perrault*).

Hon. Daniel A. Lang: Honourable senators, there is a verse in Gilbert and Sullivan which begins:

When I was a lad I served a term

As office boy to an Attorney's firm.

Further on the character makes vows which include:

Ere I go into court I will read my brief through.

Senator Flynn: Do we not need a motion?

Senator Lang moved the second reading of Bill C-19, to amend the Petroleum Administration Act and the Energy Supplies Emergency Act.

He said: I think I should read my rules through.

Senator Walker: Let's have some more Gilbert and Sullivan.

Senator Lang: I remember many years ago when I first came to the Senate, Senator Sydney Smith forgot his motion on second reading, and I thought, with all his experience, that was an unusual oversight. I now find myself doing the same thing. I guess one's age catches up on one.

Honourable senators, when I was referring to Gilbert and Sullivan it was my intent to mention this self-imposed injunction:

Ere I go into court I will read my brief through.

I am afraid, with the pending dissolution of Parliament, I have had very little opportunity to do just that.

Bill C-19, which I have to present to you tonight, is not a "Senator Laird simple bill"; it is a very complicated piece of legislation. In fact, this afternoon I had some competent departmental officials attempt to explain the intricacies of this bill to me. After they had finished, I found I was more confused than when they had started. This puts me in a difficult position tonight.

[Senator Buckwold.]

I am convinced that if you look at this bill in terms of the economy of Canada, the economic problems we are in today, our potential for resource development, the need for energy self-reliance, this bill, in principle, could not but receive the unanimous support of this house.

I am not for one minute going to suggest that there are not certain clauses in this bill that are objectionable and, in particular, one of them is on page 7. This was an amendment which was inserted in the Commons. I am going to deal with it at this point because I may as well face it head on.

It was an amendment inserted by the House of Commons and it was not introduced by the government. There is a discretionary power in this clause. A discretionary designation was circumscribed by the House of Commons by standing that discretion and referring it to the committee of the House of Commons which normally considers oil and gas matters. Honourable senators will realize that this completely disregards the concept of Parliament, which includes not only the Crown and the Senate but also the House of Commons.

This kind of amendment to legislation is creeping into our system today, and will ultimately erode some of the very fundamental principles upon which our Constitution is founded. I am not going to defend that. I am just going to bring it to the attention of the Senate so that when someone raises the point they cannot say I did not mention the issue.

I come now to the bill itself. As I said, this is not a "Senator Laird simple bill"; it is a complicated piece of legislation. It has wide-ranging economic ramifications for the country. I think it is an important bill to pass; in fact, the government feels that it is one of the most important bills on the order paper today, and it should be passed before we dissolve.

If I am right in my assumption, the importance of the passage of this legislation is because it is anticipated that in June of this year oil will be produced in Canada from the tar sands of Alberta. This will be the first oil produced from that source in our history and, in a sense, it is an unprecedented experience.

First, let me try to bring into perspective, as I see it, the importance of oil tar sands development. Experts say that the potential recovery from these oil tars is greater than all the reserves of oil in the Middle East. That is a staggering assumption. It means that Canada has the potential of competing with the OPEC group of oil cartels. In the long run, that idea boggles the imagination. If one recognizes this huge potential, one will understand why in 1974 the federal government and the governments of Alberta and Ontario made certain commitments in connection with the Syncrude project.

Oil production from the tar sands is an expensive proposition. The other day, in the other place, one of the members there for whom I have the greatest respect in terms of insight and foresight, Mr. Alvin Hamilton, said it was very probable that the OPEC countries were basing their pricing of oil to the Western World upon what the production costs would be from the Canadian oil tar sands. That is probably an accurate guess.

If we look at our energy picture today, perhaps the imposition of the pricing system by OPEC countries was a blessing in disguise because it will force us into the development of a potential which would not have become possible otherwise, or for many, many years.

I go back now to the basis for this piece of legislation as presented in the bill before us tonight.

Honourable senators will recall that in 1974 the Syncrude or tar sands production became a problematical matter when one of the companies involved in the consortium withdrew. I think it was Atlantic Richfield. In order to save the project, various governments moved in to support it. The federal government bought a 15 per cent equity in the consortium, the Alberta government a 10 per cent equity, and the Ontario government a 5 per cent equity. There was a loan of $200 million to the consortium by the Alberta government over and above the equity commitments. These moves by the various governments I have mentioned made the consortium a viable proposition, at least for the immediate future. To implement the federal commitment this bill is a necessity.

● (2050)

What the bill really does is to impose a levy or tax on foreign oil being imported into Canada in order to subsidize—and I use that word with thought—oil produced from tar sands so that the price received by the producers is the same as the "international price of oil". If I tried to get into delineating what is meant by the "international price of oil" I am afraid I would be going beyond the depth of my expertise. It is a differential involving the laid-down price of foreign crude oil in Montreal as opposed to the laid-down price of domestic oil in Toronto, plus all the variations and gradations involved as to quality, quantity and so on.

I am in sympathy with Senator Forsey in that I do not like legislation by order in council, but in this area the matter is so complicated and the ramifications are so great that I wonder whether we are not into a field which is impossible to deal with adequately through the ordinary legislative process. However, the government is committed to this method, and for that I am very pleased.

This bill will produce anomalies which will have to be dealt with by amendments from time to time in the future. The important thing right now is to get legislation into place so that a levy can be imposed which will produce the differential necessary to maintain the economic viability of the tar sands project.

Senator Walker: Perhaps the honourable senator could answer a question. For twenty years now we have been told that this can be done economically. With the extra levy he speaks of, is it possible that it can be economically produced? Could the honourable senator go into that a little more fully? This is what we are all concerned about.

I remember twenty years ago the president of Sun Oil out at Jasper Park told me it would be the greatest bonanza ever within a period of five years. Well, twenty years have passed, and it has still not produced in quantity. Could the honourable senator give us some idea of how it can be done economically?

Senator Lang: That is a question that begets its answer. In terms of energy, I do not know whether you can say anything is economic or not economic. We have got to survive, and to the extent that we become self-sufficient, that is where we should be directing our efforts. When the honourable senator asks whether it is economically viable, does he mean as against the present OPEC prices or as against OPEC prices as they might be twenty years hence? Or does he mean as against a projected energy deficiency of something like 80 per cent for non-tar sands domestic oil production in 1985? It may be non-viable today, but ten years hence we may think it is cheap oil. It depends on the supply and demand situation. A prophet of the stature of Jeremiah could not predict our situation ten years from now.

Senator Grosart: He was a pessimist.

Senator Lang: We must have confidence in ourselves. If we cannot rely upon ourselves to develop these resources, then we have no country worth mentioning. This is one of the most fascinating natural resource potentials we have.

Senator Walker: I enjoy hearing these generalizations and I enjoy hearing about Jeremiah. I think we had all forgotten about him. Getting back to the predictions of the president of Sun Oil twenty years ago, and the fact that so far the project has been a complete failure so far as being economically viable is concerned, is the honourable senator telling us that it is now economically viable at present world prices, with the addition of the tax which is being levied on imports from Venezuela and so on in order to help its operation?

Senator Lang: To answer I am going to have to repeat what I said before, and I do not want to bore the Senate.

Senator Walker: It was not clear the first time, so don't repeat it.

Senator Lang: The question was just as unclear as the answer may be.

Senator Walker: That could be.

Senator Lang: Economics is, of course, the science of the obscure.

Senator Lamontagne: Oh!

Senator Walker: The whole speech is obscure. I do not know what you are talking about.

Senator Lang: Honourable senators, I am not going to comment further on the economics of this situation.

Senator Walker: Why not?

Senator Lang: If anybody else wishes to direct a question of that nature, I shall be glad to move that this bill be referred to committee, where the top economists in Canada, including any member of the House of Commons who is not liable to run again, may be present to give evidence.

What we are looking at here is a measure to carry out the commitments made by the government to bring these tar sands

into production. This bill is not confined to the subsidization of the Syncrude group; it has the potential of providing subsidization to other groups that are considering developing tar sands in Saskatchewan and Alberta. This is also to support the Great Canadian Oil Sands Company, which has been operating now for a few years on a fairly limited, as I understand it, production schedule.

● (2100)

If I am to recommend this bill to this chamber, I do so not on any basis of the potential economic viability of these projects, about which I can make no surmise, not even an intelligent estimate. I do not do so on the basis that the subsidization program or the maintenance of a lower than world oil price in Canada is a policy that should be maintained or gradually worked out of our system. I only do so on the basis that our natural resources today can be and will be not only the economic salvation of our country, but the maintenance of our country as a political entity. These tar sands have the ability to make us one of the most powerful industrial nations in the world and I, for one, am quite prepared to gamble on any support we can give to the exploitation of those resources and the intermediate concomitant benefits which will flow in terms of research, development and employment in the western provinces.

Senator Walker: Very interesting indeed, but why are you prepared to gamble? I have not heard one word from you as to how it would be viable; not a word. I have not heard a word about how it would pay for itself, or how it could be properly undertaken, or how it would make money. What are your reasons for this great assertion—not from Gilbert and Sullivan, but from Lang and Lang—that you are quite certain in your own mind, and you are prepared to gamble? Why? Can you give us the reasons—any reasons? You have given us none so far.

Senator Lang: Would the honourable senator like me to refer the bill to a committee?

Senator Walker: Well, it might get you off the hook, because you certainly have not given us any reasons tonight.

Senator Lang: Well, I do not need to get off a hook. You might find yourself on one, but I don't.

Senator Walker: Do not worry about me. I get along all right. However, instead of smiling, can you answer the question? If you will get off the hook by referring the bill to a committee, where you can look it up and find out what you are talking about, then refer it to a committee; otherwise explain it at the present time.

Senator Manning: Honourable senators, for the accuracy of our proceedings there is one point that should be clarified before the debate proceeds further. Senator Lang referred to the Syncrude plant's coming into production this year as the commencement of commercial production from the Athabasca tar sands. I think we should have on our record the fact that the Great Canadian Oil Sands Company has been in commercial production for ten years, and has a production capacity of

60,000 barrels per day, which works out at between 15 million and 20 million barrels per year, so it is no small contribution to the oil supply of Canada. After the Syncrude plant comes into operation it will have a commercial production capacity of 120,000 barrels per day, or twice that of the Great Canadian Oil Sands plant, but the Great Canadian Oil Sands plant will be producing one-third of the commercial production of the oil sands for quite a few years to come. I thought it only right that we have that in the record, so that there is a complete picture of what the production is and will be when the Syncrude plant comes on stream.

Senator Forsey: Honourable senators, I merely want to ask the Honourable Senator Lang a question relating to what I understood him to say, that this would be a levy on foreign petroleum, because on page 1 of the bill I find in clause 1:

> The purpose of this Part is to provide legislative authority for the imposition of a levy on
>
> (a) domestic petroleum processed or consumed in Canada—

Did I just miss something in his explanation, or is there something further that ought to be made clear to the house?

Senator Lang: Perhaps I can just refer you to section 65.1(b).

Senator Forsey: Yes, you can, but I thought that in your speech you said a levy on foreign petroleum and I would like to get it cleared up.

Senator Lang: Honourable senators, I will just have to refer to my canned speech, which I did not wish to inflict upon you tonight. Clause 1 of the bill provides for the establishment of a levy on domestic petroleum and on petroleum and petroleum products imported into Canada, so it is conjunctive rather than disjunctive; I am sorry.

Senator Smith (Colchester): Honourable senators, in a moment I propose to move adjournment of this debate, but I do find it difficult to refrain from making a comment which I hope the Honourable Senator Lang will not take adversely. I would have thought it better had he stuck to Gilbert and Sullivan. Having made that general comment on what his speech sounded like, I move that this debate be now adjourned.

On motion of Senator Smith (Colchester), debate adjourned.

TAX REBATE DISCOUNTING BILL

SECOND READING

Hon. Salter A. Hayden moved the second reading of Bill C-46, relating to the discounting of overpayments of tax under the Income Tax Act and related payments.

He said: Honourable senators, I was very anxious that I should make this motion right away so that there could be no imputation that I had neglected to do so because of any element of years.

Now, what I would tell you is that this bill is to be cited as the Tax Rebate Discounting Act. Its main purpose is to

provide for an offence on the part of any discounter who discounts a tax refund contrary to clause 3 of the bill, which is a definition I will refer to in a moment. That is made an offence if the taxpayer does not receive 85 per cent of the actual amount of the refund. The 15 per cent which is left for the discounter must include all his charges, which would include the cost of preparation of the tax return and any incidental charges thereto, plus, I would submit, the cost of money which was used to pay for the purchase of the right to the tax refund.

• (2110)

We had a sample of how this business of tax discounting is carried on in the Standing Senate Committee on Banking, Trade and Commerce, when we dealt with Bill C-16, the Borrowers and Depositors Protection bill. At that time we heard from witnesses who were engaged in this business of tax discounting. The question which was involved in their testimony was part of a much larger picture, because we were dealing with the rights, benefits and privileges of borrowers, and the duties, obligations and responsibilities of lenders in borrowing transactions. The main thrust of the committee's consideration and the committee's report had to do with general definitions of the rights of borrowers and lenders, rather than touching on this particular subject.

If I appear to have any understanding at all about the subject matter of tax discounting, I gained it from our foray into that issue during the hearing of testimony given before the committee.

When one thinks of tax rebate discounting, one thinks of a tax refund in the accepted sense—that is, relating to income tax. But, if one looks at clause 2 of the bill, it will be noted that the definition of "refund of tax" includes much more than the amount of overpayment of tax under the Income Tax Act. It also includes overpayment of unemployment insurance premiums paid under the Unemployment Insurance Act; overpayment of contributions paid under the Canada Pension Plan; and any interest paid on any such overpayment or payment. There are numerous references to the definition of "refund of tax."

The administrative procedures which are outlined in this bill, and the procedures for the carrying out and enforcement of this bill, would appear to be fairly reasonable. They may not be the only way of getting at the subject.

For instance, there might be some discussion relating to the amount of refund which the discounter acquires. If it turns out that, as a result of certain miscalculations, the refund is larger than that to which the taxpayer appeared to be entitled, with the right to refund having been transferred to the discounter, the discounter must pay the additional amount of refund to which he became entitled to the Receiver General for Canada; otherwise, he would be subject to prosecution under the provisions of this bill. In that case, the Receiver General for Canada is entitled to retain the overpayment, which is then put to the credit of the taxpayer. If at some future time the taxpayer has liability to the Crown, this credit could be used to offset the obligation that would then be payable by the taxpayer.

All in all, the procedures are not too different from what one might normally expect. If more time were available for consideration of the bill, a different approach might bring about different procedures.

Insofar as income tax is concerned, a great many people—I am not sure of the total number—such as students and part-time employees working four, five, or six months during the year, have deductions from their salaries made on an annual basis. If they have no other income, they automatically become entitled to a refund, but the refund takes place at the end of the year. Students, in particular, are desperate for money, and I am sure they would want it promptly. The others I mentioned might be unemployed for four, five or six months, and are also in need of money.

I think that Revenue Canada should short-circuit that approach and give a final and quick disposition of all these cases, whether the claim is based on the fact that the taxes have been deducted on the basis of yearly employment, or deducted on a four, five or six months basis. That might be a solution to the problem. At least it is worthy of consideration.

I am not critical, and do not wish to be taken as being critical, of this bill simply because it was dealt with in one afternoon by the House of Commons and had the unanimous consent of all the parties represented in the House of Commons. That unanimity resulted from the fact that many discounters charge exorbitant rates, and they gouge the individual entitled to a refund who is in a hurry to get his money, perhaps because he needs it to live or, if he is a student, he needs it to continue his education. Those discounts might run to 50 or 60 per cent.

• (2120)

I am not going to explain the procedure by which these discounters operate, unless it is the wish of honourable senators that I do so. If there were no gouging, no unreasonable rates of discount exacted, there might be said to be some place for such an operation. If such an operation could live within a 15 per cent income base, there might be some place for it, because that is all the discounter would be entitled to receive under this bill for whatever service he renders, and regardless of the number of failures to collect he may run into. Taxpayers in these categories have a tendency to move around and, as some of the witnesses who appeared before the committee in respect of the Borrowers and Depositors Protection bill explained to us, some of these people become difficult to locate following the preparation of their returns and their signing that they have received their money. This bill would require the discounter, even working within this 15 per cent limitation, to make the payment in one amount, either by cash or by cheque. There will be no more instalment payments. It will be one amount.

Presumably, most of the individuals who would be affected by this are Canadians, and, that being so, I think one has to make certain assumptions. My own opinion is that there is a place for this type of measure. Notwithstanding that, I would like to hear some evidence from those who are engaged in this field of operation in terms of what it is possible to do in

carrying on that business. Also, I should like to hear evidence concerning other areas where similar relief may be granted—that is, the extent to which the banks or the various investment houses may come into this picture and be prepared to take on some of this operation. That is a thought that should be fully explored.

There are questions that could be answered by the hearing of some evidence on this. I think people who request to be heard on a bill that affects their operation, regardless of any feelings honourable senators might have about the subject matter and the nature of their business operation, should be heard. I think a Senate committee has a duty to hear them.

A number of these organizations have been in touch with the Banking, Trade and Commerce Committee today. A number of them tried to reach me during the course of the day, but I was en route to Ottawa. They have come to Ottawa in order to present their case. If they had any thought that they could present it in the Commons, they were foredoomed, because the Commons dealt with this measure and disposed of it in one afternoon. Since they are in town and are available, and since they have asked to be heard, my feeling is that they should be heard, and to that end the bill should be referred to committee. The committee could meet tomorrow morning for that purpose.

I have made some observations this evening about other approaches toward relieving the hardship in the case of students and other people who find the government indebted to them by way of a tax refund as a result of their having worked for a short time. While their need for money is more imminent, it may be a year or longer before they can get that tax refund from the government, and I am wondering whether the possibility of an earlier refund has been explored, and what the difficulties might be in dealing with it in that fashion. These are observations that I think could be included in the report the committee makes to the Senate on this bill. Whether or not the committee proposes any amendments, it could make observations in that regard.

It is not a matter of life and death, nor is it a matter of national emergency. However, it is an important area and one that should be disposed of and dealt with in the best way possible. I think we have to give some cognizance to the fact that there was unanimous support for this bill in the House of Commons which means support from all the different cross-sections of Canada. While I do not think we need to feel bound by that, we certainly have to give it a good deal of weight.

While we would not want to interfere with any timetable in the march towards dissolution—something about which Senator Flynn spoke earlier this evening—we do want to satisfy ourselves that we have afforded an opportunity to those who wish to be heard, and I think that is a function of the Senate that should be carried out whenever possible. For that reason, I would ask that the bill be referred to committee this evening to enable the committee to meet tomorrow morning, which would not disturb any of the routine. The decision of the committee will either be to report the bill with amendment or without amendment, and it would be then up to the Senate to deal with it. Regardless of what form the report of the committee might take, there would be an opportunity to include in it some observations as to taking a longer and deeper look at the principles involved in this measure.

[Senator Hayden.]

Hon. Allister Grosart: Honourable senators, I was glad to hear Senator Hayden place as much emphasis as he did on the duty and obligation of the Senate to hear witnesses. I must recall, however, that the last occasion this matter came before the Senate, which was last week, the very opposite position was taken. He has made an eloquent case for us to maintain—

• (2130)

Senator Hayden: If I may ask Senator Grosart a question, when you say "a very opposite position was taken" you mean by the Senate?

Senator Grosart: Of course. As a matter of fact, when the vote was taken, I was looking in that direction. So it is quite correct to say it was taken by the Senate. And it was an exactly parallel case, because in that case we discussed the bill in Committee of the Whole, and much the same problem arises here. This bill was discussed in Committee of the Whole in the Commons, where witnesses could not appear. Senator Hayden said it took an afternoon. It took a very small part of an afternoon for this bill to go through the House of Commons, both in the house itself and in Committee of the Whole.

Senator Hayden has also emphasized the fact, of course, that this bill was passed without much objection, without any adverse vote by any party in the other place. This is not an argument that impresses me very much, honourable senators, and earlier today in replying to the Leader of the Opposition, the Leader of the Government stressed this to some extent when he said these four bills before us are not partisan and are not controversial. I have never believed that that is a good reason for the Senate not giving full consideration to any bill.

Senator Hayden: I did not offer either of those reasons.

Senator Grosart: I am not saying you did. I am discussing the principle that is before us at the moment arising out of your remarks, and I am attributing any criticisms I have to the position taken by the Leader of the Government on these two occasions. The position he has taken on these occasions makes no sense to me, because surely the Senate has on many occasions greatly improved bills that were not in themselves either partisan or controversial. Surely our function here is to improve bills if we can without consideration, I hope, to purely partisan attitudes, towards a vote or the criticism we make. I try to follow that rule myself; I think whenever a bill is assigned to me my job is to see if I can suggest any way that the Senate can improve it.

I am in a difficult position with this bill; I am most anxious to accede to Senator Hayden's request that we get this bill to committee tomorrow. Of course, on the other hand, again because of this rush which we do not understand and which is not explained to us, I am in the position—and I think Senator Lang was in the same position—that I first saw this bill at about 6.30 tonight.

Senator Hayden: That is about the same time as I saw it.

Senator Grosart: I am quite sure. But this is not the way the Senate should be operating unless we are given a better excuse than we have been given that there may be dissolution some time soon. I object to the whole procedure for those reasons, because I believe that this does not give an opportunity to the Senate to do its duty.

The bill, although it appears to be simple, I find quite complex. Perhaps this is because I do not understand the tax rebate discounting business and how it operates, and from two readings of the bill I am not quite sure what the bill intends to do to solve some of the problems that appear to have arisen. So although I would much sooner take more time to read this bill, because it is in one sense, at least, a very complicated bill, I intend to accede to the suggestion of Senator Hayden, and particularly for the reasons that he gave, that witnesses may be here and they should be heard. I hope the Leader of the Government is listening when I say that this is a principle so important to me, as a senator, that in spite of my reluctance to proceed tonight, I am going to maintain that very important principle. I hope that when the matter arises again in another connection, the Leader of the Government will find it in his heart, in his mind and in his timetable to reciprocate on that very important point.

Senator Hayden has given us his usual excellent explanation of the bill. I must say it was a much better explanation than was given in the other place. I was amazed to read perhaps a five-minute speech by the minister introducing the bill where he made no attempt whatsoever to explain this bill. For example, I will ask Senator Hayden a question which I hope he will be able to answer. Honourable senators may have noticed that I was in and out of the Senate. I was trying to find a mathematician here who could explain to me and resolve a mathematical equation proposed in the schedule to the bill and which is essential to the bill. The formula is this, and it will be found on page 5 in English, on the left-hand side, the bottom item, item E. It says, "The discount rate as an annual rate"—and I shall have something more to say about that in a moment—and then it goes on with a bracket followed by "calculated as, percentage rate equal 100" followed by large black brackets incorporating A over B, 3—which I take to be cubing that part of the formula—minus one, and then another bracket and the whole to be multiplied by a hundred.

I have tried this out with several senators whom I would regard as much more skilled in mathematics than I am, and no one of them could explain the formula to me. But it is essential to the bill, and I hope that perhaps even before we go to committee Senator Hayden will be able to explain it to me.

There are several other matters that come to mind. One is that clause 3(2) seems to say that in certain cases other services, including the cost of the discounter preparing the income tax return or "any other service directly related to the discounting transaction," may be deducted from, and the words are "the consideration paid by the discounter." For example, where the taxpayer claims or believes that he has a refund of $100, the maximum in the bill—or to put it the other way round, the least the taxpayer could receive after his arrangement with the discounter—would be $85. Yet this clause seems to make it clear that he can subtract from the consideration other amounts.

● (2140)

I have been trying to rationalize this in my mind. It has not been explained. I take it that it may mean that this is a situation where the consideration given by the discounter is, let us say, 90 per cent. If it is 90 per cent, he can add these charges but he must not go beyond 85 per cent. I am not sure if that is the explanation, but it seems to me that this matter should be cleared up because, as I say, on two readings of the bill it is not too clear to me what the relation of clause 3(2) is to the statement on page 5, again in the left-hand column in the English at the letter C: "Payment as a percentage of expected refund (must not be less than 85 per cent)." Yet, the other clause seems to me, if I am reading it correctly, to say that there can be deductions other than the consideration arranged between the taxpayer and the discounter.

I do not see any direct relation in the bill to the time that may expire between the payment of the consideration to the taxpayer and the receipt of the money either by the taxpayer or by the discounter.

If we think of the 15 per cent more or less as the interest on a loan, which I think is a fair description of it because it is interest and other charges, is there any relation of this charge, this 15 per cent, to the time that the loan is outstanding? Perhaps this formula does it. I don't know. It may be that that is the purpose of the formula. But, obviously, if the time between the payment of the consideration and the repayment of the loan is one month, then 15 per cent would appear to be very high in terms of annual interest. Obviously, this has been taken into consideration, because the schedule—which so far I have not heard explained—requires—and this is where the complex formula comes in—requires that the discount rate be shown as an annual rate in one of the documents that must be prepared. I presume this formula does it, because it says that A is the expected refund and B is the amount paid to the taxpayer. So these two are taken into consideration and somehow we come up with an assessment of the discount rate. I do not think the word "rate" is used in the bill, but it is really referring to the discount rate as an annual rate. This would be important for the Senate to know, of course, and particularly important for any taxpayer seeking to avail himself of the services of a discounter.

As Senator Hayden explained, the bill extends its provisions beyond merely normal income tax returns. It extends it to the unemployment insurance contributions and it extends it to the Canada Pension Plan and the interest thereon, and it extends it to some other areas.

It also occurs to me to wonder what would be the situation where the discounter actually realizes less than the amount for which he has given whatever consideration he has given. Again I am really looking for information here, because I am quite sure this has been taken into consideration.

Senator Hayden: It is his tough luck.

Senator Grosart: Senator Hayden says it is his tough luck. That does not seem to be quite fair, and one question that I would want to ask is this: Although it is 85 per cent, what is it 85 per cent of? Is it 85 per cent of the taxpayer's belief as to what his refund is?

The bill obviously comtemplates the discounter making up the income tax form, or at least checking it; but what is the situation, if the taxpayer has not made a complete return?

Senator Hayden: Will my friend let me deal with that now?

Senator Grosart: I will be finished in a minute, Senator Hayden, at which point I presume you will wish to deal with all my questions, but if you wish to deal with this particular point now, perhaps that would suit your convenience.

Senator Hayden: On this question, first of all you look at clause 3(1) of the bill. It says:

> Any discounter who acquires a right to a refund of tax from the person entitled to the refund for a consideration that is less than eighty-five per cent of the refund of tax is guilty of an offence.

With respect to the refund of tax, of course the discounter has to get his information from the taxpayer. He may be able to get some information from the taxpayer, if the taxpayer will give a direction to the income tax authorities to furnish the information; but usually, from the evidence we had during the hearing I referred to which took place about a year ago, the taxpayers were not keen to make any contacts with the income tax division, other than those contacts they actually had to make. In some instances, when the taxpayer was asked to provide those directions, he then disappeared, and I suppose did his business elsewhere.

Obviously, the 85 per cent is 85 per cent of the refund which, it appears from the information obtainable from the taxpayer and from the best judgment that the discounter can apply to it, is the refund that he is entitled to. But it must be a by-guess-and-by-God theory or practice, because the discounter does not know whether the taxpayer has any liabilities from a previous year which would be carried forward and first satisfied, which would therefore mean that the refund would be less than what it appeared to be. Therefore, the 85 per cent would produce a lesser figure and that would be the tough luck of the discounter.

Have I made that point clear?

Senator Grosart: Yes. That was the question I was raising. It is still not quite clear in my mind just what the relation between the two is, that is, between an actual refund where the taxpayer had been persuaded to get information directly from the Department of National Revenue, then you would have complete security, apparently. If the department said, "All right. This is your refund," and wrote him a letter, or sent him a cheque, it seems to me that the taxpayer would not have to go to a discounter. He could simply go to a bank, surely. With the 15 per cent interest, I believe that most banks, trust companies and lenders of various kinds would be pleased to lend money on 100 per cent security.

• (2150)

There are various forms to be prepared. As I understand it, the discounter must mail one, filled out, to the last known address of the taxpayer with whom he is doing business. That is a very important detail. He must also provide a copy to the department, so that the department has a complete record of all these transactions.

Senator Hayden: He must send it in with the taxpayer's return.

Senator Grosart: That is what I am saying. It must be sent in. So actually there are three documents, because, as I read the bill, the discounter must keep one for his files—it must be available for, I believe, three years—the government has one, and the taxpayer has one. Why would there be any necessity for people to go to discounters, if they could get a clear statement from the Department of National Revenue to the effect, "We will refund this amount to you"? At 15 per cent, I believe that any bank would lend the money. Perhaps in the evidence in committee on Bill C-16 there may have been an explanation.

I raise this question merely to indicate that there are some questions that need to be asked—and I am glad that Senator Hayden feels the same way—because a reading of the bill that I have been able to do during the last hour would indicate to me that, to quote Senator Hayden, there could have been a better way to achieve what is obviously a very important purpose, which is to protect citizens from loan sharking. Naturally, I agree completely with that principle, but I question whether the 15 per cent is right. When one considers the addition to the number of forms which will have to be filled out, one begins to wonder whether there could not have been a better way devised. I do not know.

One other matter which is of concern to me is clause 4(3) where there would appear to be a very dangerous precedent—if it is a precedent; I am not sure—which gives access to income tax returns. The marginal note is: "Copies or information may be disclosed." I am sure that all honourable senators will be concerned about any bill which says that information provided by a taxpayer can be disclosed; and the areas of disclosure are extremely wide.

I leave it at that, and, with some reluctance, I say that if Senator Hayden so moves, I do not think anyone on this side will object to the bill going immediately to committee in order that it might be dealt with, and witnesses heard, tomorrow.

Hon. Salter A. Hayden: Honourable senators—

The Hon. the Speaker *pro tem:* I must inform all honourable senators that if the Honourable Senator Hayden speaks now, his speech will have the effect of closing the debate on second reading of this bill.

Senator Hayden: Honourable senators, I shall try to deal with all the important points raised. I can understand the honourable senator's problem, in that receiving the bill at 6.30 p.m. has not given him much time to read it. Certainly we have started out even, because that was approximately the time when I began to look at it.

Senator Grosart: If we wind up even, I will be happy.

Senator Hayden: As to what is included in the 15 per cent, it is to cover all services which the discounter may have to provide, such as all services in connection with the preparation of an income tax return for the taxpayer, and whatever the cost might be, and also for other appearances, et cetera. Clause 2(3) provides for that.

The language is quite simple. So far as the banks are concerned, I agree with my honourable friend that it would be helpful if we could simplify procedures to the extent that we could line up Revenue Canada, the taxpayer and the proposed discounter so that they would coordinate their efforts and disclose all the information. The taxpayer may not have some of the information. The information will be in the files of Revenue Canada.

The purchase of a tax refund, in those circumstances, might be very attractive to a bank or some other lending institution. Here there is an element of a gamble. One has to accept the fact that the taxpayer is looking for fast money—in fact, he wants it quicker than "fast"—so he goes to a discounter. He tells the story to the discounter, who has to size up the man's credibility, determine how much of what the man is telling him is a fact, and what discount he is going to give in case there is exaggeration or understatement by the taxpayer.

In those circumstances, of course, one can understand that a transaction is partly a gamble. So long as that element is in it, I would say that it is not a very attractive field for institutions such as banks, loan companies and other investors. I do not think there is any way in which a government could devise a bill which would make the situation absolutely attractive to those institutions.

My honourable friend referred to the minister's opening statement. The purpose of the bill, as outlined by him and other speakers, is to shut out the loan sharks from this field of tax refund discounting. They have not prohibited this sort of transaction. What they have done is to regulate it on the basis of 85 per cent and 15 per cent. The prohibition does not necessarily mean that those who are engaged in this business at those very high discount rates will not still engage in it. The bill says that if one wants to be legally correct and not be prosecuted, one must conform to that 85 per cent and 15 per cent rule; and if one does not, one faces possible prosecution.

I suppose that those who gamble say, "Well, I cannot win them all. I am bound to lose some." The fine, if you get caught, can be as much as $25,000. Depending on the size of the transaction, it might be well worth the gamble. I do not know, but I do not think you can develop a perfect piece of legislation that would make this field of operations attractive to the regular financing and lending institutions.

• (2200)

My honourable friend talked about clause 4(3) which appears to permit a breach of the secrecy provisions in section 241 of the Income Tax Act. The limitation on this is that the information, including a copy of a form that is in the possession of the Income Tax Department, and which corresponds to Schedule I of the bill, can be given only to an official or authorized person, or an officer or employee of the government of a province who is engaged in the enforcement of the law in that field. So there are some limitations.

Disclosure, of course, has always been a debatable subject, and one hesitates to approve extensions of it, because the language may be devised a bit hastily and may open up a wider area than one might, at first glance, suppose would be the case.

As regards the last item in the proposed form, "The Discount Rate as an Annual Rate"—that, to me, is so much Greek. I think I would do better if it were Greek, because when I was at university I studied that language for four years.

Clause 3 of the bill, which I read to you, says that the 85 per cent is 85 per cent of the amount of the refund that is claimed. It does not say that it is annual, or anything else. The 15 per cent is not more than 15 per cent of the amount of the refund which is claimed. There is, therefore, an area there that certainly requires an explanation.

Senator Grosart: I would just like to clarify one point that I raised, the answer to which I did not quite follow. This again is in connection with clause 3(2), which reads:

> (2) In determining for the purposes of this Act the consideration paid or provided by a discounter for the acquisition of a right to a refund of tax from the person entitled to the refund, there shall be deducted from the consideration as otherwise determined the amount of any fee or charge levied or made by or on behalf of the discounter—

This seems to me to say quite clearly that that fee can be deducted, with the result that if it can be deducted from the 85 per cent it could be as much as 83 per cent, 82 per cent or 80 per cent. I do not know whether I am right or not, but this is such a clear statement that, unless there is some explanation, it would seem to be contrary to the schedule and the rest of the bill.

Senator Hayden: I think the bill indicates with absolute clarity that you cannot deal with more than 85 per cent of the amount of the refund. You cannot give less than that without committing an offence, no matter what deductions you may make for services rendered. Conceivably, if you paid 90 per cent, there would be room for the extra charges.

Senator Forsey: Honourable senators, may I ask a question about that?

As I listened to this discussion it seemed to me that what clause 3(2) says is that there may be deducted any fee or charge levied for the service of preparing a person's return of income, which is rather distinct from discounting, is it not? It seemed to me that you may get the 85 per cent, but if the chap, besides doing the discounting, had prepared your return, then he could charge something for that as a separate thing. Is that a correct interpretation or am I just getting off the track?

Senator Grosart: Not over the 85 per cent.

Senator Hayden: I would say to my friend that if that is the interpretation to be given to this, then he would have to add

the additional words that he did read, to the effect that it is also deductible from the 85 per cent "for any other service directly related to the discounting transaction." It makes a mess of the whole thing.

Senator Forsey: Yes, it does.

Senator Hayden: So the language is not too clear, unfortunately.

Senator Grosart: That was the point I was making.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Hayden moved that the bill be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to.

CANADIAN CENTRE FOR OCCUPATIONAL HEALTH AND SAFETY BILL

SECOND READING—DEBATE ADJOURNED

Hon. Richard J. Stanbury moved the second reading of Bill C-35, to establish the Canadian Centre for Occupational Health and Safety.

He said: Honourable senators, it is a pleasure to present Bill C-35. I will not say that it is either simple or that it has been accepted unanimously in the other place, although those who are a little braver might say that of this particular bill.

The name of the bill is "An Act to establish the Canadian Centre for Occupational Health and Safety." Its purpose is set out in clause 2, as follows:

> The purpose of this Act is to promote the fundamental right of Canadians to a healthy and safe working environment by creating a national institute concerned with the study, encouragement and cooperative advancement of occupational health and safety, in whose governing body the interests and concerns of workers, trade unions, employers, federal, provincial and territorial authorities, professional and scientific communities and the general public will be represented.

Among the main functions of the Centre will be the establishment of an integrated information system for all aspects of occupational health and safety, the dissemination of authoritative information and the stimulation of research in this particular area. At the present time there is no vehicle, honourable senators, for the co-ordination of the information that issues from a multitude of agencies both federal and provincial.

I would like to stress two major aspects of the legislation. The first of these is the uniquely independent nature of the proposed centre, and the openness with which it must operate. The second is the support which it has received from some 350 public and private organizations across the country which have recognized the great need for this type of centre.

• (2210)

Let me underline that the centre will have no regulatory powers, but rather will be a mode of communications among all of the interests. It will not compete with any existing jurisdiction but will exist to serve them all. It will be self-governing, reporting to Parliament only through a designated minister, otherwise it will be free from controls at any level.

The centre, if it is to perform its function in the best interest of Canadians, must possess real autonomy and it must be empowered to conduct its affairs openly and with evident neutrality. For that reason it has a very broad representation among its governing council.

The governing council will consist of 10 representatives nominated by the Lieutenant Governor in Council in each of the provinces; two chosen by the commissioners of each of the territories; 11 selected in consultation with the workers' organizations; 11 selected in consultation with employers' organizations; and four from federal departments and agencies. Therefore, the very great representation is from the provinces, the territories, and from worker and management organizations.

The chairman of the council, a part-time position, will be appointed by the Governor in Council. The full-time president will be the chief executive officer of the centre.

The legislation empowers the centre to publish information openly and, indeed, requires it to consider briefs from groups and individuals, and to account for its action or reaction to those briefs. The centre will make factual information, as opposed to value judgments, available to the public so that all individuals will have the right to know about the risks they face at work.

There has been much support for the concepts embodied in this legislation because of the real need perceived by concerned Canadians for a national focus and impetus in the field of occupational health and safety.

Canada is the only major industrialized country that has no such national body at the present time to promote joint planning, collaboration and priority setting; yet, in our large, diverse and multi-jurisdictional country, such co-operation is absolutely essential.

I do not want to take up the time of honourable senators tonight by repeating the many horrifying statistics on injury, illness and death suffered by working Canadians. I have a substantial dossier of those statistics. Surely those horrifying statistics show that regulation has obviously not been a sufficient answer to the problem. We have some 220 federal and provincial laws, 400 sets of regulations, and 90 different administering departments and agencies. Yet each year more Canadians are injured and made ill. The severity of those injuries and illnesses grows as does the loss to the economy. We do not even know the number of victims of long-term industrial diseases in this country.

Let me close by saying that as a country we must find new solutions to these problems. Concern alone cannot change the picture without an active channel for that concern.

I ask honourable senators to give serious consideration to this bill.

On motion of Senator Choquette, for Senator Marshall, debate adjourned.

ADJOURNMENT

Senator McElman: Honourable senators, before putting the motion to adjourn, may I ask you to note that there has been a bloodless coup and a change of leadership on this side. Things will flow very smoothly from here on. Having said that, honourable senators, I move that the house do now adjourn.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, April 19, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

STANDING JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the house that a message had been received from the House of Commons to acquaint the Senate that the name of Mr. Hnatyshyn had been substituted for that of Mr. Dinsdale on the list of members appointed to serve on the Standing Joint Committee on Regulations and other Statutory Instruments.

DOCUMENTS TABLED

Senator Perrault tabled:

Document entitled "Canadian position with respect to Conventions and Recommendations adopted at the 59th and 60th Sessions of the International Labour Conference, Geneva, June 1974 and June 1975", issued by the Minister of Labour.

Senator Flynn: That is rather old. Three or four years.

BANKING, TRADE AND COMMERCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Petten: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(a), I move:

That the Standing Senate Committee on Banking, Trade and Commerce have power to sit while the Senate is sitting today, and that rule 76(4) be suspended in relation thereto.

Senator Flynn: Explain.

Senator Petten: Honourable senators, the committee did not complete its consideration of Bill C-46 this morning, and it is proposed that the committee should meet again at 3 p.m. when the minister will return to answer further questions.

Perhaps Senator Hayden would like to add a few words to that.

Senator Hayden: Do you wish any further explanation?

Senator Flynn: Yes. I was wondering whether the committee wanted to sit this afternoon because it is urgent as far as the witnesses are concerned or whether it is urgent as far as the Senate or Parliament is concerned.

Senator Hayden: It is urgent, firstly, because the minister was before us this morning, and we had arranged for him to return at 3 o'clock; secondly, it is urgent because of certain legal issues that developed this morning, and in respect of that a representative from the Department of Justice will be present this afternoon. How successful he will be in dealing with the problems the passage of time will tell.

Once you embark on a bill there is always the consideration that you like to carry it through. We heard the witnesses from the west and the east who were before us this morning; they asked if they could return so as to hear what the minister and the Department of Justice had to say, and we assured them that we would give them that opportunity. They did not want to be held over for longer than necessary, and I think one of the qualities of Senate committees, and the Senate itself, is a concern about the well-being and the welfare of those who appear before us.

Senator Flynn: I take it from Senator Hayden's explanation that the urgency is with regard to the witnesses, but not with regard to the Senate or Parliament.

Senator Hayden: That is what my friend has said.

Senator Flynn: That is my understanding.

Senator Hayden: I thought the work we were doing was work the Senate had assigned to the committee.

Senator Flynn: Yes, I agree.

Senator Hayden: We work under a direction; we must pay attention to the direction from the Senate, and then use our best judgment in carrying that through.

Senator Flynn: I understand, but my point is that this could be done tomorrow morning as easily as this afternoon.

Senator Hayden: No, I don't think so.

Senator Flynn: You don't think so?

Senator Hayden: I don't think so.

Senator Flynn: As far as the witnesses are concerned, I agree, but the Senate did not direct the committee to sit this afternoon; it did not put any limit on the time.

Senator Hayden: No, that is why our own judgment applies, and we think it is necessary. If the Senate wants to overrule our judgment, that is fine.

Senator Flynn: No, I have found out what I wanted to know.

Motion agreed to.

POSTAL SERVICE OPERATIONS BILL, 1978

SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Buckwold for second reading of Bill C-45, to provide for the continuation of regular postal service operations.

[*Translation*]

Hon. Martial Asselin: Honourable senators, I wish Senator Buckwold who has sponsored Bill C-45 were here, for there was something I wanted to tell him personally. When I was selected to reply to Senator Buckwold on this bill, I nearly hesitated doing so in French because of comments he is reported to have made at a conference which was held out west on April 3, 1978:

[*English*]

> Saskatchewan Senator Sidney Buckwold caused a minor flap at last week's Canada West Foundation Conference in Banff when he said French Canadians do not speak very good French. Mr. Buckwold was commenting on the need for more English Canadians to learn French when he complained about the poor French spoken in Quebec.

Senator Walker: He is an authority; no question about it.

● (1410)

Senator Asselin: The result of his remark was predictable; the only Quebec delegate at his workshop walked out in protest.

Senator Flynn: Don't you do that.

[*Translation*]

Senator Asselin: Honourable senators, I checked the Parliamentary Guide very carefully because I wanted to know if Senator Buckwold is qualified and if he has any expertise enabling him to make a judgment on the quality of the French we speak. Since I did not find anything in that respect, I will make my speech in French.

Honourable senators, the legislation before us today is, of course, an emergency legislation and any such legislation is always dangerous since it creates a precedent.

[*English*]

Senator Flynn: Senator Buckwold, it is too bad you have just come into the chamber; you have missed everything.

Senator Buckwold: Did someone say something nice?

Senator Asselin: I hope you will read *Hansard* and you can reply sometime later.

[*Translation*]

I had a look at the proceedings of the committee in the other place on the various provisions of this legislation. As Senator Buckwold said, the bill before us is not complex, but it does have some importance. If one reads closely the remarks made by the Minister of Labour, the Honourable Mr. Munro, when appearing before the committee, one can detect some reluctance to sponsor such a legislation. That is also surprising because negotiations between the government and public servants generally are almost always handled by the President of Treasury Board. So we were expecting the President of Treasury Board to sponsor that legislation, and the remarks made by the Minister of Labour, the Honourable Mr. Munro, would seem to indicate that the legislation before us did not gain full cabinet support and that not all ministers share the view of the Minister of Labour that a significant sector of public servants should be temporarily deprived of their right to strike.

Obviously, as happens every year, we have the same scenario over again: when we have an important piece of legislation to discuss, the government tries to rush it through at the end of the session. Again this year, important legislation is before us in the Senate, including this bill and others we will study this afternoon, and we are being asked to act quickly, to shorten the debate because it is urgent since an election might be called. In any case, I say it creates a dangerous precedent and, just when the negotiations between Treasury Board and the postal union seemed to go well, when conciliation was under way, suddenly last Monday they found themselves confronted with this bill which, to my mind, is an extremely provocative move, given the relations between the postal workers and Treasury Board. How do you expect to maintain a good relationship with a group of public service workers when you tell them you will take away from them, even temporarily, an important aspect of the collective agreement negotiation structure, that is, the right to go on strike when they have the right to do so under the law? We are told this legislation is introduced to serve the public interest, but the public interest does not exist right now, we are not facing an election. We may be passing this bill this week. It may receive royal assent and become a law, yet there will be no reason to enforce it. There is no election at this time and no election has been called.

So I say that we are stating a principle in anticipation, that we are denying a fundamental right to this class of employees, a right which has been recognized by the present government and which is recognized by all political parties in the House of Commons, that is, the right to strike in the public service. I wonder if it is necessary to introduce such a legislation. I am no expert in labour legislation but I wonder if the government might not think of some other ways to solve the problem it is afraid to face. There might be some senators here who could enlighten me but that is what I find in the Labour Code, and one might say that under the circumstances it does not apply to the postal union but I would like to know why. It may be because of the delay. On consulting the Canada Labour Code, I find that section 181 stipulates, as follows:

> (1) Where (*a*) a strike or lockout that would not be prohibited by this Part may occur during a period commencing on the date of a dissolution of Parliament and ending on the date fixed for the return of the writs at the general election of members to serve in the House of Commons next following that dissolution of Parliament, and

(*b*) the strike or lockout would, in the opinion of the Governor in Council, adversely affect the national interest if it occurred the Governor in Council may, at any time during the period referred to in paragraph (*a*), order that the period of seven days referred to in paragraph 180(1)(*d*) shall elapse upon the expiration of the seventh day following the end of the period referred to in paragraph (*a*).

(2) Where the Governor in Council makes an order pursuant to subsection (1) during a period described in paragraph (*a*) of that subsection, the Minister shall, on any of the first ten sitting days of the first session of Parliament next following that period, lay before Parliament a report stating the reasons for the making of the order.

When I read that as a layman, or as a lawyer who is not familiar with labour relations, I wonder whether the government could not have referred to the Labour Code—

Senator Côté: This does not fall under the Labour Code.

Senator Asselin: I should like to know why it does not fall under the Labour Code. I am told that it does not. Of course, that is what the minister was trying to say in committee, but he explained it in such a vague way that members kept on asking him why section 181 had not been amended so that it would come under the Labour Code. As for me, I do not know. Anyhow, Senator Buckwold will explain it to me or Senator Marchand or maybe Senator Côté who has been Postmaster General and who may know more than I do. But the fact remains that we are putting the union in a position where it can defy the law. It is obvious, as everybody knows, that if the house is dissolved, there is no way of passing legislation without Parliament. Surely something could have been done, but why wait until today? We have been sitting since October. Why did they not introduce some other measure to make conciliation possible with the members of the postal union? So I say that this legislation will pass, but will it be obeyed?

Senator Marchand: Who knows?

Senator Asselin: We hope so. We hope that the postal workers will obey the law. If not, what recourse does the government have to implement it? There are two. There are injunctions. But we know how the courts have treated injunctions in the last few years.

Rulings are handed down in the superior courts in Montreal and in Quebec City which deal in a rather peculiar manner with the injunctions that come before those courts. I need not refer to specific cases here. I could have brought a ruling handed down by Judge Deschênes in Montreal on an injunction which was rejected for very strange reasons. Fortunately, his ruling was reversed by the Court of Appeal. But his ruling on the application for injunction puzzled us as lawyers. We wondered how far an application for injunction could go.

So, it seems that an injunction could be used to get workers back to work. And they could also be fined. Of course, the act does not subject the workers to a fine. But I think the Public Service Staff Relations Act does, in section 101, which provides for fines in cases of non-compliance. However, I do not think such fines will compel the union leaders to send the workers back to work. The fine provided for an employee under section 101 is $100. No mention is made whether it is $100 per month or per year. There is no mention at all. For the leaders, the fine is $300—

Senator Marchand: Per day.

Senator Asselin: The fine is $150 for the unions. Well, I say that if the workers want to challenge the legislation, it is obviously easy for them to do so. Of course, we do not suggest to them at all that they should. At any rate, the opposition is not here to filibuster that legislation. We are here to tell the government that it could surely have found another formula to achieve the same purpose. It was said that since 1968, within ten years, there have been five or six ministers and even seven responsible for the Post Office Department.

Senator Flynn: They deteriorate fast.

Senator Asselin: In any case, I think that seven ministers have been responsible for the Post Office. There is still a record deficit of $700 million per year and we are told that another formula will be considered. Listen, if Senator Marchand does not stop interrupting—so, it was not you, Senator Marchand? I apologize. Is it you Senator Côté? Well, it will be your turn a little later.

Senator Choquette: He has a grudge against you.

Senator Asselin: He has a grudge against me, but I do not have any against him.

It was said our deficit was $700 million every year. There has been talk for years of making the Post Office Department into a crown corporation. They have been saying for years that under that formula the deficits would be lower and the Canadian people would have a better service. When this bill was passed in the other place, the Postmaster General and the Minister of Labour appeared on television and said: "Now, it is true, a task force has been set up and will work on this immediately; it will then submit a report on the possibility of making the Post Office Department into a crown corporation."

They could have made that announcement earlier. It seems that the postal union leaders are in favour of such a formula. If that announcement had come earlier, the bargaining process between the postal workers and Treasury Board might have gone faster and the dispute might have been settled by now.

If I remember well, this legislation provides for its repeal seven days after the return of the writs. Well, I think that last time the writs were returned five weeks after the election results. When the writs are returned, you learn about it through an order of the Governor General in Council, through the cabinet. If the writs were to be delayed for such a long time after the next election, it would mean that these employees would have waited for nearly twelve months for a collective agreement to determine their wages and conditions of employment.

I think that this is going too far. I am not saying, however, that the government is wrong all the way. I am not saying

either that the CUPW has always tried to co-operate with the government. I am not saying that the postal workers have not used the work to rule method, because the general public has complained about this. What I am saying, however—and I suggest the opposition think the way I do—is that steps should have been taken, before this bill was introduced, to favour more harmonious negotiations with the CUPW. I do not know whether other honourable senators want to deal with this bill. We do not intend to ask that this bill be sent to a committee. If Senator Buckwold wants to reply to some of my questions, I should see if there is anything else I can say. If other honourable senators want to speak now, I should be pleased to listen to them.

● (1420)

[*English*]

Senator Buckwold: Honourable senators, I rise on a question of privilege.

[*Translation*]

I would like to correct an impression I might have created.

[*English*]

Apparently I made a disparaging reference, according to what I have just heard expressed by the honourable senator, about the French language. I have not seen the report, but I think it is important that I correct any such impression.

At the recent Conference on Alternatives Canada, sponsored by the Canada West Foundation in Banff, sitting around in a seminar with people from across the country, in a humorous way I indicated that my ear was gradually being trained to the French language. Although I did not say I could understand Senator Flynn, I said, "I am beginning to find he makes some sense when he speaks French." In a very casual humorous way I said, "I am beginning to learn a little, but when I stand on a corner in Montreal or Ottawa I find it very difficult to understand the language." It is the type of comment that we often make. At noon today, for example, I said to my friend from Newfoundland, our whip, the Honourable Senator Petten, "When are you going to start to speak English?"

● (1430)

This is just sort of a common joke. I want to make it clear that in no way was there any intention on my part of creating any impression that I was disparaging the French that is spoken here. I had no intention of in any way downgrading the French language as we hear it in Canada.

I want to emphasize that in every respect what was said was really a sort of gesture of humour—a gesture which most people seemed to enjoy, with the exception of one separatist friend who was deeply insulted and walked out.

Senator Asselin: In listening to the words of the Honourable Senator Buckwold, I am happy to hear that he has corrected the impression that he certainly gave French Canadians that in his opinion we speak poorly in French.

Senator Flynn: Senator Buckwold, would you suggest that the interpreters do not do a good job when we speak French here?

Senator Buckwold: No, I would not want to leave the impression that it was because of the interpretation that I was having difficulty in understanding Senator Flynn. Indeed, I have been able to follow his French to the point that he is now beginning to make sense.

Senator Perrault: That is impossible!

Senator Buckwold: Maybe something is wrong. I don't know.

Senator Grosart: Quit while you are ahead.

[*Translation*]

Hon. Jean Marchand: Honourable senators, if you will allow me, I should like to make a few brief comments about the bill now before us. I would have liked to retrace the history of the right to strike in the public service, beginning with the right of coalition which was abolished in Canada, as you know, in the last part of the nineteenth century, and to deal also with the evolution of the right to strike, how the legal provisions on the limitations of the right to strike were gradually abandoned in the public service in almost every province and also at the federal level. But, of course, I am not here to give a lecture on history, and all honourable senators have probably heard that before and know all about it. However, as I was personally involved in the amendments to the Quebec legislation to allow public servants to organize and thus obtain the right to strike; as I was one of those who advocated here at the federal level that public servants should also have the right to strike and, on the other hand, as I intend to vote for this bill, I should like at least to try to clarify the situation, so that the public will not get the impression that I am simply a puppet moving from left to right as the wind blows. I hope the translation is good!

Senator Flynn: Are you speaking in French or in English?

Senator Marchand: If Senator Flynn does not know that I am speaking in French, then you know why Senator Buckwold had problems.

In any case, honourable senators, I am still in favour of the right to strike in the public service. I am sorry to have to vote for a bill like this. I would have preferred a bill dealing not only with the postal workers but with the whole question of the right to strike in the public service, so that we might have some day a common philosophy on an issue as important as this one.

As I listened to Senator Asselin, I thought he was going to give us a magic answer to the problems facing us. Of course, he is only putting the question without giving the answer, which is usually the easy part. But if we take a broad look, in the way of Molière, if you want—not with Molière's talent but with Molière's technique, which is different—a broad look at collective bargaining, what sanction is usually imposed on parties which do not agree? In the private sector, it is an economic loss, that is for the employer, a loss of production together with a loss of profits, and for the workers, a loss of salary and related fringe benefits. So, it is in the interests of both parties to agree so as not to lose the economic advantages they want to keep. Now, there is not the same motivation in

the public service. That is because the government is not after profits. Hospitals are not after profits but to serve the population. The penalty is therefore not the same. Of course, in government, you could leave marginal groups indefinitely on strike at a given time without disturbing anyone, because neither the government, the ministers, the members of Parliament nor the honourable senators, will suffer personally from the fact that some workers are on strike. Who suffers? It is the public who is not a party to the negotiations. So, this is a completely different situation. Therefore, when someone talks about the right to strike, the first question I ask is: What strike are you talking about? Are you talking about a strike in the public service or a private service where the motivation is the economic advantage of both parties, because there is no answer otherwise. One thing is impossible, and that is negotiations on an equal footing. If you look at our labour legislation, there is the whole ideological evolution of collective bargaining. You can see that the purpose of all that has been to try to restore a balance between the parties, so that an employer can close down his plant and the union can do the same, which means that both have the same advantages and are of equal strength to bargain. When they are not, someone must keep quiet; those are the rules of the game. But which party in Canada can be of equal strength with the state? I am not talking only about the federal government, or even of the provinces. How can you strike a balance between a government that represents the population as a whole and has the right to collect taxes, and a particular union which represents only its members? Equality is not possible. A while ago, the teachers on strike were saying: The government does not want to bargain with us as equals. Of course, it could not do so. Either you have a government in a country or you do not, and if you have a government, those with the constitutional authority have priority over any given union. Therefore, there cannot be equality. What would be the penalty in such a case? The penalty against government employees is the same as in the industrial sector: there would be what we call a lockout, the employees lose their wages, and that is all right. I mean that this is easy to understand. But for the government, what can the penalty be? There is only one action that can be taken against the government besides the legal sanctions provided in the statutes or the Constitution. The only sanction which can be taken on the political scene is that of public opinion, or an election.

Senator Flynn: The sanction of an election in the case of a marginal group is somewhat illusory.

Senator Marchand: Yes, of course, that is what I am saying. The penalty against the government, except penalties provided for in the law itself, in some cases is meaningless, and in any event when we talk about equality there is no collective equality even among workers. You know it is a delusion when some people say the working class is going to do this or that. I feel like asking them: Which working class? Is it the working class of 747 aircraft pilots who earn $65,000 a year or is it the working class made up of people sweeping the floor here for $5,000 a year? Is it the working class of machine tenders who earn $35,000 a year or is it the working class earning $3,500 or $4,000 a year? Which working class are you talking about, and where is that equality? It does not exist among groups. But, that is besides the point; it is a digression I should not have made and I will stick to the right to strike.

Now, if it is conceivable that the government will not at some time act as a government, even with its employees, what recourse will the employees have? Can they negotiate with the government? Yes, they can negotiate with the government; I believe and I insist that the right to strike in the public service is a good technique, provided of course those using it in the public service are convinced and aware that they cannot use it as in the private sector. The objective of a strike in the public service is to attract the attention of the public, and to say: Look how the government is treating us; look at our working conditions and try to penalize this government which denies us proper conditions. But the objective cannot be and will never be to crush the government and say:

[*English*]

"You lost the strike, so you're going to accept our conditions." That means that from that moment on you no longer have a government; it means the other party is the government, which is nonsense.

● (1440)

The real recourse that should be used against the government is to let the public know that the government is unfair towards its employees. Thus it might be a good thing to have a one- or two-day strike so that the media will take notice and say, "What has gone wrong? All the airports in Canada are closed," or whatever the case may be. In those circumstances there would be a lot of publicity and the public would be able to form its own opinion on the situation.

The remedy for this kind of thing is at the ballot box, and nowhere else.

I was listening this morning to Mr. Parrot, and all he talked about was politics. He was not talking about collective agreements at all. He is, of course, against the Liberal government. This is his own opinion, and of course I do not mind that. He can be against the Liberal government, he can be against the Conservative government, if ever there is one, or he can be against the NDP government. He is free, as an individual, to do that. But it is another matter when he represents the workers. The legislation has been drafted in such a way that the purpose of the certification of the union he represents is so that it can negotiate labour agreements, and not so that it can change the government. This is why, even in Germany, for example, you have what is called "co-operation committees," and I think we are going to talk about that in Toronto tomorrow. That is completely different from unions, which negotiate agreements. I think this is a good way to do it. How can you engage in a "strike to the death"?

[*Translation*]

I do not know if the interpretation is good so I will say it in French to avoid any mistake. Is it possible to strike to the death, for instance, against a hospital? Is it reasonable to

strike to the death against a university unless, according to the philosophy of the labour movement, its purpose is to defeat the government rather than negotiate labour agreements? However, the labour movement in North America owes its existence—I would not say existence *de facto* but legal existence, under the Wagner Act in the United States—to our labour legislation and also to the collective agreements which enable them to collect union dues.

[*English*]

They are directly integrated in the whole system. This is why, for me, it is a joke when a labour organization says that the purpose of the labour movement in Canada is to break down the system. That is not true. If you want to break down the system, get outside the law. Do not enjoy the privileges that you ask for in collective agreements. Do not ask the employer to collect dues for you, collect them yourselves, and having done so, do not ask the government to certify you and give you the exclusive right to represent all workers, even if they are not members of your union.

If you take away all those privileges, they will fight; I agree with that; but from that moment on I would say, "Well, if they want to act like a political party, this is their choice." It seems, however, that they want to do both at the same time. What Mr. Parrot said this morning on TV had nothing to do with collective agreements. He was speaking about wage controls, and about the Liberal government. I do not mind his speaking about the Liberal government in that way. It is not a matter of a Liberal government or a Conservative government. I would probably make exactly the same speech if the NDP were in power.

[*Translation*]

Even if the New Democratic Party or the Conservative Party were in power, that is not the question.

So, I am still in favour of the right to strike in the public service. Why? Because, honourable senators, the only other alternative in labour relations to the right to strike is compulsory arbitration. This is the solution advocated in all circles, in select circles, by people who know absolutely nothing about it, but talk about compulsory arbitration. Why does not an arbitrator come along and say, "By gosh, this is justice, because it so happens that there are conflicts of interest".

This is not a case where they apply legislation with precise terms and criteria. Conflicts of interest are involved. And nobody has the power to say that this is justice. Moreover, there is arbitration in the public service. Considering the size of the public service today, what does it represent? It affects almost one million workers directly or indirectly. No one in Canada has the right to act as if he were speaking for the House of Commons and the Senate and say: "Even if as a government you believe that $2 an hour is too much, I agree to give it and you just have to tax more". And this is the problem that all union movements in the world have been facing.

[*English*]

In Sweden, you know, when the civil servants' association wanted to be affiliated with the ILO, the problem facing the ILO was that they were supporting the labour movement in Sweden, and they said, "If ever there is a strike between the civil service and the government, what stand are we going to take?" So there you have a contradiction between the two.

[*Translation*]

The problem is there. You know that the House of Commons and the Senate are, of course, the bodies responsible for the common interest of the people. And there is no man to whom that power should even be delegated. I believe that the House of Commons does not have the right to delegate that power and to say, "Gentlemen, you are going to tell us what should be the working conditions of civil servants." And if those gentlemen happen to be "wicked Tories" in power while I am a good Liberal and I say that "the wicked Conservative government is going to pay outrageous salaries or higher wages," that leads to distortions not only in the public service but in the whole private sector which, as you are aware, is being influenced by the public sector. That is why I am against compulsory arbitration in public services. There is a responsibility, and perhaps the responsibility of the government belongs to no one else. Otherwise, a particular grievance can be arbitrated and a formula such as that one can be found. But when it comes to determine the basic pay structure in a country, you cannot let it be done by a third party; that is simply not possible. It is the government which in the last resort must assume that responsibility.

I therefore find it regrettable that we have to partially deal with this issue in such a manner. There is no doubt that the postal workers by themselves alone can destroy the democratic process. You know how the Post Office is used during election time. Most of you have gone through elections. Try and imagine an election without mail service. This means that you can paralyze the process which leads to the designation of the supreme authority of a country, the authority which not only governs the country, but appoints judges and is, in fact, responsible for the whole management of the country. Is there a group of individuals who can have that power and not be accountable before the public?

[*English*]

If at this moment I were president of the postal worker's union I would probably today send a wire to the Leader of the Opposition and say, "Gentlemen, we are ready to make a public pledge that we are not going to go on strike if there is an election. Withdraw your bill." I would be the happiest man in the world, and I think the government would not be willing to refuse that stand, for then they would have shown their responsibility. They would say, "We cannot exercise this right," which would be quite a good move, and we would not have to vote on this bill, which deals only partially with the problem, and, as Senator Asselin says, for only a very short time. However, we did not have the choice. I suggested that at one time, but I presume it did not reach the right person at the right moment, although it would not have been new.

● (1450)

Do you think, for example, that in Paris, or even in London, you would have the same problem, or in Germany, in Bonn, or

in Prague? Do you think the unions there, some of which are communist unions, are going to paralyze le Metro, the subway, for days? No. They will have a one- or two-day strike; they will shut down the gas or electricity for one or two days. They are free to call a strike. They can strike for as long as they want; there is no restriction to it. But they know very well indeed they will do it only once, because the public, and even the workers, are not going to stand for that.

I discussed this matter with Reynaud in Paris; I asked, "How come you refused those workers the right to strike?" I was told, "They decide to strike not only for themselves but for myself too, because I cannot go to work if le Metro does not work in Paris." It is not only him they are affecting; they are affecting the whole public, so it is normal in those circumstances to say, "It's just too bad. They are going too far."

Like Senator Asselin, I have not found a solution. A few years ago we had a commission, presided over I think by Professor Woods from McGill University, on disputes in the public service. That commission did not find any magic solution. We do not have any magic solution. There is only one solution, and that is the responsibility of the unions when the public interest is at stake. If the union takes that into consideration, then I think we can have decent negotiations in this country. But if the unions think they can behave in the public sector the same as they behave in the private sector, then I tell you we are due for trouble.

I am going to vote for this, but I tell you that if ever they want to remove permanently the right of those workers to strike, I will be the first to fight against that and try to convince the union to give some pledges that there are certain things it will not do because it is unfair for the population, and not the government as such. This is a problem, and I do not see any other solution, after spending 25 years in the labour movement.

I have to vote for this. I regret it, but I will do so, and I hope that the next time we will have some kind of policy that will be agreed upon by all labour organizations in Canada, so that when we are faced with a situation like this it will not be possible for any specific group to starve the nation. Do you think the 500 employees in Manicouagan, for example, can close down the plant in wintertime, in February, and freeze the whole province of Quebec from Montreal to Gaspé? This is what it means. In February nobody has this right, not even the government.

When we talk about the right to strike, the expression does have a meaning, and when some members of the union consider they have the right to strike in exactly the same way as they do in the textile industry, the sawmills or other sectors, that is not practical.

I do not know if I have made myself clear. Even though I am in favour of the right to strike, I am against the way the right to strike is exercised when it is only blackmail. I am one who has prevented a strike. I very well remember that in Sorel, when a ship was being launched by the Governor General, my organizer phoned me the night before and said, "Hey, we are going to paralyze the shipyard tomorrow. We will have some bargaining power." I told him, "If you paralyze the shipyard tomorrow you will have to look for another job the following day." It is just too bad. This is not normal negotiation; it is blackmail. To paralyze the nation during an election is, I think, blackmail, that is all; it is not negotiation. This is why I support the bill. The rest of my speech, which will be for another hour and a half, I will give at some other time.

[Senator Marchand.]

[*Translation*]

Senator Asselin: I rise on a point of order to give some explanations to the Senate. Senator Marchand seems to have indicated that in my opinion the solution is compulsory arbitration. I never referred to compulsory arbitration in the public service. What I deplored in my speech were the delays in the negotiations between postal unions and the Treasury Board. Had the negotiations been progressing more rapidly, perhaps we would not have to vote today on such wretched legislation.

Senator Marchand: Does Senator Asselin know who is responsible for those delays in the negotiations?

Senator Asselin: Well, there are always two sides. The unions are not the only ones to blame; both sides are.

Senator Marchand: If you know that for a fact, fine. Otherwise, perhaps it is better not to talk about it.

Senator Flynn: Anyway, it has nothing to do with the point which was raised.

[*English*]

Hon. Eugene A. Forsey: Honourable senators, I want to say something very brief about this legislation. I share a good many of the feelings that Senator Asselin expressed about it. I think it is deplorable that we have had such a delay in the negotiations, and it is deplorable that we have had such a delay in the legislation coming to us. Further, I am tired of this exceptional emergency legislation. I think it is time we got some permanent legislation, some long-run legislation, to deal with matters of this kind.

I said in this chamber the last time we had emergency legislation—on that occasion also I followed, at a much more inconvenient hour than this, an eloquent speech by Senator Marchand, and I am not going to repeat what I said then—that I think it is possible to get a permanent solution; possibly not an ideal one—but then, what is ideal in this world?—a sub-ideal one to this problem, some solution to this problem by way of permanent, well thought out, well considered legislation. But these *ad hoc* measures leave me very uneasy indeed. That's the first thing I want to say.

● (1500)

Senator Goldenberg: Will you allow me a question?

Senator Flynn: One expert to another.

Senator Goldenberg: I wish to ask Senator Forsey a question, with his permission.

Senator Forsey: Yes. Go ahead.

Senator Goldenberg: Would you tell the Senate in what country of the world a solution has been found to the problem we are discussing?

Senator Forsey: I said, deliberately, Senator Goldenberg, that there was no ideal solution, but, I think we can do something better—if you look up the speech I made on the last emergency legislation debate, you will have some idea of what I am suggesting—I think we can do something better than this perpetual series of emergency measures, most of which are accompanied by the utterly fatuous remark that this, of course, is not to be regarded as a precedent. It is like that utterly fatuous remark that they append in the House of Commons when we amend money bills and they accept the amendment, "that this is not to be drawn into precedent." Of course, it means precisely nothing, because it is always drawn into precedent. However, that is by the way.

I am not suggesting for one moment that there is a country in the world that has found an ideal or perfect solution to this problem. I doubt if there is such a thing. We live in an imperfect world, but I think we can do better than have a succession of pieces of emergency legislation, and I think we should have had some long-term proposal on this subject presented to us long ago when we could have had time to consider it properly.

The second thing I want to say is that I am rather afraid that this measure may not work. I am rather afraid that we may find that we are faced with a wildcat strike. I don't think we can leave that out of account as a possibility. I hope it won't happen, but it won't greatly surprise me if it does happen, especially in view of the character of this particular union, which is not a very experienced one, and which has had some leaders who, in my judgment, were not always well advised or responsible.

The third thing I want to say I can, perhaps, sum up by quoting what Lord Melbourne said to the Whig magnates when Peel repealed the corn laws, "My Lords, it is a damned thing Peel has done, but you have all got to vote for it."

I think this is imperfect legislation. I think it is regrettable legislation in various ways, for reasons which have already been set forth at length by Senator Asselin and by various people in the other house, and which I sketched very briefly a moment ago myself. But I do not see really how we can avoid it. I don't see how we can leave the country in a situation where, perhaps for a prolonged period during an election, it is impossible to maintain postal service. The government has to make the effort to maintain the postal service. If there is a wildcat strike and it can't do so, well, then, it can't do so. There is always the possiblity that the effort will fail. But I think we have got to have some legislation of this sort. We are cornered now, and put in a position where it is really virtually impossible for responsible legislators to say, "No, we can't pass this."

So while I share some of the misgivings of Senator Asselin, a good many of them, I think, nevertheless, I am reluctantly compelled to agree with what I think is his final position, and that of his party, that, however much we dislike this thing, we will have to vote for it in the circumstances in which we find ourselves.

Hon. Duff Roblin: Honourable senators, I wish it were possible to work up a little enthusiasm for this sad little bill. We are here to discuss on the occasion of second reading the principles that are within it. In that case, I suppose the debate should not detain us long, because there is precious little principle in it. However, it seems to me that consideration, not so much of what is in the bill but what isn't, not so much of what it does do but what it doesn't do, and what it tells us about the government that proposes it, would, perhaps, be worth a few minutes for discussion in this chamber.

The bill tells us that the intention is to bar postal strikes when Parliament is dissolved. I presume that is done on the assumption that we can't have an election without a postal service. One can, perhaps, make strong arguments to that effect, but I recall that in the quite recent past, the ordinary folk of this country found out that, when they had to, somehow they managed to get along without a postal system. There was plenty of practice in that kind of extemporized activity, to be sure, because, in the last few years, there have been a number of occasions when postal industrial action, if I can use the "Britishism," has been a matter of economic survival for many people in the private sector. They have had to find alternatives, which they improvised, which they found difficult, which were expensive, but which enabled them to carry on in some degree or another.

While these activities were going on and the private sector was in this pickle, the government allowed itself to take a very relaxed view of the proceedings. As I recall, the last major strike of two years ago went on for some 50 days. During that time the public struggled to deal with the enormous inconveniences which were presented to them. Now we have the present concern of the administration—perhaps laudable in some respects—to protect the electoral process, but I suggest to this house that it is a very late conversion, indeed, to the principle of public interest and necessity.

But even if we accept that description of the situation in which we find ourselves, and this departure from their previous unconcern in matters of this sort, what about the other public services which we might consider to be in an analogous or similar situation in which strikes may be possible?

Those of us who come from western Canada have a great disinclination to suffer a railway strike, as we have had to do from time to time. We do not like it when the people in the grain handling business bring that trade to a halt. Those of us who use the airlines do not like it when the air traffic controllers decide not to work. These are all matters of public interest, and matters where the federal government has a deep concern and responsibility. Why, then, in this bill, the rather invidious selection of the Post Office? What particular principle can one discern in this argument? It is all right, apparently, to decide that one particular branch of the public service or public activity in which the federal government has responsibility is to be inhibited in this way during an election period

and, perhaps, a good argument can be made for it, but one has to wonder why the line was drawn precisely where it is drawn. We haven't much choice in the matter at this particular stage of our discussion. The bill is before us unsatisfactory as it is, but I wonder whether it is likely to prove effective in its present form.

In this respect I should like to support some of the arguments previously made on this particular point, because to think it is going to be entirely effective in its present form is questionable. It is perfectly true that we can, by law, tell the leaders of CUPW that they can't go on strike, but the idea of approaching the problem in that way seems to gravely underestimate the ability of the leaders of that union. I suspect they know as well as anybody here that if they were to go on strike at this particular stage in the parliamentary proceedings, it would certainly be counterproductive to their desires.

One of the tasks of a union in the public service is to secure public support for what they are going to do. The bringing in of a postal service boycott does not seem to be the right way of getting this support.

I don't estimate the leaders of the postal unions on such a low degree as to expect that they would be liable to do that. They probably understand, as well as I think I understand, that such a move would have a very beneficial effect in returning the present administration, a development which probably does not have a very high position on their list of priorities. It is likely that this prohibition against legal strike, as I think Senator Forsey has suggested, is most likely to be an empty gesture, and a very empty gesture, indeed. The real risks, as has been said and as is underlined by newspaper reports, will probably come in the form of an unofficial strike. It is the shop stewards and other union officials on the floor and in the various postal depots who are the folk from whom we must expect problems in this connection. Perhaps they are viewed by some of us as being irresponsible and indifferent to government and union leadership alike.

● (1510)

It seems to me that this bill provides a pretty poor protection against a probability of that kind. But I suggest to you, honourable senators, that the real significance of this legislation, certainly to me, is that it is a sort of a petition. It is a petition in bankruptcy; it is a petition in bankruptcy with respect to postal matters and the industrial relations policy which the administration has been following. As someone has said, this government is not new to this problem. They have been in office for the last 10 years and they have had many occasions on which they have faced the same kind of thing.

Senator Flynn: Fifteen years.

Senator Roblin: Fifteen years. And how many talented political leaders have assumed the office of Postmaster General? I hear it is six; I hear it is eight. It certainly seems to be enough. But if they cannot find the capacity to solve these problems by combining the talents of these six or eight, or whatever it is, estimable gentlemen, it looks to me as if we should be looking for new material for postmasters general.

[Senator Roblin.]

And how many inquiries have there been? Is it 16? Is it 17? I don't know, but it is going to be 18, because we hear that there is going to be another inquiry as to how to handle the postal affairs in this country.

So here we have a situation, a government 10 years in office—you give them 15, I'll say 10—how many postmasters general, how many inquiries, how many investigations? And they have yet to settle the basic problem which is at the root of all our discussion here, and that is how to organize the pay and conditions of work for the people in the Post Office. Surely it is an industrial problem that ought not to tax the abilities of this talented administration. It is one that is handled every day of the week by people in other circumstances.

And so, honourable senators, we get this bill presented to us as a priority, a priority of the Parliament of Canada. We have heard what some other senators think about that particular way of doing things at this instance. Certainly, to me it is evidence of pathetic ineptitude in the management of the affairs of the Post Office, and it comes to us, I think, with the trademark of this particular administration and it is fully consistent with their general economic record. That record, I suggest to you, is patchwork, patchwork extenuated by expediency, and if that is not an accurate description of this bill, I never heard one.

Alas, honourable senators, we have come to expect this kind of economic decision-making on the part of the government, and alas, that is what we get. I detect from what I have heard in this house, although this bill may receive the votes of many, that it certainly will be passed with no enthusiasm and more reluctance.

[*Translation*]

Senator Flynn: Honourable senators, I have no intention to resort to the same arguments which have been put forward so eloquently by previous speakers in this debate. I simply want to say that Senator Marchand's speech was excellent but beyond the scope of this legislation. Whatever difficulties there may be in labour-management relations, they are well known. There is no doubt about them. I do not think that it would be opportune, while we are discussing a specific bill dealing with one temporary and sporadic issue, to wander off the topic into that vast field of labour-management relations and get lost. As far as I am concerned, that would not be wise. On the specific issue of the relations between the Post Office and postal workers, the fact has been mentioned that there have been a great many Postmaster Generals over the last few years. There is no doubt that when Senator Denis was Postmaster General, things were a lot smoother.

Senator Denis: There were no strikes.

Senator Flynn: A lot smoother, indeed; there were no strikes. We did not have these problems back then.

I am sure that the poise and composure of the minister impressed the employees in those days. The same thing was true when Senator Côté was minister. Those were the good old days. Since then the situation has grown progressively worse, and this happened because we could not avail ourselves of the

services of persons as capable and as competent as Senators Denis and Côté.

Senator Denis: Agreed. At least for once you are telling the truth!

Senator Flynn: That's right. What I want to deal with, not so facetiously of course, is the principle of this bill.

The mover of the bill, Senator Buckwold, is listening carefully and says he understands my French. Unless he goes to Quebec City he will not know any better. It may be that here in Ottawa, in this chamber, I speak a kind of French which is somewhat different from the one I speak in Quebec city but, in any event, Senator Buckwold emphasized that the principle of a temporary denial of the right to vote—as this is what it boils down to—is stated in Section 181 of the Canada Labour Code.

I would point out in this respect that pursuant to this provision it is up to the Governor in Council to decide whether or not a strike affects public interest and when Parliament meets he must report on the conditions that prompted him to step in and suspend the right to strike. In this case, things are different.

The government is asking Parliament to get it out of the mess by saying to the postal employees, "You do not have the right to strike before the writs of election are returned." It is quite another thing. The government is saying to Parliament, "Get me out of this mess, I do not want to have to make a decision". Now, you may object that the government is in no position to make that decision during the election campaign and that is why Parliament must decide. Well, I say no. I tell you that the way it is phrased, this bill allows the government to have its own way without having to negotiate in good faith during all that period. Not only are you taking the problem away from the government but you are allowing it not to negotiate in good faith. That is why, in my view, this bill is extremely dangerous in its present form. If the government had warned that section 181 of the Labour Code would apply to postal employees during that period, that would have been honest. It would have been straightforward and then the government could have said, "I consider that a strike in the circumstances is contrary to public interest." Then it would have had to report, and justify its decision to Parliament. We could have seen whether it had negotiated in good faith to that point. Such is not the case here. I think this is a major fault in this legislation. In my opinion, by giving this permission or, if you want, by taking that right away from postal employees during that period, Parliament is only discharging the government of any responsibility to negotiate in good faith and to make a decision it must make under the principle set out in section 181.

That problem, added to those raised by our colleagues who participated in the debate, must make us regret further having to make that decision to approve this bill. I would suggest to the government, if we pass the bill on third reading, that royal assent not be given until the government, the Prime Minister can say: "Tomorrow, I am going to dissolve Parliament so I need royal assent for this bill today." I would be extremely disappointed, I would even be disgusted if we were to give this bill second reading today, if it were to pass third reading tomorrow, receive royal assent tomorrow night, and the election were to be held only in the fall.

I ask the Leader of the Government—and I would like him to listen to me here—I ask him to assure us that this bill will not receive royal assent before the Prime Minister tells us when the election is to take place. Only on that condition am I prepared to vote for the bill on second reading. If I do not have that assurance I will ask the Senate to vote against it, to divide at least on third reading.

● (1520)

[*English*]

I would like an answer from the Leader of the Government.

Senator Perrault: Honourable senators, of course, it is impossible to give that kind of commitment, and the Leader of the Opposition is aware of that fact. That would be an unprecedented kind of commitment for any Prime Minister of Canada to give.

Senator Flynn: I am asking that the Prime Minister say to us, "I need royal assent to this bill because tomorrow I am going to dissolve Parliament." That is all. The Leader of the Government could say that he will ask the Prime Minister to do that, and that he will tell us tomorrow at the third reading stage.

Senator Perrault: There is no record of any Prime Minister of Canada of any party giving that kind of commitment. I am not able to give that kind of commitment; nor do I intend to suggest to the Prime Minister that he be put in that position. Furthermore, I find it rather remarkable that in the other place—

Senator Flynn: It does not matter what happens in the other place. Let them do as they wish, and so will we.

Senator Perrault: The Leader of the Opposition has had his opportunity to speak. The honourable senator knows more about parliamentary procedure than to pop up and down in his seat in the way that he is doing.

Honourable senators, I find it rather remarkable when a measure, which enjoyed such a considerable amount of support from the official opposition in the other place, is the subject this afternoon of what may be construed as almost a demand on the part of the Leader of the Opposition that some sort of commitment be given by the Right Honourable the Prime Minister before any support can be accorded this measure.

Senator Flynn: That's right.

Senator Perrault: We have had a good deal of debate on the subject of this bill, not only by the sponsor of the bill but also by Senator Marchand and from our friends and colleagues in the opposition. May I suggest, honourable senators, that the public interest suggests that we should put this matter to an early vote.

Senator Flynn: It does not matter what they do in the other place. I am not bound by what they say there.

Hon. Sidney L. Buckwold: Honourable senators—

The Hon. the Speaker: Honourable senators, I wish to inform the Senate that if the Honourable Senator Buckwold speaks now, his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator Flynn: En français!

Senator Buckwold: The problem is that honourable senators might not understand my French.

Honourable senators, I have listened, as one might expect, with a great deal of interest to the spirited debate which has taken place this afternoon. I must say that I share the feelings expressed in connection with many of the points raised. This is not a bill which I am pleased to have to introduce on behalf of the government. I am sure it is not a bill which most of us would like to see on the statute books. But, as each of the speakers has concluded, despite the background and the so-called problems that may be created, it is essential in the public interest to have this legislation.

I say to the Leader of the Opposition that this is not unusual legislation with regard to those industries and employees that are covered by the Canada Labour Code. As the honourable gentleman knows, the Canadian Union of Postal Workers is not covered, nor are other employee associations and unions of the Government of Canada. They are not subject to the Canada Labour Code. If, for example, the Post Office were a crown corporation, it is quite possible that the argument put forward by the Leader of the Opposition might be applicable in the sense that it was covered by the code, and it would be possible to get the employees back to work during a period in which there was no Parliament.

With regard to the point about royal assent—

Senator Flynn: I do not think the honourable senator understood my point. I said that we should have adopted the same principle that is found in section 181 of the Labour Code.

Senator Buckwold: That could be argued. I am merely trying to indicate that it is not unusual or extraordinary legislation in the sense that there is similar legislation which applies to other labour groups.

Senator Flynn: It is not the same.

Senator Buckwold: I am rather astounded by the position taken by the Leader of the Opposition, in that he refuses to go along with this bill unless he has an assurance that there will not be royal assent. May I remind members of this house that the bill refers specifically to one particular situation, namely, the situation in respect of which the conciliation board was established by the Chairman of the Public Service Staff Relations Board on February 3, 1978. That is the only particular situation that is involved.

The Leader of the Opposition is suggesting that we hold up royal assent in the event there is no election. I suggest that whether or not we get royal assent is immaterial to this particular situation; that, in fact, the government will negotiate in the interests of the Canadian public, the citizens of this country, and it is proper that it should. Whether or not there is royal assent, it is their responsibility to negotiate in good faith.

Again I am surprised by the implication that with the umbrella, the protection, of this legislation the government will say, "We can ease off in our negotiations, delay the meetings, delay bringing the parties together, and delay reaching a final agreement." I say just the opposite, that the government has the responsibility to negotiate a proper, just and meaningful agreement with the Canadian Union of Postal Workers, and the latter have the same responsibility to reach an agreement with their employer, the Government of Canada.

• (1530)

If there was any indication of a lack of good faith on the part of the Government of Canada, and they were using this legislation as a protection against negotiating in good faith, then I would be not only surprised but very disappointed in the government, and, indeed, in the party to which I belong. I suggest to honourable senators that negotiations will proceed in good faith whether we have royal assent or not, and that royal assent, in fact, does not really matter at this point. Even if there is no dissolution of this Parliament for some months—and that could happen; who knows?—this bill is there as a protection. It certainly will not, as we know from the minister's speeches in the other place, and from the committee hearings, interfere in any way with the negotiations, which will continue. I think that should be very clearly understood.

Honourable senators, I enjoyed the speech of Senator Roblin, who, I think, has put a new dimension into the opposition—one that they probably needed.

Senator Langlois: No doubt.

Senator Buckwold: He has introduced a political motivation that has kept us on our toes, and some of the tired old men—I will not say "tired old ladies," of course—

Senator Roblin: That is the kind of praise I can do without.

Senator Buckwold: —are probably going to be inspired by it.

While some of the criticisms Senator Roblin advanced might be acceptable from the point of view of the delay in bringing the legislation forward, and from the point of view of the situation in the Post Office, which we agree is a very difficult one, some of the conclusions he reached seemed to me to be just a little strange. For example, he wanted to know why this legislation did not cover every possibility of strikes in the Public Service and other areas in which the public interest of this country in represented. He used the railway workers as an example, and they, as far as I know—and I stand to be corrected on this—could be called back in case of a strike under the provisions of the Canada Labour Code. I think it is fair to say that the government has made a careful assessment and has concluded that as of now there is very little likelihood of any other strike that could significantly affect the public interest.

Senator Flynn: The air controllers, for instance?

Senator Buckwold: This is a protection for labour and the union members who work for the Government of Canada. We are not in any way interfering with the right to strike except in this particular case, in which it is possible that severe and lasting public damage could be inflicted by a strike which, if it took place without this legislation, could last for a very long time.

Senator Flynn: And if it takes place with the legislation, what then?

Senator Buckwold: We can talk about that in a moment, perhaps.

To conclude the point I was making, Parliament, in the vacuum of dissolution, would find itself, and this country would find itself, in an impossible situation. It would be a situation that I am sure even the honourable members of the opposition would accept as something that simply must not be allowed to happen.

The problem of wildcat strikes, which is what I think the Leader of the Opposition was referring to, is a real one. It is one that the Special Joint Committee on Employer-Employee Relations looked at very carefully. We felt that one of the major problems in this country was not the right to strike—which the committee enthusiastically supported as long as it did not inordinately affect the public interest—but the wildcat or illegal strike. In the light of this we brought forward certain recommendations, some of which have been incorporated in Bill C-28, to correct the situation.

This is a very real problem, honourable senators. When people go out on a strike illegally, very often their union leadership has no control over them. Yet it seemed to the committee that after the smoke had cleared, and all the oratory was over, very little action was taken by the government against those people, or those unions, that were involved in illegal walkouts or strikes. We tried to direct some of our recommendations towards improving that situation.

I suggest to you that there is a danger of the Toronto Postal Station closing. It is quite possible that a small group of workers could walk off the job, in which case it may be necessary for the courts to move in the matter, although I am not sure that they would have the necessary jurisdiction. This, however, is something we would have to live with. The fact is that an over-all strike would be impossible under this particular legislation.

Honourable senators, I think I have answered most of the questions that have been raised. I agree with Senator Forsey that it would have been advisable to have had this legislation earlier. I indicated that in my preliminary statement when I opened the second reading debate. To my friend Senator Asselin let me say that I appreciate his remarks. I think most of them have been responded to in the course of my replies to the comments made by many of his distinguished colleagues.

All in all, honourable senators, this is a bill that none of us really wants to see on any order paper of the Parliament of Canada. I am not proud of it.

Senator Flynn: Leave it on the order paper, and do not put it in the statute books.

Senator Buckwold: Certainly the citizens of Canada expect this kind of consideration from their government, so that a postal strike will not affect their well-being or harm the economy of this country.

I agree that the Post Office could probably be improved. It has been suggested that bringing back Senator Denis or Senator Côté as postmasters general might solve most of the problems. It would certainly solve the problems of the opposition in many cases. I have noticed that every time the cost of mailing a letter goes up, the service gets worse. My suggestion is—and I say this facetiously—that we should reduce the cost of mailing a letter to three cents, and we might then have the kind of service we had 10 or 15 years ago.

Having said that in a humourous way, let me again ask for the support of the chamber for this legislation. Granted, it is not enthusiastically supported by any of us, but nevertheless it is essential for the well-being and protection of this country.

Motion agreed to and bill read second time.

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

Senator Buckwold moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

DISTINGUISHED VISITORS IN GALLERY

The Hon. the Speaker: Honourable senators, I wish on your behalf to extend a heartfelt welcome to the Lieutenant-Governor of Saskatchewan, the Honourable Irwin McIntosh and Mrs. McIntosh.

PETROLEUM ADMINISTRATION ACT ENERGY SUPPLIES EMERGENCY ACT

BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Lang for the second reading of Bill C-19, to amend the Petroleum Administration Act and the Energy Supplies Emergency Act.

Hon. George I. Smith: Honourable senators, perhaps I might be permitted just a word before I begin to deal with this bill, since I am the first member of this group to have the opportunity of speaking after Senator Buckwold.

• (1540)

I should like to express my appreciation of his having recognized the fact of Senator Roblin's addition to us, and how much we welcome him here. I will wait for Senator Buckwold to finish his conversation, because I would hate him to miss my words of wisdom. He will have an opportunity on many occasions to recognize, with great appreciation, the contribution Senator Roblin will make to our debates.

I have also appreciated very much Senator Buckwold's ability to recognize the truth that we on this side of the house have been preaching, and which the electorate will soon deal with, that if perhaps he even inspires those tired old men who are too tired to run this government that will be quite an accomplishment. I think it is much more likely that those tired old gentlemen will slip away to a well-earned pasture as soon as the public has a chance to arrange it for them.

Senator Grosart: Tired young ones too.

Senator Smith (Colchester): I hope that does not disturb too greatly Senator Buckwold's easily aroused capacity to be astounded, but I warn him that he had better get accustomed to being astounded if that sort of thing troubles him.

Perhaps I might now be permitted to deal with Bill C-19. I should like to begin by saying that I agree with Senator Lang that it is a very complicated bill. He may also be surprised to learn that I found his analogy to Gilbert and Sullivan appropriate—although I think it would have been more appropriate, when I stop to consider the imagination one must bring into play in order to understand this bill, if he had referred to it as being typical of Alice in Wonderland. The honourable gentleman will not find it too easy to laugh when I get around to pointing out how much imagination he must exercise in order to understand this bill.

Before I overlook the fact, I think I should point out that this bill first saw the light in the other place on the 20th day of December, 1977—some four months ago. In spite of the fact that for a substantial part of those four months Parliament was in recess, it seems to me very strange indeed that a bill thought to be so urgent should come here so late, and should have such little help through its long journey in getting here as it received from the members of the government in the House of Commons.

The purpose of the bill is very simple, even though it is a complicated effort to bring about a simple result. The purpose of the bill is to make sure that the developers of our hydrocarbon resources in the tar sands of this country receive world prices for their product when they succeed in bringing it to the surface. That is a very simple objective indeed, and one with which I concur, I may say, in case anyone has any doubts about that.

The other chief purpose of the bill is to tax every consumer in Canada in order to produce a sum of money from which may be taken whatever is necessary to assure the world price to the developers I have mentioned. I want to make the point that this is a taxing measure pure and simple in that aspect which requires a levy of up to a dollar a barrel on every barrel of oil "processed, consumed, sold or otherwise used in Canada." See how sweeping that is—it is every barrel of oil "processed, consumed or otherwise used in Canada." In dealing with this bill in another place, the minister estimated that this would add something in the order of half a cent, as a maximum, to the price of every gallon of gasoline.

I said that this bill adopts a very complicated method of bringing about a perfectly straightforward, simple result, and I should like to make one or two references to that. Of course, the method adopted was to get this simple objective somehow or other worked into a very complicated act, the Petroleum Administration Act, and here is where imagination comes in. The only way this could be done by the method adopted by these people who wish to construct a maze for all of us to wander through was to ask you to imagine that the oil which is extracted from the tar sands is imported oil, to imagine it came from the Middle East, say, or from Venezuela. I will come to the words that ask you to exercise that imagination in a very few minutes.

To understand the method adopted, I think one has to turn for a moment to the Petroleum Administration Act, which is chapter 47 of the Statutes of Canada, 1974-75-76. These are the opening words after "Chapter 47":

> An Act to impose a charge on the export of crude oil and certain petroleum products, to provide compensation for certain petroleum costs and to regulate the price of Canadian crude oil and natural gas in interprovincial and export trade.

The method adopted, as I am sure all honourable senators will recall, to raise the money necessary to carry out such portion of that object as has been carried out so far, was to impose a levy on every barrel of oil exported from Canada. The statute provides—not the bill we are considering, but the statute itself—that this shall be done by order in council provided it does not exceed the amount of $8 per barrel.

You will find at the very beginning of the bill that it sets out to establish a new part or division to the existing legislation. The proposed new Part III.1 contained in the bill is headed: "Charge on Domestic Petroleum and Imported Petroleum and Petroleum Products." I suppose those words are intended to convey some idea of what the intent is by the words which are contained in Part III.1. The proposed section 65.1 reads as follows:

● (1550)

> The purpose of this Part is to provide legislative authority for the imposition of a levy on
>
> (*a*) domestic petroleum processed or consumed in Canada, and
>
> (*b*) foreign petroleum or petroleum products processed, consumed, sold or otherwise used in Canada, the revenue from which—

And listen to this:

> —the revenue from which levy will assist in meeting the cost of paying import compensation on petroleum deemed under subsection 72(4) to be imported into Canada.

Can anyone reading that, or listening to it, understand what it means? If any member of this chamber understands it, I would be glad to hear him or her say so.

When one looks at section 72(4) of the act as it now exists, one will find that there is no such thing there. It is not put into the act until this bill puts it into the act. Who would think that petroleum deemed under subsection 72(4) to be imported into

Canada is the petroleum raised from the tar sands of Alberta and other parts of western Canada? Who would think that?

So we begin to approach the "Alice in Wonderland" process that I am suggesting must be invoked in order to understand this bill. How do we exercise our imagination to decide that this oil produced by Syncrude in Alberta is imported oil? For the answer to this, we can turn to page 6 of the bill where clause 2 amends section 72 of the act by adding subsections (4) and (5). See what you make out of this gobbledy gook. The proposed subsection (4) reads:

> The Board shall, when so directed by order of the Governor in Council, designate specific classes of petroleum as defined in subsection 6(1) to be deemed to be "petroleum" as defined in section 71 for the purposes of this Division, and the person who first uses ("uses" defined as prescribed for the purpose of any such designation) a quantity of such a designated class of petroleum shall be deemed—

There is that word again.

> — shall be deemed to be importing it into Canada for the purposes of this Division and the regulations thereunder except that is shall be dealt with as petroleum as defined in subsection 6(1) for the purpose of sale for consumption outside Canada.

That is as clear as mud, isn't it? I wonder whether anyone could have successfully undertaken to conceal the real meaning more perfectly than the draftsman who is responsible for this monstrosity. Look at that word "deemed" again. It seems to me we have found ouselves to be subject to a school of drafting these days which does not believe in putting things in a straightforward and simple manner, and one which wants us to imagine that things are something that they are not, and says the law will imagine it for us by "deeming" it. I think this is a most dangerous method of drafting legislation, and one which should not readily be put up with by those who have to pass the legislation.

I ask you, again, how we are supposed to translate this strange lingo into the transition that we are asked to imagine is going to take place, namely, that oil from the tar sands of Canada will be oil imported into Canada, just as though it came from Kuwait or Venezuela.

When one boils it all down and looks to the various definitions—and not all, by any means, are in this bill—one finds that what this strange jungle of words means is that the board—which is the board defined under the act for certain purposes—if the Governor in Council so orders, will designate petroleum produced from the tar sands to be deemed to be petroleum imported from some foreign country. When it comes to selling that oil outside Canada, then it shall be deemed to be something else.

I think I have said enough to indicate the complexity of the concepts, and the language used to express the concepts, which are found in this bill.

Next, I should like to draw your attention to the fact that, although it simply follows the Petroleum Administration Act in this respect, this bill gives the most extraordinary powers to the Governor in Council. It gives the Governor in Council the power to direct the board in the way I have just noted. It gives the Governor in Council the power, as long as it does not exceed $1 per barrel, to determine from month to month the amount of the levy that shall be imposed on each barrel.

Although I will vote for this bill because it is the only legislation before us which will achieve the objects most of us wish to see achieved, I am going to suggest that it be referred to the appropriate committee so that we can understand the way it is to be administered, and ensure it will be fair to the public of Canada as well as to the corporations and persons who will benefit from its passage. I would not be prepared to accept as valid any argument that there is no time available for a committee to study this measure. We have heard that argument since the Easter recess. Every time someone wanted something studied in committee, that has been the excuse. I do not think that is sufficient reason for not referring this bill to a committee, because it is our duty to produce good legislation, if it is within our power and ability to do so. The least we can do in respect of bringing about good legislation is to have it carefully studied in committee, something for which Senate committees are well noted.

The talk about imminent dissolution—although I welcome dissolution because until we have dissolution we cannot get a change of government—leaves me cold. After all, we seem to be attending here to discuss it as though it were some great act of God over which no one around here has the slightest control, as though it were an avalanche, a thunderstorm or an earthquake inflicted upon us by one who is not a member of Parliament and not concerned with whether legislation is passed or not passed.

● (1600)

I say that is a completely false concept. That decision is going to be made by a member of this Parliament. It is going to be made by the man who, above all men and women in Parliament, should have the most desire to see good legislation passed into law before dissolution takes place. And if he is not sufficiently concerned to make sure that enough time is available for the proper consideration of this bill, then I do not see why you or I should exercise his judgment for him.

I say again that this bill has been around since the 20th day of December, 1977. It was passed by the House of Commons finally on the 17th day of April which, almost anyone can remember, is just a couple of days ago. So I think it must go to committee. There is no excuse for its not going to committee, and we would be doing less than our duty if we did not send it to committee.

Hon. Daniel A. Lang: Honourable senators—

The Hon. the Speaker: Honourable senators, I must inform you that if the Honourable Senator Lang speaks now, his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator Choquette: Will the honourable senator permit a question? Does he know more about this bill now than he did when he introduced it?

Senator Lang: Actually I know less about it today than I did yesterday because I have been studying it further.

Honourable senators, the criticism of Senator Smith (Colchester), I take it, is not directed at the principle of this legislation as much as it is directed at its form and syntax, and I certainly will not try to defend that aspect.

As I said last night, there are certain programs—and I certainly think this oil control program is one—that have to meet a flexibility test under changing circumstances. And I can see how difficult it is to carry out such a program using legislative powers as opposed to broad discretionary powers that could be granted, and that have been granted in the past, and exercised under order in council. There are, of course, discretionary aspects in this bill as there are in the act it amends, but the broad powers that I would envisage necessary to implement this program, and to provide it with the elasticity that is required, would be something like those enjoyed by the oil controller in wartime, and under a mandate that literally gave all the powers and discretion necessary quite disjunctive from legislative review. I do not think we are in that sort of a political situation today, but undoubtedly the OPEC cartel and its effect on the world economic situation and on us has certainly created an emergency to which the government had to respond.

In my own opinion, I think the response has been most satisfactory. It is a scheme devised to bring Canada into the international market situation for petroleum products, but to do so with a gradation that would avoid dislocating our industrial infrastructure. As I said, Senator Smith's criticism is valid; it is directed to the syntax and it is directed to the complications of, not only this bill, but of the legislation which it amends. It is an insertion into the Petroleum Administration Act of a completely different part, and the cross-references between the insertion and the rest of the bill are complicated and tortuous.

I agree with him that examination of the legislation should be conducted in committee. These areas cannot be dealt with adequately in the chamber, and I would suggest that the Standing Senate Committee on Banking, Trade and Commerce might be the committee most readily accessible to us for that purpose, and the one competent to deal with this bill. It is indeed a taxing statute, as Senator Smith correctly said. The levy is on all Canadians to the extent that they are consumers of petroleum products, and there are certainly very few people who do not fall within that category. The levy would be approximately 10 cents on a barrel of oil, and that should produce a subsidy to Syncrude production from the tar sands of about $3.70 a barrel.

For the record let me state that I am advised that current estimates place the rate of return from the Syncrude project in the area of 10 to 12 per cent on a discounted cash flow basis. In other words, the government is satisfied that it is viable economically with this bill in place—that is to say, with the subsidy per barrel based on international petroleum prices.

[The Hon. the Speaker.]

I would hope, if this bill is referred to committee by the Senate, that we could have some testimony there from experts in the petroleum field, and I know that some honourable senators, who are far more aware of the problems of this business than I am, will want to take part in the proceedings. I spoke to some of them this morning about this.

Accordingly, honourable senators, I would like to close this debate feeling, as I do feel, that the principle of the bill is accepted by this house, but I hope we shall have an opportunity to examine the various individual provisions, and a chance to interrelate them correctly with the legislation that is being amended.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Lang moved that the bill be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to.

• (1610)

CANADIAN CENTRE FOR OCCUPATIONAL HEALTH AND SAFETY BILL

SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Stanbury for the second reading of Bill C-35, to establish the Canadian Centre for Occupational Health and Safety.

Hon. Jack Marshall: Honourable senators, first, I must thank the Leader of the Opposition for thrusting me to the forefront, after only a few days in the Senate, by asking me to speak to Bill C-35.

I apologize to the Honourable Senator Stanbury for not being present in the chamber to hear his introductory remarks, but I read them with great interest in *Debates of the Senate.* His introductory remarks were both short and to the point, and I commend him for that.

Senator Stanbury referred to the multitude of federal-provincial acts and regulations of the various administering departments and agencies which exist. Indeed, if the centre is able to accomplish one thing, it would be worthwhile if it could extract from the jungle of acts and regulations referred to by the sponsor, a comprehensive formula which would reduce, as the purpose of the bill suggests, the incidence of long-term industrial diseases in the country and promote the fundamental right of Canadian workers to a healthy and safe working environment.

A reading of the debate which took place in the other house on April 17 makes it clear that this bill received the widespread agreement of all parties. The various mild disagree-

ments expressed had to do mainly with the fair representation of all interested groups that will contribute toward reaching the objectives of the centre. It appears obvious, from the debate in the other place, that those differences were resolved amicably by the introduction of amendments by the minister and others on both sides, and agreement on the various amendments to the satisfaction of all parties.

To quote from the debate in the other place, the points of difference in connection with the various mild disagreements had to do, first, with the participation and contribution of the provinces toward the cost of the centre; second, the commitment of the provinces to make financial contribution and their participation on the executive board; third, the breakdown of the majority vote with regard to any vote of the federal and provincial governments; fourth, the reporting mechanism to be established; and fifth, acceptance of labour and all organizations toward the objectives of the bill.

The Minister of Labour confirmed that intense discussion had taken place across the country, that he had met with approximately 300 associations representing both management and unions, and that both labour and management were enthusiastic.

I indicated that the honourable sponsor was both short and to the point in his remarks, and I do not think there is any need to deal further with the many comments that were made. All aspects were covered quite succinctly and clearly in the other place. On behalf of my party, I have no objection to accepting the principle of this bill.

Hon. Richard J. Stanbury: Honourable senators—

The Hon. the Speaker: I wish to inform the Senate that if the Honourable Senator Stanbury speaks now, his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator Stanbury: Honourable senators, I thank the Honourable Senator Marshall for his kind remarks and his comments concerning this bill. It is clear that the bill is acceptable to both sides of the house. I therefore hope that the motion for second reading will be adopted.

Motion agreed to and bill read second time.

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

Senator Stanbury moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

FOURTH REPORT OF STANDING JOINT COMMITTEE ADOPTED

The Senate resumed from yesterday the debate on the consideration of the fourth report of the Standing Joint Committee of the Senate and House of Commons on Regulations and other Statutory Instruments.

Hon. Jacques Flynn: Honourable senators, when I adjourned the debate yesterday, I did so in order to verify the exact situation with regard to this report. I found that it was placed on the order paper for consideration. Senator Lafond spoke, and then adjourned the debate on behalf of Senator Forsey, and Senator Forsey spoke yesterday. At the conclusion of his remarks he was asked by the Speaker whether he was moving adoption of the report. The motion, in fact, was only for consideration. Senator Forsey said he had no objection, and, in fact, he would love to have the report adopted.

I would prefer that we go a little further, and that the Senate concur in the conclusions of the report, which is critical of the government's actions and the method chosen to increase the postal tariff. On the other hand, it may be a matter of semantics whether we adopt the report or concur in its conclusions.

I am informed that the House of Commons unanimously adopted this report, which, of course, is from a joint committee. I do not know whether I require leave to do so, but if there is no objection I would move that the report be now adopted.

Senator Grosart: I second the motion.

Motion agreed to and report adopted.

CONFERENCE ON ALTERNATIVES CANADA

PROPOSALS CONCERNING THE SENATE—DEBATE ADJOURNED

The Senate resumed from Thursday, April 13, the debate on the inquiry of Senator Argue calling the attention of the Senate to the recent Conference on Alternatives Canada, sponsored by the Canada West Foundation, and in particular to the proposals made at the Conference concerning the Senate of Canada.

Hon. Hazen Argue: Honourable senators, the session of the recent Conference on Alternatives Canada, sponsored by the Canada West Foundation, was held in Banff, Alberta, at the Banff School of Fine Arts on March 27, 28 and 29. The conference had placed before it a lengthy document put together by three professors from Alberta entitled "Alternatives." It was subtitled, "Towards the Development of an Effective Federal System for Canada."

● (1620)

To this meeting had been invited some 300 delegates, who attended. There were about 150 from western Canada, that is, from west of the Ontario-Manitoba border, and another 150 from east of that border.

The Canada West Foundation was set up some years ago. The principal objectives of the foundation are to initiate and conduct research programs regarding the economic and social characteristics and potentialities of western Canada; to initiate and conduct informational and educational programs; to encourage an appreciation of the Canadian heritage; and to stimulate an awareness of the future throughout western Canada. Those are laudable objectives.

This conference was called to discuss alternatives for Canada, which were set out as suggestions for constitutional

reform. Senator Forsey, I am sure, will speak in this debate. He is much better informed than I am on constitutional questions, and I am sure that if I serve no other purpose by raising this inquiry than to provide a vehicle by means of which Senator Forsey will be able to make a speech on the Constitution, that in itself will be very worthwhile.

The setting of the conference was the Banff School of Fine Arts. I am sure that honourable senators will know that that school, with all its accomplishments, came about in very large measure through the inspirational leadership of Senator Donald Cameron, over the years, and his name is prominently displayed throughout the grounds.

One would have expected that a title like "Alternatives" having been put forward, there would be a range of various alternative proposals for constitutional reform, and indeed there were suggested reforms with regard to appointments to the Supreme Court and various other aspects of our Constitution, but it seemed to me that the key recommendation for which there was no alternative, and the one to which I wish to address most of my remarks, had to do with abolishing the Senate and providing in its place a House of the Provinces.

Who were the delegates to this conference that were going to decide, in a 48-hour period, what recommendations they might make, or whether they wished to go along with these particular proposals, and how did they become appointed as delegates? Well, there were some very fine people there as delegates. Some were persons from the universities, a few from labour organizations and a few from farm organizations; but while the delegates, generally, were of a high calibre, it seemed to me that though they were hand picked in many instances, in others the choice seemed to be rather haphazard.

One delegate from New Brunswick said, "I'm a druggist by profession. I don't know how I got in on this. I was supposed to pick four of the delegates. I was overseas, my mail came while I was away, I didn't get back until a few days before the conference, and I didn't have much time to scout around to get delegates."

All I am saying is that I do not think this was a selection of delegates on whose opinions you could base any scientific conclusions as to what Canadians wanted by way of constitutional reform.

There were quite a few members of provincial legislatures there. Four western premiers were invited, two of whom made it, two of whom did not. There were in addition members of provincial legislatures and a few senators. Among the latter there was, for example, Senator Sid Buckwold, who took a very active part. Senator Buckwold is one of the councillors to the conference, so he is part of the organization already, and I take it that he would have been there in the normal course of events. Senator Duff Roblin was there. This was shortly after he had been called to the Senate, and I was able to congratulate him. I believe he also is a councillor to the Canada West Foundation, and I would hazard a guess that he would have been there whether or not he had been called to the Senate. However, I was glad to see him there as a senator, and I heard him make what I thought were some important contributions to the discussion.

Senator Paul Lucier was there. He was asked to go on a panel in order to put forward the point of view of the territories.

I was there, of course, but I was an uninvited guest. I had simply decided that it might be an interesting conference to be at. I thought that if they were going to abolish the Senate I might as well be there to see how it was going to be done and to find out what I could do after I ran out of a job. They treated me very well. I was signed up as an observer, my hotel bill was paid, and I ate the best meals anyone could have. I did not have to dig into my own pocket.

Senator Flynn: You know how to behave as an invited guest.

Senator Argue: Anyway, I offered to pay my bill, as anyone would have, but they said, "That is all taken care of." I did not argue with them vociferously, but I was not influenced by them, even if that had been a possibility, because I did not find out that it was that way until it was all over.

The conference was divided into panels, of which I believe there were 10 or 12. There were 20 or more delegates who were eligible to go to each panel. Before the meeting broke up into panels there was a plenary session, and the chief author of this report on alternatives, Professor David Elton of the University of Lethbridge, made a speech promoting the ideas in the report and suggesting that there were things in it that provided answers to all of Canada's difficulties.

After discussions had gone on in the various committees, spokesmen reported back on two occasions on what they had found out in the workshops; but there was no debate at any plenary session. I take it that no conclusions were reached, because there was no decision made by the delegates.

I think the delegates started out believing that probably there was a great deal of merit in getting rid of the Senate; certainly that was the pitch that was made to that conference. It seemed to me, however, as time went on over the 48 hours, that more and more delegates said, "Now I am wondering about this. Perhaps the Senate is doing a few things that are worthwhile after all." And, as I viewed things, we seemed to pick up strength during the conference.

Senator Buckwold said that he made an effective pitch at his panel, and turned them all around. It seems that they became fans of the Senate after he had explained to them what had been going on here, and after he explained his own ideas—and we should all have some—with regard to Senate reform. Being an observer I was not tied down to any one panel, so I went to three or four; I had a shot at three or four of the panels, and enjoyed myself. At the first I was not making much progress; they were giving me a hard time, so I stayed with them for the morning and then did not go back in the afternoon. Next day they told me that as soon as I had gone they started to agree with some of the things I had said, and it was probably a good thing I had left because I won better when I was not there than when I had been there.

• (1630)

I went to a number of the panels and pointed out what was in my mind, that if there is great need for reform on Parliament Hill—and I think there is—all of the reform is not required in the Senate alone; that perhaps there should be some reform of the other place and how it operates, how it deals with legislation. But according to this document of the learned professors, the House of Commons must have been operating very satisfactorily, because there were no suggestions in this document for any changes in that body.

What were their proposals? When they presented their document, Recommendation 2 read:

> We recommend that there be created by constitutional amendment a new Upper House to be styled the House of Provinces, and that appointment to this House be by the provincial governments on pleasure with no fixed term.

The provincial governments would appoint their representatives to the House of Provinces on pleasure. I take that to mean that the government in office in a province would send its supporters to the House of Provinces to carry on its fight on Parliament Hill for whatever that particular provincial government wanted out of the federal system. When they got here they would have a lot of power. They would have power to delay ordinary legislation coming before that body. They define ordinary legislation as legislation coming clearly and completely within the area of federal exclusive jurisdiction as under the enumerated headings of section 91 of the BNA Act. The House of Provinces would be able to delay this kind of legislation.

They would give it a further power, and a wide power. Recommendation 7 reads:

> We recommend that the House of Provinces be given the power to review, and, when necessary, to set aside all orders-in-council.

It seems to me that if we wanted to bring parliamentary government in Canada at the federal level to a standstill, this would be exactly the way to do it; send the henchmen of all the provincial premiers to Ottawa, set them up in another house and give them power to delay. It is said it may be only a 30-day delay. Imagine a 30-day delay on something coming to this house. We cannot get a one-day delay here sometimes without running into great difficulty. The provinces then would have the right, through those the provincial premiers sent here, to a 30-day delay on all legislation in the power of the federal government. On the other legislation they would have to have joint sessions, and so on.

They would have the right to review all orders in council. In an explanatory note they say that if they wanted to stop an order in council because it was no good, the government would have to introduce special legislation to put the rejected order in council in legislative form. If any government were foolish enough to implement those recommendations, I would think the whole country would come to a standstill. It would not be an alternative to Confederation; it would be the wreckage of the Canadian nation as we know it.

However, the learned professors who put forward this document had second thoughts, with which we were presented before the conference had gotten very far under way, so I read from "Alternatives: Update". We got an update before it really got discussed at all. What did they do with what I will call their two main powerful recommendations? This is what they say about Recommendation 2:

> We recommend that there be created by constitutional amendment a new Upper House to be styled the House of Provinces, and that this House consist of provincial (and territorial) delegations casting a single weighted vote.

So, you do not have independent thinkers coming here. They are not even independent enough to switch their point of view and stand up and be counted. They are part of a weighted point of view. I suppose that Saskatchewan in the House of the Provinces would have a weighted vote of perhaps 5 per cent; the premier would crack the whip; no individual in that delegation could exercise his own judgment.

In Recommendation 3 they say:

> We recommend that all provincial premiers serve as *ex officio* members of the House of the Provinces, and that the position of President of the House of Provinces be filled by a provincial Premier or his representative on a rotating basis.

Then there is a further explanatory note about Recommendation 2, which I just mentioned. This further explanatory note reads:

> It is not our intention to create in the House of Provinces a debating forum like the present Senate, with provincial patronage substituted for federal. The provincial delegates will be composed of cabinet ministers, members of the legislative assembly, or civil servants; they will not be "appointed" on a permanent basis or for fixed terms, but will serve as part of the delegation only so long as the provincial government wishes it. Since we do not envision the House of Provinces being in continuous session, we doubt this would require attendance of provincial ministers and civil servants in Ottawa to any greater extent than is currently the case.

They have a new House of Provinces; they have tremendous powers, but they do not have to come to Ottawa any more frequently than they come now. It is not going to be a House of Provinces. It is going to be a "Motel of Provinces." They just come down here and stay one or two nights, fix everything up in Ottawa that they could not fix up back home; they come to Ottawa and in one or two days they make certain that the country is on the right track.

Senator Flynn: Equalization in reverse.

Senator Argue: That is right.

One thing that encouraged me was that the named speakers who came there, Otto Lang and Flora MacDonald—who did not make exactly the same kind of pitch at the conference that she had made in the newspapers—Premier Lougheed and others, seemed to take the position that the parliamentary institutions that are here now need improvement and need

change, but they did not see this kind of far-sweeping revolutionary change that was suggested in this particular paper. Premier Lougheed went on to say that he was most satisfied with the developing consultation between the federal government and the provincial governments.

● (1640)

He felt that this consultation was effective, and was obtaining results, from a provincial point of view. He went on to say that not only were there the first ministers' conferences and meetings of deputy ministers, and so forth, but that in the last year there had been 100 meetings between officials from the provincial governments and officials from the federal government. He felt that that kind of evolution was very desirable and, basically, should not be interfered with.

The fate of recommendation 7, which would allow the house of provinces to veto the passage or implementation of any order in council, can be summed up in one word, "deleted". That was the end of that recommendation.

Of course, the need for improvement in our institutions is there, and we should all try to do everything we can to bring about such improvement. While conferences such as these may contribute something towards that improvement, a great national political party, whether it be the Liberal Party, the Conservative Party, or even the NDP—although the latter is not a great national political party in the same sense as the other two are—should be given the opportunity to make serious proposals in this area, and those proposals should be given serious consideration.

The Liberal Party held a national convention in February of this year, which was attended by 3,000 or more delegates. There was a great deal of discussion with respect to parliamentary reform. The Senate came in for a good deal of discussion. There was a workshop called "Reforming Institutions." The main proposition was resolution 400 which said that the Senate should be reformed to allow for the direct election of senators. This came up for debate. There were approximately 300 people who attended that workshop. I did not count them, but Senator Petten is nodding his head in the affirmative, so I suppose I am not too far out.

After a considerable discussion at that workshop—a discussion which I thought was carried out in a democratic manner, because there were an equal number of speakers for and against, each speaker being allowed three minutes, with twenty minutes or so to discuss the motion—the vote was taken. This vote indicated that there was a great deal of powerful support for an elected Senate. However, this was defeated by a margin of approximately three to one, an overwhelming defeat of that motion.

There were other motions with regard to constitutional reform placed before that panel. One such motion was that the standing committees of Parliament be given more power so they could perform as their American counterparts perform. The latter part of that motion was defeated, but it was agreed that the standing committees of Parliament be given more power.

[Senator Argue.]

Then there was an all-inclusive kind of motion put before the panel. Incidentally, I should say there were three motions listed for discussion. These were priority motions. After they were discussed, any member of the panel could call out any number of other motions he wished which dealt with constitutional reform. Motion 402 was considered, at least by certain individuals, as very important. It read as follows:

> That the government propose to Canadians a new federal constitution which would restructure political institutions and powers, including the Senate, Supreme Court, fields of taxation, residual powers, and would include a mechanism for continuous constitutional revision.

That is a blanket-type motion. It gives wide scope for constitutional amendment, with constitutional amendment not defined in any detail.

That motion was not called until the dying minutes of the deliberations of that panel. Someone said they should get in motion 402 before they went home. I would say there were approximately 40 delegates left when it was brought up. There was not the kind of enthusiastic support that I am sure those who were for it might have wished to see. It was brought in at the tail end of the meeting. Everyone was sick of talking and was ready to leave. I imagine one could have passed almost anything at that stage of the meeting. People just wanted to get out of there. In any event, that passed.

The officers involved in that particular panel were concerned that they bring something back to the plenary session with respect to the Senate. So many motions had been defeated that it was decided to formulate an entirely different resolution, and the one that went before the plenary session read as follows:

> That the Senate be reformed to allow the provinces to participate with the federal government in the appointment of senators so that the Senate becomes a mechanism for regional interest in national policy formation.

As far as I am concerned, nobody was managing support for it or against it. Certain delegates got up and said they wanted to vote on this motion. Some complained of the terms of the motion, in that, in the Canadian context, while the federal government would be able to appoint senators, any input by provincial governments as to who should be appointed to the Senate should not be tolerated.

This motion, to my surprise, was defeated in the plenary session by a very wide margin. I do not like to guess at the numbers, because I could be wrong. I would say it was defeated by about two or three to one. It was strongly defeated. The delegates believed the provinces already had very great power, and did not want this power increased. The motion that the Senate be reformed to allow the provinces to participate with the federal government in the appointment of senators was defeated.

The discussions at Banff, and those at the National Liberal Convention, suggest to me that, while people may wish to have Senate reform, while they may be critical of the operation of

the Senate, the Senate has a very substantial reservoir of good will and support in Canada. I think we are too bashful when it comes to defending the Senate, and when it comes to using our authority. I think the nation not only supports the Senate as the second legislative chamber, the chamber of sober second thought, but also as a chamber which can take important initiatives and do pioneer work in bringing forward important legislation. With that kind of support, we should decide, in our own minds, that we should become more assertive. I do not say that in a way to criticize what the Senate has been doing, because the Senate has done a great many useful things. The question is how we can bring this to the attention of the public; how we can get some credit for the work we do. That is a matter to which Senator Perrault is giving his attention.

I have in my hand something that surprises me. It is the number of amendments the Senate made to various government bills in the second session of the 30th Parliament. It suggests to me that over 100 amendments were put forward and adopted by the Senate in relation to government bills. In the first session of the 30th Parliament, from September 30, 1974 to October 12, 1976, there were 734 meetings of committees of the Senate, and there were 1,456 witnesses heard. So the Senate committees are very active and, I think, are doing substantial work that should be recognized across this country.

● (1650)

I spoke a little while ago about there being no suggestions for reform of the other place. Well, I spoke to an authority on the rules there the other day, and he pointed out something that I thought was very simple and elementary. He said that one of the reasons the Senate was able to get its work done was that it does not have a fixed time of the day for adjournment. If the work is not done at 5 o'clock, we can go on. If it is not done at 10 o'clock, the Senate can go on. The Senate can go on until midnight, and it can go on and on. But on Monday evening at 10 o'clock in the Commons debate on legislation is over. On Tuesday night at 10 o'clock and on Thursday night at 10 o'clock it is over. On Wednesday evening at 6 o'clock and on Friday afternoon at 5 o'clock it is over. There is no provision for an extension of their sittings on the spot to reduce the legislative load.

I can remember being in the House of Commons when Mackenzie King was Prime Minister, and those were different days. How were the sessions ended then? By sitting through the lunch hour and sitting through the supper hour, and going on through midnight to the early hours of the morning, week after week after week, until the legislation was dealt with. What happens in the present House of Commons, as I see it, at any rate, is that they bring in a large amount of legislation but it is not as large as the country requires. Many amendments to bills are not brought in because they are not given sufficient priority in the screening process, but their high priority bills are brought in but only a certain percentage of them are passed. Many of them are stood over for another session. I think that part of the difficulty in governing Canada today is the fact that the House of Commons is unable to deal with the legislative load required for the efficient functioning of government and for the efficient functioning of our economy.

There have been suggestions that some of the legislation should be introduced here, and so on, but I think that the House of Commons will have to deal with their own act so that those who want to speak on legislation will have an opportunity to speak, but within reasonable limits and within a reasonable period of time. The authority, the institution itself, the House of Commons, has the right to make a decision. Until a method of obtaining those decisions is achieved I really cannot see very much effective parliamentary reform.

A lot of us thought the election might be called last week. The election was not called last week. I think the main reason it was not called, and perhaps the only reason it was not called, is that one or two members of the opposition said with respect to the bill dealing with a postal strike during an election, "We don't agree to put it through quickly at this time." I am not arguing whether they should take that position or not; but I am arguing that it is a sad state of affairs when the majority of the House of Commons, and the House of Commons itself, has not been able to so order its business as to get legislation considered, and to make important decisions as they are required.

One of the important reforms that should be made in the House of Commons is a reduction in the number of votes that are considered as want of confidence votes. The members in the House of Commons individually should have greater freedom, and this would apply in particular to members on the government side, no matter what party is in power, and they should be able to stand up and as individuals in many instances make their own decision without undue pressure from party whips.

I would think that over there—and this was part of the discussion at the Liberal convention—the committees of the House of Commons should have greater authority, that they should be able to decide on their own initiative whether or not they wish to make certain investigations that appeal to them. I think steps should be taken so that they have a reasonable and secure budget and one not at the whim of the government or the Treasury Board which could say, "Such-and-such a committee is getting too rambunctious; it is making too many inquiries into sensitive areas; we will cut off their budget and we will make it more difficult for them to make the kind of exhaustive research they might like to make or that might be required."

In my view, reforms of that kind are important.

I would think, too, that the Senate could and should make many changes with regard to how it operates. The method of appointment to the Senate, as it has been over the years, is not the best method. I think it is a shame, with the political complexion of the country as it is today, that by and large we have a Senate of two political parties, one with an overwhelming majority and the other with inadequate representation. There should be some method by which the opposition parties in the Senate could be strengthened.

The idea I had—and I am sure it is not new—is that over the years appointments could be made to the Senate from political parties in a given Parliament in the same proportion as the representation of those parties in the House of Commons. Let us say that in a given Parliament 10 Senate seats become vacant. The government might be able to appoint, say, six senators, and perhaps the Conservatives three, and the NDP one, or something like that. If this formula had been in effect for the last 30 years—and I have not tried to do the mathematics in any scientific way—we would have a Senate today with perhaps 55 Liberals, 35 Conservatives, perhaps seven or eight NDP-ers and five or six Social Creditors. These numbers may not add up to the exact number of senators, but I would think that that kind of method of appointment to the Senate would make for a better Senate. It would be a Senate more representative of opinion in this country, and because of that it would be more effective in the important duties it has.

It seems to me that there are too few defenders of the Senate, and that may include senators themselves. We should operate on a higher profile, and we should take action that once in a while might cause the media to give us some attention. I had better not say the wrong thing, but the beef debate was one example of something a little high profile that got attention, and we were not able to carry on by using this as a precedent necessarily. I do not want to get into a debate about the rules, but by having important debates on current controversial questions the Senate might make a contribution.

● (1700)

There is a feeling that there should be more senators from western Canada. That is generally accepted. It was in the recommendation of the Joint Committee on the Constitution. With the developing strength of western Canada, with the growing population of western Canada, that is probably a recommendation that appeals to most people in the country.

There has been a feeling in the Senate—I think Senator Croll recommended this many years ago—that senators should elect their own leader, and the government should appoint a person to represent the cabinet in the Senate, or perhaps a number of senators as members of the cabinet, which would give the Senate an opportunity to discuss with responsible cabinet ministers the legislation of the day and the state of the country. That would be an important step.

It is a fact that there is a growing feeling among senators that they should take an independent stand more often when they feel they are justified, and that the Senate should acquire a growing reputation for amending legislation, rejecting it, if necessary. There are other ways in which we could bring a greater measure of democracy into the various operations of the Senate and to the various parties in the Senate.

It would appear to me that we are remiss in our duties as senators if we do not provide ourselves with better tools with which to do our job. The Senate is fortunate in its present Law Clerk, Mr. Raymond du Plessis, who is doing a good job. However, I suggest that it is impossible for one human being to do the job he has to do, such as giving advice to committees and senators on legislation, on proposed bills, and so on. He should have a couple of good assistants. The sooner he receives assistance in his job, the better it will be for the Senate. It would reflect on the work of both senators and committees. I might say that no one has approached me with regard to this. I would not like to cause embarrassment to the Law Clerk.

When I met Senator Jack Marshall after his appointment I said to him that when I came here I could not believe—and still cannot believe—that there are no research persons attached to the Senate, or an office where one could go and say, "I have something coming up in the Senate and I would like a little help." We are told, "Go to the library." The library is good. I give it full marks. But it is better if one can give them a month or two to look into a matter. They like to bring in a research document. That is not always the kind of research that I require. I like to have a little personal acquaintance with the person who is doing the job. If I have an idea, I will go and discuss it with him. He would give me whatever help he could, and I would be able to have the material in a few days' time. We should have research help.

It is a pity that we do not have better secretarial service. A senator may arrive here from the House of Commons where he may have had four secretaries, and a couple more in his riding. If, as a member of the Commons, he wants to bring in a person in a research category, and that person is willing to work at a top secretary's salary, he may have a research person. He may have someone as an executive assistant. The other day I telephoned an MP with regard to an event that was coming up. The person who answered the telephone said, "You will have to talk to the social secretary." I wanted to talk about a business meeting, and when I spoke to the social secretary, she said, "Oh, that is for the executive assistant." After talking to three persons, all in the office of the member of Parliament, I spoke to the executive assistant and got along very well. I believe we should have adequate secretarial help.

We do not have adequate space in Ottawa. We do not have offices in our provinces. They say, "Why don't you represent your region, why don't you represent your province?" We say "Well, let us have a Senate office in the province." The reply is, "Oh no, you might be criticized." If we work, we are criticized; if we do not work, we are criticized. So we cannot win. I would rather be criticized for doing something with which someone disagreed, than be criticized for not having done very much. So I think this is something which we should pursue.

I apologize to honourable senators for having spoken for so long and for having made a rather rambling speech. I am sure that it was not a very learned presentation on the Constitution, but we shall have that later. But as a layman who went to that conference and heard the discussions, who attended the Liberal National Convention, who has been in the Senate now for a number of years and who prior to that was a member of the House of Commons for a number of years, I believe that the Senate is important as a legislative body; it is important to the people of this country. It would be a tragedy if the Senate were abolished and replaced by a house of representatives under the authority of provincial premiers. That would be a terrible

thing. There should be improvements in the Senate as the second legislative chamber, and the provinces should be consulted more, and should have more voice.

We should retain the first ministers' conferences and the consultation method. The Conference Centre should be a centre for the provinces. When the provincial representatives came to Ottawa, they could hold their meetings in that centre, where they can obtain good television coverage. From what I know about governments, there would be a far greater measure of co-operation and agreement if they continue along that road rather than trying to place the provinces in a position of power and in a position to veto the people's representatives in the House of Commons.

On motion of Senator Petten, for Senator Forsey, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, April 20, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

ROYAL ASSENT

NOTICE

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

RIDEAU HALL
OTTAWA
GOVERNMENT HOUSE

April 20, 1978

Madam,

I have the honour to inform you that the Honourable Wishart F. Spence, O.B.E., Puisne Judge of the Supreme Court of Canada, in his capacity as Deputy Governor General, will proceed to the Senate Chamber today, the 20th day of April, at 5.45 p.m., for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Madam,
Your obedient servant,
Edmond Joly de Lotbinière
Administrative Secretary to the
Governor General

The Honourable
The Speaker of the Senate
Ottawa.

DOCUMENTS TABLED

Senator Perrault tabled:

Capital Budget of Northern Canada Power Commission for the fiscal year ending March 31, 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-678, dated March 9, 1978, approving same.

Report of the Canadian National Railways, together with the Auditors' Report on the Accounts and Financial Statements thereof, for the year ended December 31, 1977, pursuant to section 40 of the Canadian National Railways Act, Chapter C-10, R.S.C., 1970.

Auditors' Report to Parliament on the accounts of the Canadian National Railway System for the year ended December 31, 1977, pursuant to section 40 of the Canadian National Railways Act, Chapter C-10, R.S.C., 1970.

● (1400)

PETROLEUM ADMINISTRATION ACT AND THE ENERGY SUPPLIES EMERGENCY ACT

BILL TO AMEND—REPORT OF COMMITTEE

Senator Macnaughton, Deputy Chairman of the Standing Senate Committee on Banking, Trade and Commerce, reported that the committee had considered Bill C-19, to amend the Petroleum Administration Act and the Energy Supplies Emergency Act and had directed that the bill be reported without amendment.

THIRD READING

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

Senator Flynn: At the next sitting of the Senate.

Senator Lang: I was about to rise and ask, with leave of the Senate, that this bill be read a third time now when I heard the Leader of the Opposition say he wished third reading at the next sitting of the Senate. I do not know whether he is adamant in that respect, but this is—

Senator Flynn: I am not adamant, but I should like to have some explanation.

Senator Lang: The explanation is self-explanatory. We are having royal assent later this day, as the Speaker announced. It would be desirable to have this bill included in those bills which will be given royal assent today.

Senator Flynn: There will not be royal assent next week?

Senator Lang: I am asking, with leave of the Senate, to have this bill read the third time now.

Senator Flynn: Have it placed on the order paper for later this day.

Senator Lang: All right.

The Hon. the Speaker: It is moved by the Honourable Senator Lang, seconded by the Honourable Senator Cook, that this bill be placed on the Orders of the Day for third reading later this day.

Is it your pleasure, honourable senators, to adopt the motion?

Motion agreed to.

● (1410)

TAX REBATE DISCOUNTING BILL

REPORT OF COMMITTEE

Senator Macnaughton, on behalf of Senator Hayden, Chairman of the Standing Senate Committee on Banking, Trade and Commerce, presented the following report:

Thursday, April 20, 1978

The Standing Senate Committee on Banking, Trade and Commerce to which was referred Bill C-46, intituled: "An Act relating to the discounting of overpayments of tax under the Income Tax Act and related payments" has, in obedience to the Order of Reference of Tuesday, April 18, 1978, examined the said bill and now reports the same without amendment.

Your committee, however, considers it important that the following observations be made:

Your committee has no objection to the principle of the bill, which is that the assignment and sale of tax refunds and the business of tax discounters should be regulated. The evidence given before the committee by the government officials and the various tax discounters who appeared all supports this principle. Your committee is sympathetic to the objectives of the bill and would support proposals that would carry out such objectives, but the bill in its present form does not, in the opinion of your committee, accomplish that purpose and your committee's reasons therefore are stated herein. It is because of the principle of the bill, which your committee supports, that it is reporting the bill without amendment.

In the opinion of your committee, amending this bill will not produce a proper and effective bill to deal with the problem of assignment and sale of tax refunds and the business of tax discounters in relation thereto. What is needed is a new bill based on proper research, including input by the tax discounting, which was not sought in the preparation of Bill C-46. No opportunity was afforded to the tax discounters to be heard, nor was there any consultation when the bill was brought forward. The logical starting point to produce a fair and effective regulation of the business of tax discounters is to start where the problem starts, namely, in the income tax office of the Department of National Revenue. A means should be found whereby the clearing and paying of tax refunds may be proceeded with expeditiously, so as to reduce or eliminate recourse to tax discounters who provide quick or fast money to taxpayers through the immediate realization in cash of their claims for tax refunds.

The Minister of Consumer and Corporate Affairs, who appeared as a witness before your Committee, expressed interest in the above proposal and agreed to study its possibilities at once. He stated, however, that the Department of National Revenue does not have the necessary information to deal with this matter in the manner suggested. However, the evidence before your Committee established that the Department of National Revenue has full information on the subject of tax refunds since that Department is normally in direct contact with both the taxpayer who has a claim for a refund of tax and the tax discounter. The Department normally obtains from the tax discounter an undertaking to pay any tax assessable against the taxpayer who may, as a result of a re-assessment of his tax return, owe additional tax following the assignment and sale of his refund.

Your Committee found clause 3 of the Bill to be ambiguous because of an apparent contradiction between subclauses (1) and (2). Subclause (1) purports to limit the amount of the consideration paid by a discounter to a taxpayer to an amount that is not less than 85 per cent of the refund of tax to which the taxpayer is entitled. Subclause (2), on the other hand, appears to give the discounter the right to deduct from that consideration and, therefore, bring the amount to below 85 per cent.

It appears clear from the evidence of all parties who appeared as witnesses before your Committee, even those representing Revenue Canada, that tax discounting is a seasonal business, commencing soon after the T4 slips are received by the taxpayer in early February and ending about April 30th. For the rest of the year, there is no significant volume of such business. This period of near inactivity should afford an opportunity to the Department of Consumer and Corporate Affairs to study these observations of your Committee and revise and re-write the Bill. In no sense of the word can these tax discounting operations be described as major operations affecting large segments of the population.

Your Committee considers that it is most essential that attention be given to the immediate re-drafting of the Bill having regard to the observations made herein and to the fact that because of the seasonal character of the business there is no urgency for this legislation at this time.

Respectfully submitted,

Salter A. Hayden,
Chairman.

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

Senator Flynn: Next sitting.

Senator Macnaughton: With leave—

Senator Flynn: You certainly will not obtain leave after a report like that.

Senator Macnaughton: May we have leave, then, to discuss the bill later?

Senator Grosart: No.

The Hon. the Speaker: Honourable senators, it is moved by the Honourable Senator Macnaughton, P.C., seconded by the Honourable Senator Connolly, P.C. (Ottawa West), that this

bill be placed on the Orders of the Day for third reading at the next sitting.

Is it your pleasure, honourable senators, to adopt the motion?

Motion agreed to.

THE CONSTITUTION

PROGRESSIVE CONSERVATIVE PARTY PROPOSALS FOR SENATE REFORM—QUESTION

Senator Bosa: Honourable senators, I wonder if I could address a question to the Leader of the Government in the Senate. There was a news item this morning to the effect that the Conservative Party had expressed a very definite view with respect to the reform of the Senate by converting it into "The House of Provinces" with senators being appointed by the provinces. Does the Leader of the Senate have any more particulars in regard to this particular item?

Senator Perrault: Honourable senator, I have never placed myself in the position of attempting to answer on behalf of the loyal opposition. The allegation that the Conservative Party is said to have taken a firm position on the subject of Senate reform is something upon which honourable members of that party may wish to offer comment.

● (1420)

Concerning the "House of Provinces" proposal, I gave an answer the other day in reply to a question of a similar nature deriving from reports of an Ontario royal commission study on the subject of the Constitution. My reply at that time indicated that there was no immediate intention of a federal government response to commission recommendations.

Senator Flynn: May I ask the Leader of the Government if the Prime Minister will soon present his proposals with regard to constitutional matters? That would have been a better question for Senator Bosa to put to you—better anyway than the one he did put, which should not have been directed to you at all.

Senator Perrault: Yes. In any case, honourable senators, usually fragmentary news reports cannot form the basis of questions for which useful replies can be provided. I can say, however, that constitutional matters have been under discussion. As well, I am sure they have been under discussion by members of other national parties. But I have nothing further to report to honourable senators on the subject at this time.

POSTAL SERVICE OPERATIONS BILL, 1978

THIRD READING

Senator Buckwold moved the third reading of Bill C-45, to provide for the continuation of regular postal service operations.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

[The Hon. the Speaker.]

Hon. Jacques Flynn: Honourable senators, as I indicated yesterday, this bill attempts to deal with one special problem which could occur only in special circumstances, namely, after the dissolution of Parliament. It has nothing to do with events that might take place before or after Parliament is dissolved and the writs are returned. The period covered by the bill starts from the first day after Parliament is dissolved and lasts until seven days after the writs have been returned.

Yesterday I asked the Leader of the Government if he would assure us that the bill would not receive royal assent unless it was clear that Parliament would be dissolved the next day. I could not get that assurance.

To me this piece of legislation is quite defective. It is also provocative in a way. It relieves the government of the responsibility of deciding that a strike would be contrary to public interest, and it also relieves the government of the necessity of reporting to Parliament, as it would have to do if section 181 of the Canada Labour Code were to be used for this purpose.

I do not want, nor does anyone on this side want, this piece of legislation to be proclaimed unless that for which it provides becomes immediately necessary. If we were to pass this bill today, give it royal assent tonight, let us say, and an election came only in the fall, the bill would be entirely useless and we would have tried to obviate a problem that was entirely hypothetical. I think the Senate has a duty, in words if not in deeds, to register complaints against unnecessary legislation, especially of this type. Therefore I would want to provide in this bill an amendment which would make it clear that the law will not come into force until dissolution. Perhaps it will not become necessary for the government to proclaim the bill. My amendment would have the effect of having this legislation come into force only upon proclamation, a proclamation that could not be made until Parliament had been dissolved. Thereafter, if the situation warranted, the government could proclaim the legislation and it would be applicable.

I do not want this legislation to go into the statutes, to come into force unless it is absolutely necessary.

Therefore, I move, seconded by the Honourable Senator Grosart:

> That Bill C-45 be not now read a third time but that it be amended by adding thereto the following clause:
>
> 3. This Act shall come into force on a day to be fixed by proclamation, which shall be any day after the 30th Parliament has been dissolved.

I have some copies of the amendment for distribution to those honourable senators who may be interested. I am quite sure that some are not, but others may be. I think that Senator Argue would certainly like to have one.

Senator Argue: No, sir; they are always worthless.

Senator Flynn: Perhaps one should first be distributed to the Leader of the Government or, in his absence, to the Honourable the Minister of National Revenue who may be able to say, on behalf of the government, that he accepts the amendment.

Senator Guay: Wishful thinking.

Senator Buckwold: Honourable senators—

Senator Flynn: The motion will have to be put, Senator Buckwold. It may be wishful thinking. In fact, I am sure it is wishful thinking.

The Hon. the Speaker: It is moved by the Honourable Senator Buckwold, seconded by the Honourable Senator Laird, that this bill be now read a third time.

In amendment, it is moved by the Honourable Senator Flynn, P.C., seconded by the Honourable Senator Grosart, that Bill C-45 be not now read the third time but that it be amended by adding thereto the following clause:

> 3. This Act shall come into force on a day to be fixed by proclamation, which shall be any day after the 30th Parliament has been dissolved.

Is it your pleasure, honourable senators, to adopt the motion in amendment?

Some Hon. Senators: Yes.

Some Hon. Senators: No.

The Hon. the Speaker: Will those honourable senators who are in favour of the motion please say "yea"?

Some Hon. Senators: Yea.

Senator Flynn: The question has not been put. Senator Buckwold wanted to discuss the amendment.

Senator Buckwold: So long as the vote has been called, I am quite content.

Senator Flynn: But someone may want to speak on this side.

Hon. Senators: Question.

The Hon. the Speaker: Will those honourable senators who are in favour of the motion please say "yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion please say "nay"?

Some Hon. Senators: Nay.

The Hon. the Speaker: In my opinion, the "nays" have it.

And more than two honourable senators having risen:

The Hon. the Speaker: Please call in the senators.

● (1430)

The question was resolved in the negative on the following division:

YEAS

THE HONOURABLE SENATORS

Asselin	Grosart
Bélisle	Marshall
Choquette	Roblin
Flynn	Smith (Colchester)—10.
Forsey	
Fournier (Madawaska-Restigouche)	

NAYS

THE HONOURABLE SENATORS

Anderson	Hicks
Argue	Inman
Bird	Lafond
Bosa	Laird
Bourget	Lang
Buckwold	Macnaughton
Connolly (Ottawa West)	McElman
Cook	McIlraith
Cottreau	Michaud
Denis	Neiman
Eudes	Norrie
Fournier (de Lanaudière)	Paterson
Fournier (Restigouche-Gloucester)	Perrault
	Petten
Giguère	Riley
Godfrey	Rizzuto
Graham	Smith (Queens-Shelburne)
Guay	Sparrow
Haidasz	Stanbury
Hays	Williams—39.

● (1440)

The Hon. the Speaker: I declare the motion in amendment lost.

Shall the motion for third reading of this bill carry?

Senator Flynn: After having witnessed the renewed party discipline on the government side—

Senator Smith (Queens-Shelburne): You don't have any over there.

Senator Flynn: —I am inclined to believe that dissolution is not too far away. I would have wished to be given assurance that this bill would not go on the statute books without reason. I hope it will not prove to have been an unnecessary piece of legislation. We will allow the bill to pass, but because of our objection in principle to the way this legislation is presented to the Senate we will allow it to pass on division.

● (1450)

Motion agreed to and bill read third time and passed, on division.

CANADIAN CENTRE FOR OCCUPATIONAL HEALTH AND SAFETY BILL

THIRD READING

Senator Stanbury moved the third reading of Bill C-35, to establish the Canadian Centre for Occupational Health and Safety.

Motion agreed to and bill read third time and passed.

PETROLEUM ADMINISTRATION ACT ENERGY SUPPLIES EMERGENCY ACT

BILL TO AMEND—THIRD READING

Senator Lang moved third reading of Bill C-19, to amend the Petroleum Administration Act and the Energy Supplies Emergency Act.

The Hon. the Speaker: It is moved by the Honourable Senator Lang that this bill be placed on the Orders of the Day for third reading now.

Is it your pleasure, honourable senators, to adopt the motion?

Senator Flynn: I believe the question should refer to the bill being passed now, not being placed on the Orders of the Day.

The Hon. the Speaker: The motion is that the bill be read a third time.

Hon. Senators: Agreed.

Senator Flynn: Maybe Senator Lang could tell us if he is more convinced of the beneficial effect of this bill now, after the committee meeting, than he was when he moved second reading.

Senator Lang: Much more.

Motion agreed to and bill read third time and passed.

CONFERENCE ON ALTERNATIVES CANADA

PROPOSALS CONCERNING THE SENATE—DEBATE CONCLUDED

The Senate resumed from yesterday the debate on the inquiry of Senator Argue calling the attention of the Senate to the recent Conference on Alternatives Canada, sponsored by the Canada West Foundation, and in particular to the proposals made at the Conference concerning the Senate of Canada.

Hon. Eugene A. Forsey: Honourable senators, after the excellent speech of the Honourable Senator Argue yesterday, which I unfortunately had to miss, but which I have at least glanced through since with much pleasure and, indeed, at moments very seemly mirth, I might add, it may seem superfluous to add anything. But there are a number of points which I do not think Senator Argue touched on, or touched on only very briefly, which are worthy of discussion.

I should like to start with one that comes fairly well on in the recommendations of the conference, because it illustrates very beautifully the degree of authority which ought to be attached to the pronouncements of the three learned gentlemen—I believe they are professors of political science—who are mainly responsible for the document which the conference had to study.

● (1500)

They recommend that Section 92, Head 10, paragraph (c) of the British North America Act be repealed. Well, that is a perfectly tenable proposition. I don't happen to think it is a well advised proposition, but it is perfectly tenable and I have no criticism of the propriety of it. But I have the very gravest criticism of the remarks which these gentlemen have committed themselves to on the subject.

In the first place, you will find that they say that the provision—Section 92, Head 10, paragraph (c), which allows the Parliament of Canada to bring a purely local work under the exclusive jurisdiction of Parliament—would enable Parliament to take over by order in council—and I have it here at page 21—a provincial "nationalized" industry. I quote precisely:

> . . . if Alberta attempted to nationalize its own oil industry, the Federal government could invoke Section 92-10(c) and take the whole thing over by an order-in-council.

These professors of political science, who are instructing the young idea, and who undertook to instruct this conference, on the revision of the British North America Act, are patently unable to read it. They don't know the difference between an act of Parliament and an order in council. This is not a very abstruse difference. It is one that ought to be plain to even the uninstructed intelligence, let alone to that of scholars, "savants" or "soi-disant savants" like these gentlemen. That is the first beauty.

Then they go on to say at a later stage that this particular section has never been used, and it is very fortunate that it never has been used, say they, because it would have led to the break-up of the country.

Well, as these gentlemen, judging by their names, are probably English speaking, and probably as deficient in knowledge of the French language as too many English speaking citizens are, and as they apparently are unable to read the British North America Act, which is written in English, I suppose it is not very surprising that they are unable to or have not read the classic work on this subject, *Le pouvoir déclaratoire du Parlement*—observe the words "du Parlement," honourable senators—by Madame le Professeur Andrée Lajoie of the University of Montreal. The particularly relevant part of this excellent work, for my present purposes, is that so far from this provision of the British North America Act never having been used, there is, in the appendix to Madame le Professeur Lajoie's book, a list of 470 cases in which it has been used. So you can just see the level of learning at which these gentlemen have arrived. I sincerely trust that there was someone at that conference who could and would and did point out that this particular emperor of theirs had no clothes on. That is the first point I want to make.

I can't help saying that I shudder from base to apex when I think of students being instructed on the subject of the British North America Act by people with such a gross ignorance of a very plain provision of that act as these gentlemen displayed.

If we are going to discuss the revision of the British North America Act, it seems, to my humble intelligence, necessary that we should first, at least, read it and not undertake to change something without knowing what it is we are changing.

That is only one of the many beauties of this document which was placed before the conference. I propose to comment on some others, but I wanted to start with that because it is the most flagrant illustration of the kind of nonsense that is being foisted upon the Canadian people day after day now, in some instances by people who ought to know better.

I now turn to one of the recommendations on the Senate. I think it is Recommendation 7—oh, no, not Recommendation 7. That has been deleted. Fortunately, they had second thoughts on the subject of Recommendation 7, which would have given the proposed House of Provinces power to rescind orders in council. It is an astonishing thing, though, that anybody with the remotest understanding of Canadian government should ever have put that in. One can be thankful that they had second thoughts and deleted it.

But you will find in Recommendation 3 the suggestion that the House of Provinces will become an ongoing federal-provincial conference. Well, I think Mr. Lougheed knocked that one on the head. I can't imagine that the provincial governments would allow it to assume the functions of the federal-provincial conference. It does not seem to have struck the authors of this proposal that the upper house is supposed to be part of the national legislative machinery. If the House of Provinces really did supersede the dominion-provincial conferences, how much time would it have to deal with legislation? On the other hand, if it dealt with legislation, how much time would it have to act as a continuing dominion-provincial conference?

I suggest that the House of Provinces, as sketched out here, may be said to come under the remark which Lord Palmerston made when Sir Gilbert Scott proposed to construct the new government offices in Whitehall in a Gothic style which would give a superficial impression of the Italian Renaissance. Lord Palmerston's comment, as perhaps you will recall, honourable senators, was that this would be "a regular mongrel affair, neither one thing nor t'other."

Well, it seems to me that the proposed House of Provinces, as sketched out by the authors of this report, would be a regular mongrel affair, neither one thing nor t'other.

I observe also that the proposal for the allocation of seats would involve a reduction in the number of seats held in this house by various provinces, notably the Atlantic provinces.

Well, we went into this question in the Joint Committee on the Constitution some years ago, and the one thing on which we were absolutely unanimous—Senator Asselin was a member of that committee and I think he will probably support my recollection on this—the one thing we were absolutely unanimous on was that no province would accept a diminution in the number of seats. Any such proposal would be doomed to failure from the very moment it was uttered. But these gentlemen, as devoid of any sense of political reality as they are apparently of the text of the Constitution itself, calmly propose something that would deprive several provinces of their representation in this house, or rather would cut down part of their representation in this house. Instead of 30 seats, the Atlantic provinces would be cut to 21. I think anyone who supposes that that would get through a dominion-provincial conference, or a constitutional conference of any kind, or this house, is dreaming in colour.

We are told also that the votes of the provinces would be cast en bloc, as a block. As Senator Argue said yesterday, this, of course, is a splendid way of guaranteeing that the representatives of the provinces in this house would be debarred from exercising any independent judgment at all. I think even those who feel that my displays of independence on occasions when I vote against my own party and with the opposition are rather over-done, would be inclined to say that to forbid by statute, by constitutional provision, a senator or a member of the House of Provinces, or whatever he might be called, a "provincialler"—I don't know what he would be called—to exercise independent judgment is highly undesirable if we really want an upper house which would be an effective part of the legislative machinery of this country. If we want something which is really to be some kind of rubber stamp, if we want something which is really to be a means of blocking legislation morning noon and night, well, then, of course, there may be something in it. But if we want an upper house which is to perform adequately the real functions of an upper house, one of which surely ought to be to give sober second thought to legislation, then it seems to me absolutely disastrous, verging on the criminal, to suggest that the members of the uper house should be prevented from exercising their independent judgment and should act simply as yes-men or nodders for a provincial government, however admirable that particular provincial government might be.

• (1510)

Then you have Recommendation 4. Recommendation 4 also deals with the suggested upper house. It reads:

> —that legislation in the reconstituted Parliament . . . be divided into two categories as follows:
>
> a) "ordinary" legislation, that is legislation coming clearly and completely within the area of federal jurisdiction, as under the enumerated headings of section 91—

That leaves out, of course, the area of federal jurisdiction existing under the opening words of section 91, the peace, order and good government phrase. Then the second part of that recommendation is:

> b) legislation regarding conditional grants, or within areas of concurrent legislation; a joint session of the two houses would be necessary to resolve conflict.

One of the other recommendations is that the House of Provinces would have only a suspensive veto. Well, if you are going to have a House of Provinces at all, if you are going to have an upper house appointed by the provincial governments, I think it is again dreaming in colour to suppose that they would accept an upper house with merely a suspensive veto. If the provinces want an upper house made up of their nominees, I should be willing, if I were not an old-fashioned Methodist opposed to betting, I should be willing to lay a pretty heavy bet that they would not accept this proposition. They would say,

"We want power. We don't want to get in there only to delay something. We want power."

Some of their spokesmen are saying that the provinces have far too little power now; that they must have more power; that they must have power to influence national decisions; that they must have power in the national legislative machinery.

If you say to them, "Look, you could have something that would enable you to hold things up and cause a certain amount of inconvenience to the Government of Canada," they are going to reply, "Oh no, oh no, we are not interested in that kind of thing. We want something real."

I may point out also that in a joint session the upper house would be heavily outnumbered. Would the provinces, given that they are so anxious to get real power, accept this kind of situation?

The recommendation goes on to say that the joint session "would have the very desirable side effect of forcing lower house representatives to think very hard indeed before they publicly vote against provincial interests"—and here I do my best by my tone of voice to underline what follows—"provincial interests as defended by the provincial government."

In a letter which I sent to the President of the Canada West Foundation, I referred to this as the greatest gem of all. Not only would the upper house be able to block legislation voted for by the people's representatives—unless, of course, they had merely a suspensive veto, and really able because of its political clout—but it would also be in a position to intimidate members of the lower house. It is blandly assumed, as it is so often in these discussions, that provincial governments elected on provincial issues will know better what is in the interests of the people of their province on national matters than the members of the House of Commons elected on national issues, or the members of the Senate, appointed, presumably, because of their knowledge of national issues as well as their knowledge, of course, of provincial interests in those national issues.

Next, we come to the question of the constitutional court. This is recommendation No. 9. They recommend that the Supreme Court of Canada be enlarged to comprise a chief justice and 14 puisne judges, with eight puisne judges to be appointed as judges of the appeal court and six as judges of the Constitutional Court, and that the chief justice serve as the chief of both courts and that the function of the constitutional court be to give binding opinions on constitutional issues as requested by the Attorney General of Canada, the attorney general of a province, the President of the House of Provinces, who would be *ex officio* a provincial premier, the Speaker of the House of Commons, or the Chief Justice of the Supreme Court.

This presents several interesting features. The function of the constitutional court would be to give binding opinions on constitutional issues, as requested, and so forth. This appears to contemplate binding opinions on abstract questions at the request of a whole flock of characters, including the attorneys general of the provinces.

[Senator Forsey.]

The present Supreme Court Act, as we all know, does provide for advisory opinions on abstract questions, and we have had some, in fact, some very important ones. But such questions can be submitted only by the Government of Canada and the opinions are not formally binding. The likelihood that they would be reversed is, of course, small, but the possibility is open. Also, we cannot now have provincial attorneys general, who might often be bent on making trouble for the Government and the Parliament of Canada, setting the whole machinery in motion.

I venture, in the second place, to suggest that it is at least highly questionable whether separating the constitutional aspects of a case from the rest of the case could produce better or more relevant judgments. It is also questionable whether we should get better judgments on the constitutional aspects of a case by having them pronounced on by judges who are debarred from considering the other aspects.

There was an excellent article several years ago on this subject by the present Mr. Justice LeDain in which he commented, with great authority and lucidity, on this very question, as I recall.

Then they go on to ban dissenting opinions. Well, in my judgment, this would be a most unfortunate provision. I quite agree that we do not want to have the kind of situation we had in the *Saumur* case where it becomes very difficult to say what the judgment of the court really meant, except that the chap won his case, as I recall it. You had four judges saying "A" for one reason, and four saying "not A" for another reason, and one saying, "Well, something in between."

I am not going to go into the technicalities of the matter, but you had something that I am afraid is of very little use to lawyers in deciding exactly what the legal position is on this subject, because there was, in effect, no real judgment of the court, except on the specific case invalidating a particular by-law, as I recall it.

So we do not want that. But I am inclined to think that when one remembers the long series of very important dissenting opinions in the Supreme Court of the United States from such eminent judges as Mr. Justice Oliver Wendell Holmes, Jr., Mr. Justice Brandeis and Mr. Justice Frankfurter, the banning of dissenting opinion may deprive us of some very valuable legal learning and some very valuable possibilities of later majority opinions.

I do not know what the point is of prohibiting dissenting opinions, and I cannot quite imagine why they put it in.

● (1520)

Then we have a statement that the binding opinion of the constitutional court will be incorporated into, although it need not on its own determine, the decision of the appeal court. This is at least very badly phrased, because clearly I should have thought, at any rate, that if the binding opinion of the appeal court was that the particular piece of legislation was *ultra vires*, then that would be the end of it. I suppose that is what they really mean, but they say that a binding opinion would not necessarily determine the decision of the court.

The whole idea, however, of a separate constitutional court, to my mind, simply rules out the modern and very sensible balanced interpretation of the constitution advocated by Professor Lederman, dean of constitutional law professors in this country now. I wonder whether the authors of this recommendation have read Professor Lederman's articles on this subject. If not I hope they might begin their education on the Constitution of Canada by doing so.

Now I come to recommendation No. 14. This is a very curious one indeed. The thing gets, as Alice said, "Curiouser and Curiouser."

> We recommend that the current division of powers of the British North America Act be maintained as they stand, except that the following powers be removed from the exclusive headings under Sections 91, 92 and 93 and added to the concurrent powers:

Then, first of all, they say transportation. Well, I was under the impression that in effect we already have at least a division of powers over transportation; that transportation solely within a province is within the exclusive jurisdiction of the provincial legislature, and that interprovincial and international transportation is within the exclusive jurisdiction of the Parliament of Canada. And I cannot for the life of me see why we should change this. It seems to me that it is a sensible sort of arrangement, and I cannot see that they have given any argument here for changing it. It seems to me unfortunate that a provincial act dealing simply with intraprovincial transportation, transportation within the province, would be subject to being overridden by an act of the Parliament of Canada dealing simply with intraprovincial transportation. Why not leave the thing alone? But some people seem to be possessed by this urge for change simply for change's sake. "If there is something there, let us get rid of it and let us replace it by something else!" And it does not much matter what you replace it by as long as it's new! Well, then, that settles the question; that is the final word on the subject.

I leave out communications. There is some point that they could make there.

Then we come to banking, concurrent jurisdiction over banking, and my recollection is that they say that the national power here would be paramount "when this is clearly in the national interest." Well, this proposal makes my hair stand on end, because you are simply going to put it in the hands, presumably, of Parliament to say that in certain cases, "Yes, this is clearly in the national interest," while in other cases it isn't. Now why on earth we should put banking within the field of concurrent powers, again, is simply not explained. And they try to cover the difficulties that would manifestly arise by saying, "Well, of course, Parliament would override a provincial bank act if it was clearly in the national interest." Well, honourable senators, either this means very little or else it means a great deal too much. I will leave honourable senators to take their choice.

Then here comes an even more astonishing one—education. Well! If you are as old as I am and if you have read as much of the history of this question as I have—and there are honourable senators here who know far more about it than I do— this is enough to cause "each particular hair to stand on end like quills upon the fretful porpentine." I cannot imagine any better way of setting the country by the ears than a proposal to make education a subject of concurrent jurisdiction, even if you left the paramountcy in the hands of the provincial legislatures. This would certainly be a revolutionary change for my native province of Newfoundland—and there are several genuine Newfoundland senators here, and not mere exiles like myself, who can correct me if I am wrong. It would be a revolutionary change for Newfoundland. We have for Newfoundland a guarantee in the Constitution, an iron-clad guarantee and not simply the rather imperfect kind that is embodied in section 93, of the existence of our denominational schools. And it would be a revolutionary change for the province of Quebec. On that I need not expatiate; the Quebec senators here, I think, will probably not utter a roar of protest when I make that statement. It is clearly, to my mind, desirable that extra money should be made available by the Parliament of Canada, especially for the smaller provinces, to spend on education. The particular methods which are employed are obviously somewhat controversial and certainly open to discussion, but the suggestion that there should be concurrent jurisdiction, that you should have this Parliament legislating on the subject of education even though its laws might be overriden by any province, is a really horrendous prospect, to my mind.

Now you can produce beautiful abstract arguments for saying that you want to have a national presence in education, and that you want to have something that would guarantee the possibility of children going from one province to another not being at a disadvantage because of the difference in the educational system. But I think any progress that is to be made in the matter, and doubtless some is necessary, must be made by discussion, by agreement. I simply shudder completely at the thought of concurrent jurisdiction. Some of the bitterest controversies we have had in the political history of this country have had to do with education and with the degree of national power which already exists in regard to education under section 93, paragraphs 3 and 4, of the British North America Act. We have the whole trouble that arose in the province of Manitoba in the 1890s, and the Honourable Senator Roblin, I think, will agree that that trouble was considerable. And I think Quebec senators are likely to agree also that it was considerable. I am not in favour of removing those particular powers from the government and Parliament of Canada, but I certainly should be very much alarmed at the idea of concurrent jurisdiction.

They also suggest that health and social welfare should be matters of concurrent jurisdiction. Well, in health and social welfare now, except for unemployment insurance, which is purely national, and family allowances where jurisdiction is, so to speak, concurrent and presumably with national paramountcy according to the general rule, and quarantine and marine hospitals which are purely national, and pensions where the

jurisdiction is concurrent with provincial paramountcy, the jurisdiction is now with the provinces, and again I think that we should be opening up a can of worms and giving rise to a great deal of extra and, to my mind, totally unnecessary controversy by providing for blanket concurrent jurisdiction here.

Now, let me see what the next one is that I want to draw attention to. Yes, this has to do with the appointment of judges. It is recommendation No. 19. I think this deserves some emphasis because like the suggestion for a House of the Provinces, it seems now to be getting some support in quarters which I should have hoped would be regarded as responsible. The Ontario Advisory Committee on Confederation appointed by the Ontario government has recommended that all judges, except the judges of the Supreme Court of Canada and the Federal Court of Canada, should be appointed by the provincial governments. Well, I suppose you can make some argument for that, although I am not much impressed by it. But, and here comes the real beauty, that Ontario Advisory Committee has added that all the judges concerned—that is, the judges of all the provincial superior courts—should not only be appointed by the provincial government but should be removable by the provincial government for cause. Well, that "for cause" sounds as if it might save the day, but in fact it will not. The lieutenant governors are removable for cause. Two of them have been removed and in each case the cause assigned was that "his usefulness is exhausted".

● (1530)

It would be perfectly open to any provincial government to say of a judge who manifested too much in the way of independence that "his usefulness is exhausted." I can well imagine that some provincial governments would have done it. I feel quite certain that the government of Mr. Aberhart, for example, if a provincial court had given an adverse judgment on some of its legislation, would have been certain that the usefulness of those judges had been exhausted.

This is simply to pour down the drain the whole principle of the independence of the judiciary, which has been one of the cardinal principles of every type of British parliamentary constitution for the last couple of hundred years, more than 200 years. It dates back to the Act of Settlement of 1702. It is really shocking that anybody should propose anything of the sort.

Well, now, these gentry here merely propose that the judges should be appointed by the lieutenant governor in council, but dismissible on resolution of both houses of the Parliament of Canada. Exactly how this would work in with the House of Provinces I suppose deserves some consideration, but the whole thing seems to me to be more an exercise in academic virtuosity than in statesmanship.

It worries me very much that so many people are apparently bitten with the idea that we should change fundamentally the judicial system. Some of them are suggesting that the Supreme Court of Canada should be tinkered with in some way or other. That is the most horrible proposition of all, I think.

[Senator Forsey.]

I would be prepared to go as far as to see incorporated in the Constitution what was suggested on this head in the Victoria Charter, but I should be very leery indeed of anything beyond that. I am horrified by three propositions which are often set forth by critics of the Supreme Court of Canada. One is that the judges should be seen to represent the interests of provincial governments. Well, the judges are not there to represent the interests of any government, provincial or national, or the interests of any individual or the interests of any corporation. If you are going to accept this kind of idea about the judicial system, then you are going to accept something fundamentally subversive, something so subversive of our whole system of government, so subversive of the rule of law, that you might just as well say to the communists of various stripes, "Come on, boys. Help yourselves. Just pick up the pieces. That is all you have to do."

The second horrendous and dreadful idea about the judiciary is that the Supreme Court of Canada, particularly, should be "perceived"—a loathsome word, very popular, usually a cover for confusion of thought or refusal to think at all—should be perceived as not an instrument of federal government but as an instrument of the federation. I heard that last week from a very eminent newly-adopted Liberal candidate in the city of Toronto. I am proposing to write him a scorching letter on the subject. I said on the occasion in question, although he had unfortunately left before I said my say, that this again is perfectly subversive. Courts are not the instruments of anybody. Judges are not appointed to be the instruments of anybody.

And then, of course, you have the popular idea that judges are merely delegates of the government that appoints them. This again is wholly subversive. As the late R. B. Bennett used to say of various things, "It strikes at the very foundations of our institutions."

I very much hope that in any proposals that are put forward by the government on the subject of reform of the Constitution, the authors will be exceedingly careful about what they do to the judicial system and especially to the Supreme Court of Canada. There may be room for some changes. It is possible that even my skeptical and conservative mind could be convinced of this, but I should want to see very strong evidence indeed that such changes were desirable. The mere idea that because people "perceive" the Supreme Court, for example, to be something which it is not, therefore we should change it to accord with their perceptions, is dreadful beyond description. If we are to accept this "perceive" theory, it means that if people have a false idea of something, if they are ignorant or under delusions, then you must change the reality to fit their ignorance and their delusions, instead of clearing up the ignorance, instead of enlightening them, instead of making plain to them what the reality is.

Nothing could be wilder and more foolish than this notion that you must change the reality to fit people's "perceptions." It is a very popular word in academic circles, and it makes me wonder if some of these intellectuals are really deserving of the term, or whether they are not perhaps deserving of being

classed in the way that the late Healey Willan used to do, when he called them "the intelligensia, though God knows why they're called so."

I want to emphasize very strongly that point about the courts, because I think it is an absolutely key question in any matter of the revision or reform of the Constitution.

I have said on the whole very little, honourable senators, about the general proposal for a House of Provinces, because Senator Argue covered the subject so well. But in view of the widespread popularity of this idea it seems to have been at least flirted with officially by the Conservative Party in the other place—I have not had an opportunity of reading exactly what the proposals are, and perhaps I am a little unfair, but it seems at least to have been toyed with by the Conservative Party in the other place—it is a very popular idea that the upper house should be reconstituted simply as a House of Provinces appointed by the provincial governments.

Well, I think once again you have to consider what an upper chamber is for. Is it supposed to be an effective part of the national legislative machinery? If so, there are various reforms we could make, most of them, I think, by reforms of our own practice in this house. They do not need any constitutional change at all.

But that is the real question: Do you want to make this house a more effective part of the national legislative machinery? Or on the other hand do you want to make it simply an assembly of provincial hatchetmen or monkey-wrench fingers, a body whose main task will be to obstruct national legislation or at the very least to delay national legislation for some considerable period? And there are cases where, if legislation is seriously delayed, it is very largely lost, as we all know.

Which do you want to do? If you give the provinces the power to appoint the members of this house, then as sure as night follows day you will have a collection of people who are either spavined party war-horses or decayed parish pump politicians. I know that sometimes we are accused of having people of that sort here now. I think most of those accusations are quite unfounded, but I venture to say that, if you had provincial appointments, then the worst appointments that are made under the present system would look like gems of purist ray serene. If you have that, you would have either people of that kind or you would have dedicated hatchetmen appointed by the provincial government with instructions to kick the government in the seat of the trousers three times a week and twice on Sundays. Is that the kind of body that you want as an upper house of the Parliament of Canada? If that is what we want, I suppose we can have it. It's a recipe, I think, for legislative paralysis. It's a recipe for making the Parliament of Canada unable to exercise effectively whatever jurisdiction is left to it by constitutional change. It's a recipe in the long run, I think, for slow national suicide. I personally would have none of it.

• (1540)

I am quite prepared to see the kind of provision that was suggested by the Joint Committee on the Constitution, namely, that half the members of the Senate should be appointed by the Government of Canada on the nomination of the provinces. The provinces would submit a list of people and this would enable the Government of Canada to weed out the worst suggestions. For example, they might look at the first one and say, "Dear goodness no. These last five years he has been going to pieces completely. He is barely *compos mentis* now. He is prematurely senile. We can't have him." Then they look at number two, and say, "Isn't this the chap that 10 years ago was in the penitentiary for embezzlement? No, I don't think he is a very good chap." "Now, the third one is a woman: Ah, now that's something. In the second place she has been extremely active and valuable in various community efforts; and in the third place her mother is an Inuit; and in the fourth place her grandfather was a Ukrainian. The ideal appointment." Then we would get somebody who has some claim to represent the minority party, which might possibly be in power in the province; we get some better guarantee of more minority representation, more opposition representation in this house, but we don't allow ourselves to be obstructed; we don't allow this house to be infested by thoroughly unsuitable appointments whose function would be either to make themselves as useless as possible or to make themselves as obstructive as possible.

I think also, of course—parenthetically, I may add—that we ought to have, in any plan for the reform of the Senate, some provision for a guaranteed minimum of opposition representation in the Senate. If you want to say a guaranteed minimum of representation of opposition parties, plural, I should have no objection to that at all. You might run into some difficulties with the "simon pure" theorists of the New Democratic Party, because they might say, "We can't have anything to do with this obscene upper house. We will recommend no appointments whatsoever." But I am inclined to think, perhaps a little cynically, that if they had the opportunity of recommending appointments, they might find some people in the NDP who were perfectly prepared to take a seat in the Senate, and they might find they had a strong temptation, in fact, to make recommendations; and there would be no inconsistency in their doing so, even if they remained vowed to the abolition of the Senate. The British Labour Party has, I think, for years been committed to the abolition of the upper house, but it has not hesitated for a moment to appoint Labour peers, and there is a considerable number of them.

They could say, "We don't like the thing. We think it's dreadful. We subscribe to all that Mr. Knowles has said about the subject, and to all the quotations which he has given from Senator Forsey in a previous incarnation, we subscribe to all that, but nevertheless we think as long as the thing is there we ought to have some representation in it."

Well, that is by the way. That isn't directly relevant to the propositions that were put before this Canada West Foundation Conference. But I was led into that digression because of

the importance of the subject and because of the fact that so many half-baked and crack-brained proposals for constitutional change are now floating around in quarters which ought to be considered responsible but about whose responsibility I have begun, because of some recent events, to entertain some doubts.

I suppose there is one dividend to be garnered from any foolish proposals which may have been adopted or toyed with by the Conservative Party in the other house: that at least anybody on the government side who is tempted to advance the same type of proposals will draw back in horror, not wanting to be accused of being a mere copycat or a mere echo of the honourable member for Kingston and the Islands.

I have spoken on this subject, honourable senators, perhaps longer than I should have. I know that as a rule on a Thursday afternoon time alone provides a species of closure in this house. But I could not refrain, when Senator Argue raised the question, from adding my two-pennyworth of observations, and I hope that honourable senators may have found a few grains of wheat in six bushels of chaff.

The Hon. the Speaker: As no other honourable senator wishes to participate, this inquiry is considered as having been debated.

CANADA-UNITED STATES INTER-PARLIAMENTARY GROUP

NINETEENTH MEETING

Hon. Daniel A. Lang rose pursuant to notice of Wednesday, March 22, 1978:

> That he will call the attention of the Senate to the Nineteenth Meeting of the Canada-United States Inter-Parliamentary Group, held at New Orleans, Louisiana, U.S.A. from 9th to 13th February, 1978.

He said: At this hour on a Thursday afternoon, I do not wish to speak to this inquiry, but, rather, I ask leave, as has been the custom in the past, to have the report of the Canadian delegation printed as an appendix to the *Debates of the Senate* of today.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

(*For text of report, see Appendix.*)

TAX REBATE DISCOUNTING BILL

THIRD READING

Senator Macnaughton: Honourable senators, I ask leave to move the third reading of Bill C-46 now. This bill is set down on the order paper for third reading at the next sitting, but I am asking that that order be called now.

Senator Flynn: Let us say that you are going to explain the report, and then ask for leave afterwards. I will give the honourable senator leave to give an explanation of the report, which he offered to do.

Senator Macnaughton: I would like to move that we now bring forward for formal consideration the report of the Banking, Trade and Commerce Committee on Bill C-46.

Senator Flynn: Very well.

The Clerk Assistant (*Reading*):

> Third reading of the Bill C-46, intituled: "An Act relating to the discounting of overpayments of tax under the Income Tax Act and related payments".

Senator Macnaughton: Honourable senators, the report has been read. There is no better explanation of it than the report itself which has been presented to the house. The Leader of the Opposition was there, and heard the arguments for and against. It is not necessary for me to explain my views and try to impose them on the Leader of the Opposition when he is so capable of making up his own mind. However, if, in the circumstances, I could give a proxy—if that word is a proper one—there is one senator who would perhaps like to speak on third reading, and I am sure that all honourable senators would like to hear from him.

Senator Grosart: You do not have to give him a proxy. He can speak on the motion.

Senator Flynn: I understand that the honourable senator has to move the third reading. I did not hear the motion. It seems illogical to me that after such a damaging report the honourable senator should want to move third reading. But, if he wants to—

Senator Grosart: No, I am not going to give leave. I will not give leave.

Senator Macnaughton: As the Leader of the Opposition knows, and as was said in committee, and as is clearly expressed in the report, we are in favour of the principle of the legislation, but we think it is badly drafted. I certainly think so, and I know the honourable senator thinks so too. Nevertheless, the principle is important, and the suggestion is that if the bill is passed now the department will take it in hand and rewrite it, and a re-drafted bill will be introduced in the next session.

● (1550)

Senator Grosart: I wonder if the honourable senator would make clear just what his motion is. At the moment, leave has been refused for third reading.

Senator Macnaughton: May I answer that?

Senator Grosart: I want to know what the motion is.

Senator Macnaughton: First of all, I asked for leave. Leave, I understood, was granted. Secondly, I moved the third reading of the bill, which I understand has been agreed to. Then you asked me for a short explanation, which I tried to give. There is an honourable senator here who would like to speak on third reading. I think perhaps he has some new information to present to us.

Senator Grosart: It is my understanding that when I gave leave originally it was leave for the honourable senator to argue the question of whether we should proceed to third reading. I am not prepared to agree to third reading immediately until I hear some better reasons than I have heard up to now for doing so. I am quite prepared to have the matter discussed—and our rules permit this, with leave, of course—but I am not prepared at this particular time to give leave for third reading.

Senator Macnaughton: The motion, of course, was that it be brought forward for consideration now. I do not know whether the honourable senator has seen the report of the committee which was presented today. The report, which was agreed to unanimously by the committee this morning, discusses the bill in great detail. I suggest that the honourable senator look at it now.

Senator Choquette: It was read by the Clerk Assistant.

Senator Macnaughton: It was, but the honourable senator may not have heard it.

Senator Forsey: May I ask a question, honourable senators? I do not have the text of the report before me, and although I listened to it very carefully I may have missed something. It appears to me from what has just been said that the committee feels this is a badly drafted bill and it wants a new bill, but in the meantime it thinks this badly drafted bill should go into effect. Is that correct? If that is so, it seems to me a rather odd position to take, that a bill which is very badly drafted ought to go into effect until such time as the department and the government are prepared to bring in something satisfactory, which might mean a very long delay indeed.

Senator Macnaughton: I will not disagree with what the honourable senator has just said. However, the report speaks for itself.

Senator Grosart: Has the motion been put?

The Hon. the Speaker: With leave of the Senate, and notwithstanding rule 45(1)(b), it is moved by the Honourable Senator Macnaughton, P.C., seconded by the Honourable Senator Lang, that this bill be now read the third time.

Is it your pleasure, honourable senators, to adopt the motion?

Senator Guay: Honourable senators, I did not expect to be speaking on this bill this afternoon, but in view of what has been said here today, and in view of the urgency of the bill, I would like to make a few comments.

Senator Forsey says it is a bad piece of legislation, and I would have to agree with him. The fact remains, however, that it is useful legislation that my department could use in the interim to benefit many of our poor, our unemployed, and those on welfare. I am sure that even if this legislation were to benefit only a few people it would be of great assistance.

About a month ago I was asked about the usefulness of the Senate and its committees. This was in Thetford Mines where I was speaking to the Kiwanians. Little did I know at that time that I would be coming to join you here. My answer on that occasion was—and my thoughts are the same today—that the Senate committees are by far the best in Parliament. Many of the recommendations of our committees are excellent. As an example I would refer to the Agriculture Committee, which has done excellent work. I know that because I followed the deliberations of that committee in particular. Let me say also that I listened carefully to the recommendations in the report of the Standing Senate Committee on Banking, Trade and Commerce which the clerk read a while ago. While I believe they are justified I also believe that every member of the other house wants this bill passed because of their concern about the poor, those on welfare, those with low incomes and the unemployed, who go to the discounters for help, first of all, in filling out their income tax forms, which seems to be one of the things many of them have difficulty with. In many instances when they do this they are sold a bill of goods, and are told, "We will only take 50 per cent of whatever you are going to get as a refund." At that stage many of them do not realize the amount of money they have coming to them, and it is only after they receive the cheque that they write to me, or to the officials of my department, to say that although a substantial amount of money should have been refunded they have received perhaps only 40 per cent of it.

I would like to emphasize the necessity of this bill as interim legislation. I can assure honourable senators that I will discuss the matter with my colleagues in the cabinet, and with my officials, to make sure that your recommendations are made clear to them. This will probably result in a new bill after the election. I think this is very important.

I am sure you know that the opposition in the other house were almost completely unanimous in their support of this bill. In this connection I would like to make particular mention of Mr. McGrath of St. John's East who, although he spoke on the bill only briefly, did so very well.

Senator Asselin: May I ask the honourable senator a question? What could happen if this bill were not adopted today?

Senator Guay: That is a very good question. The answer is that a lot of people will be at a considerable disadvantage. There are many people who will be late in filing their income tax returns. As you know, this year, because the last day of April falls on a weekend, we are extending the deadline to the first day of May. The bulk of the filings, particularly of the poor and the low income groups, come in at that stage, for some reason. I am sure you are aware of that. If this legislation is passed many poor people will benefit, and I hope you will give the matter serious consideration.

Once again I want to compliment the Senate committees. I want to compliment the Banking, Trade and Commerce Committee on its recommendations. Obviously, there were recommendations that nobody else had thought of. I took careful note of the remarks of the Leader of the Opposition and Senator Grosart, who drew my attention to a couple of clauses in the bill.

I realize that this bill is badly drafted, but at the same time it has some good aspects which will benefit those who need the

legislation most. This is why I rose, honourable senators, and I ask for your assistance in this matter.

Senator Grosart: Honourable senators, I spoke to this bill on second reading. At that time I drew the attention of the Senate to some of its deficiencies, and I am glad to see that the committee has agreed with the comments made at that time. However, this really must be the silliest of the silly seasons in the Senate. We are, of course, on the horns of a dilemma. The question is: Do we pass this legislation, or perhaps run the risk of accusations of not being concerned, as senators, with the regulation of this particular industry?

• (1600)

Senator Guay has made the point that, in his view, this measure is urgently needed. That is not the view of the committee. The committee, in the last paragraph of its report, says:

> Your committee considers that it is most essential that attention be given to the immediate re-drafting of the Bill having regard to the observations made herein and to the fact that because of the seasonal character of the business—

And I underline this.

> —there is no urgency for this legislation at this time.

That is the comment of the Senate committee, that there is no urgency for this legislation at this time. Yet, we are told that is urgent.

The committee, as I understand it—I was not at the committee meeting, but I have read the proceedings—took into consideration the seasonal aspects of this type of operation which Senator Guay just mentioned. The report of the committee notes that we are reaching the end of the peak season, and that there is no urgency. That is number one.

Senator Guay: It is well worthwhile to give them that opportunity.

Senator Grosart: If the honourable minister wishes to interrupt me, perhaps he would stand up.

Senator Guay: With your permission, I would just say that although there may be few who will benefit by this from now until the first of May, those people will derive great benefit if the bill is allowed to go through. We could use it, and at least serve a number of poor or unemployed persons, and people on welfare, who otherwise could not put their hands on some money. For that reason, I am pleading with you. I am saying that there will be quite a few such persons, and this bill is of vital importance to those few. I hope, Senator Grosart, you will understand that.

Senator Grosart: I fully understand the point that the honourable senator has just made. I should remind him that he was not asking me a question; he was repeating an argument he has already made, and I am quite prepared to answer that argument.

His argument would be valid if this bill regulated this practice. The question before the Senate is: Does it regulate the practice? The committee says no. The committee says that this bill will *not* regulate the practice. The committee's words are as follows:

> Your Committee has no objection to the principle of the Bill—

Then it goes on:

> —but the Bill in its present form does not, in the opinion of your Committee, accomplish that purpose—

We are faced with a committee report which says this bill will not do what the minister thinks it will do. The committee clearly says it will *not* regulate this business.

Senator McIlraith: I should like to ask the honourable senator a question which may be helpful in view of the fact that the report has been before us for only a very short time. I would ask him to read the next sentence in the report to the one he has just read. I think that is the nub of the problem that is confronting all of us. I hope he does not mind my interruption.

Senator Grosart: Not at all, because it is a question, and I would be very glad to answer it. The report says:

> It is because of the principle of the Bill, which your Committee supports, that it is reporting the Bill without amendment.

That does not in any way deny the statement already made that this bill will not regulate the practice. It says that the committee supports the principle of the bill, and so do I. However, the question Senator McIlraith is asking in no way invalidates the argument I have just made that the committee says that this measure will not regulate the business.

Are we asked to pass a bill which will not, to use the exact words of the report, "accomplish that purpose"?

That is only part of the dilemma. There is, as has been pointed out, such a clear contradiction between the clauses of the bill that there is even further doubt as to whether it will accomplish its purpose. The purpose, as stated here, is quite clearly to limit the consideration that may be given for a refundable tax claim to 85 per cent of the amount owing to the taxpayer. That is quite clearly the principle.

Clause 3(2) says—and I am glad to see that the committee reports on this—that there may be deducted from that consideration various charges, including a charge for preparing the taxpayer's income tax return and any other charges related thereto. Therefore, there is a clause which clearly contradicts the basic statement of the bill.

If this bill becomes law, what is to prevent a discounter from saying to a taxpayer, "You claim you have $100 coming back, but I can only charge you $85."

Senator McIlraith: "I can only charge you $15."

Senator Grosart: Yes. Clause 3(2) clearly says that he can deduct any other charges. Read it. It is there. The committee says:

> Your Committee found clause 3 of the Bill to be ambiguous because of an apparent contradiction between subclauses (1) and (2).

Subclause (1) states the 85 per cent principle, and subclause (2) says that notwithstanding that other charges may be deducted.

Therefore, I say the eloquent plea of the minister is meaningless because the bill will not do what he hopes it will do for those people who are in the unfortunate position of finding it necessary to accept a discount on the amount owing to them.

The committee also points out that this is not the right way to approach this matter. It makes it very clear that the onus is on the department. We are told there are only 22,000 annual cases, and, therefore, I can see no reason in the world why the department could not give priority to those cases and say to taxpayers, "If you are considering discounting, let us know and we will immediately find out what is owing to you. We will notify you that that amount is owing, and then you can go to a bank where a loan will cost you less than 15 per cent."

We are facing the dilemma of passing or not passing what is probably the silliest, most badly drafted, most ambiguous and most useless bill that has been before the Senate in my time. That is my objection to it.

Senator Perrault: Honourable senators, we have all appreciated the comments of Senator Grosart and others on the subject of this bill and I think the committee given the responsibility of studying this proposed legislation has done a good job. It seems to me, from looking at certain paragraphs of the committee report, that the committee really is talking in terms of ambiguities and the possibility of loopholes in this proposed measure, and, of course, they have made recommendations on how some of these loopholes may be closed and how the bill can be brought to a more perfect form.

I speak as someone with some knowledge of tax discounting operations. When I was parliamentary secretary to the Minister of Labour, and later with Manpower, one of my tasks was to investigate the effect on the working people of this country of certain tax discounting "vultures" who have been afflicting all the provinces of Canada. I can only say, in the clearest possible terms, that the way in which some of the lower income groups of this country are being exploited by a number of tax discounters is an utter disgrace, and immediate action is required.

• (1610)

We have agreed on the principle of this bill. There is no disagreement on that point.

Senator Flynn: The purpose.

Senator Perrault: We have agreed on the purpose of the bill. In its present form, the bill may be an imperfect instrument to meet the problem, but I assure you, from my personal experience in looking at the problem of discounting and making it a matter of deep personal concern, having spoken on the subject in a number of forums across this country, that in its worst form this is an evil practice which should be stopped in this country.

I should like to commend the official opposition who, I understand, inspired the introduction of this present bill in Parliament. I understand that the idea for the proposal before us originated with one of the Conservative members from Hamilton, Ontario, who spoke in eloquent terms in the other place about the need for such legislation. The member of Parliament who speaks on consumer affairs for the opposition in Parliament spoke in glowing terms about the bill. That does not mean to say that senators belonging to the Conservative Party, the Liberal Party or any other party must agree with the views expressed by some of their party associates in the other place. However, when we look at this measure and the kind of support it inspired in the other chamber, and when I look at some of these names—Mr. Arnold Peters, with an extensive background in the trade union movement; Mr. James McGrath of St. John's East, a spokesman on consumer affairs; Mr. Clarke of Vancouver Quadra—

Senator Grosart: None of them found the defects though.

Senator Perrault: Senator, I am not criticizing the fact that senators may wish to set forth their concerns regarding the bill. That is the responsibility of the opposition in the Senate, and it is our responsibility on this side to do the same. When I read in the discussion in the other chamber that the recent federal-provincial conference expressed unanimous support for the enactment of a bill of this kind—

Senator Grosart: No, a bill of another kind.

Senator Perrault: All political parties came out in support of action.

Senator Grosart: Not in favour of a bill such as this.

Senator Perrault: Senator, you are quite correct in saying they had no opportunity to be involved in the drafting of the bill. That is correct.

Senator Grosart: They assumed it would be sensible.

Senator Perrault: The appeal that I make this afternoon is not for blind acceptance of a measure which has imperfections, but rather acceptance of a measure which will be helpful, at least in part, and which will lessen the burden on at least some Canadians. There may be some imperfections and some ambiguities that skilful exploiters of some of the poor people of this country will attempt to analyze and attempt to find a way around in order to continue their nefarious practices, and these imperfections should be corrected as soon as possible. In the meantime, I hope that we can give this bill support on third reading.

I want to pledge to you that, together with my colleague, the Minister of National Revenue—

Senator Grosart: He has left.

Senator Perrault: He had a committee meeting.

Senator Flynn: He is probably redrafting the bill.

Senator Perrault: I can assure honourable senators he has not left because of any lack of interest in the measure. Together we can meet with the Honourable Mr. Allmand, at the earliest possible opportunity, to discuss with him in detail the reasons why the Senate believes strongly that a more effective bill can be put on the statute books of Canada. But if

it confers benefit on one Canadian, let us support this bill and place it on the statute books, and then go forward and bring in something better just as quickly as we can.

Senator Grosart: I should just like to clarify something. Would the Leader of the Government agree that if the purpose of the bill is as important as he has indicated—and with that I completely agree—there was a responsibility on the government to bring forward a bill which would achieve that purpose?

Senator Flynn: Are you suggesting it is better to have cosmetics than nothing? Is that the position of the Leader of the Government?

Senator Perrault: I am sorry, I did not follow that.

Senator Flynn: I think that the Leader of the Government has been saying is that he wants to apply more cosmetics to this problem; he wants the government to appear to be doing something even if, in fact, it does absolutely nothing worthwhile.

Senator Perrault: I hope my remarks did not create the impression that I believe the bill has only cosmetic value.

Senator Flynn: That is the gist of the report.

Senator Perrault: I do know, as a result of my experience with the Minister of Labour, and later with Manpower, the intricacies involved in meeting these problems of tax discounting. At the outset it appears to be a very simple matter to move with force and strength against the bad elements of the discounting community, but it is substantially more complicated than that. Obviously, certain senators have concluded that there are imperfections in the bill. However, it is obvious that it confers at least some benefits, and I think we should support it in that spirit.

Senator Forsey: May I ask the Leader of the Government why it is that we get such badly drafted legislation over and over again? Of course, it helps to justify our own existence, but it really is intolerable that bill after bill should come here, as we all know, in this blank and imperfect form, and sometimes very blank and imperfect form, as in the case of the Maritime Code bill. I do wish the Leader of the Government would use his influence with the powers that be to see that we do not have so much arduous work to do in correcting incompetent drafting, grossly incompetent drafting.

Senator Perrault: Let me inform honourable senators that at a recent meeting with my colleagues I made that point in the strongest possible terms, and pointed out that during this session we had experienced some real problems with the draftsmanship of certain bills. The Maritime Code bill was singled out as one of the examples.

Senator Grosart: We are getting another one now.

Senator Perrault: It seems to me that the process the Senate has engaged in with this measure once again indicates the importance of the Senate as a body of second thought.

Senator Asselin: The House of Provinces will take care of that.

[Senator Perrault.]

Motion agreed to and bill read third time and passed, on division.

ADJOURNMENT

Leave having been given to revert to Notices of Motions:

Senator Perrault: Honourable senators, with leave, I move that when the Senate adjourns today it do stand adjourned until Tuesday next, April 25, 1978, at 8 o'clock in the evening.

Senator Marshall: Or else.

● (1620)

Senator Flynn: What bills are expected from the other place?

Senator Perrault: Honourable senators, as of this hour we have had no indication of any dissolution later this day.

Senator Flynn: Dissolution?

Senator Perrault: I have no information with respect to that subject, and for that reason I believe we must proceed on the basis—

Senator Flynn: As if.

Senator Perrault: —of business as usual. In my opinion, that is the only basis upon which we can proceed, so we are proposing to meet on Tuesday next at the usual time of 8 o'clock in the evening, as it now appears that we shall not be receiving any further legislation from the other place before that date.

Senator Flynn: Who wrote that?

Senator Perrault: I have been advised that the bills most likely to come to us next week are: Bill C-39, to amend the Currency and Exchange Act; Bill C-36, to amend the Export Development Act; Bill C-10, to amend the Financial Administration Act; and Bill C-42, to amend the Criminal Code. So far the only committee meeting scheduled for next week is that of the Standing Joint Committee on Regulations and other Statutory Instruments, which will be held on Tuesday at 8.30 in the evening.

Motion agreed to.

The Senate adjourned during pleasure.

At 5.45 p.m. the sitting was resumed.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Wishart F. Spence, O.B.E., Puisne Judge of the Supreme Court of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been

summoned, and being come with their Speaker, the Honourable the Deputy Governor General was pleased to give the Royal Assent to the following bills:

An Act to provide for the continuation of regular postal service operations.

An Act to amend the Petroleum Administration Act and the Energy Supplies Emergency Act.

An Act relating to the discounting of overpayments of tax under the Income Tax Act and related payments.

An Act to amend the Anti-Inflation Act and guidelines.

An Act to amend the Canada Labour Code.

An Act to amend the Farm Credit Act.

An Act respecting the administration and development of certain fishing and recreational harbours in Canada.

An Act to establish the Canadian Centre for Occupational Health and Safety.

The House of Commons withdrew.

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

The sitting of the Senate was resumed.

The Senate adjourned until Tuesday, April 25, at 8 p.m.

APPENDIX

(*See p. 708*)

CANADA-UNITED STATES INTER-PARLIAMENTARY GROUP

NINETEENTH MEETING
REPORT OF CANADIAN DELEGATION

OPENING PLENARY

The Nineteenth Annual Meeting of the Canada-United States Interparliamentary Group was opened by Congressman Dante Fascell, co-chairman of the United States delegation. He noted that a comparison with earlier agendas indicated that some issues recurred, while others were new. In order to interest participants, it had been decided this year to place on the agenda an item of mutual domestic concern. The U.S. delegation also hoped to receive guidance from Canadian members on some international questions. In general he thought that working practices of the Group had been improved over the years and he was particularly pleased at the decision the year before to introduce an "early warning" arrangement to alert both delegations to potential problems between the two countries.

Senator Lang responded for the Canadian delegation in a statement which noted the main features of economic and political conditions in Canada, and then contrasted the excellent state of relations between the two countries with a number of potential developments resulting from moves intended to protect U.S. interests which might damage those good relations. Since many of these actions depended in some degree on actions by Congress, he suggested that this situation increased the significance of the annual meetings of the Group. (A copy of this statement is attached as an appendix to this report).

Committee I—Domestic, Bilateral and Multilateral Issues

A. Grains; international reserves, marketing systems.

B. Nuclear proliferation: Canadian and American safeguards, the problem of nuclear waste, SALT problems.

C. Armament and Disarmament: standardization, arms sales and U.N. Special Session.

D. The 200-mile limit; the resolution of Canada-United States maritime boundaries issue for fisheries and resources.

E. Role of internal security forces in a democratic society.

F. Human rights including CSCE.

G. Development assistance.

H. Southern African questions.

I. Potatoes.

J. The Canadian Political Situation.

Grains; international reserves, marketing systems

A Canadian participant opened the discussion on this topic. He said that Canada would go to the United Nations conference about to open in Geneva to discuss a new international grain trading agreement with an open mind. Canada agrees that there should be order and stability in the world wheat situation. Other grains are a separate item but are also important. The crux of these discussions would be to establish a reserve system to ensure stability but also to make more flexible arrangements on pricing wheat. The present pricing arrangements had proved inadequate. He recognized that reaching agreement on an acceptable pricing mechanism would be difficult for the US but the need to establish stability in the world wheat market was imperative.

A US participant agreed that the goal of the Geneva conference was important. The US position there would not differ much from the Canadian position. He noted that the US accounts for 50% of the world trade in wheat and Canada for 20%. With 70% control between the two countries it was important to the world that the two countries have compatible views on stabilizing the market. It was recognized in the US that there should be some discipline on export subsidies on grain and grain products and improved market access. The recent agriculture strike in the US emphasized that the US negotiators must get the best type of agreement possible. Other US participants noted that discussions had taken place on the ministerial level between Canada and the US on this and other agricultural issues. There was a real debate in the US on the question of reserves and a reserve system. US growers feared that the maintenance of reserves would depress market prices. A Canadian participant noted that in Canada the existance of the Wheat Board made it easier for Canadian negotiators in Geneva. Canadian growers would be included as advisers. The US side explained that there was no formal machinery to deal with pricing, only on selling. This led to a discussion of the first big US sale of wheat to the USSR at below market price. This had been an expensive lesson. Subsequent sales have been at or near the market price. A problem arose on these large international sales. The US government bargained but the large US co-ops and agencies also conducted independent negotiations. Canadians asked if the experience with the first sale had engendered any pressure to establish something like the Canadian wheat board in the US and were told that while there had been such pressure nothing had come of it. It would be very difficult in the US to do so. The private sector would require guarantees of non-interference with their activities.

Another Canadian participant raised the question of grain aid. He asked how close the US has come to meeting the target set at the Rome Conference. Had the US lobby "Bread for the World" made an impact on Congress? He was told that the US has only gone about half-way toward meeting the target. Again pressure from the US farmers who threatened to cut production unless prices could rise had inhibited the accomplishment of this goal. It was emphasized again by the US side that the major US grainbrokers were a very strong force. They scoured the international market for possible sales which could be made to their own advantage. It was desirable that some mechanism be established to prevent this. There were problems however. The first big sale to the USSR had been justified in the US as providing food required by the people of the USSR but it was later found that American wheat acquired in this deal has been distributed by the USSR in Africa to the profit of the USSR.

Summarizing the discussion a US participant acknowledged that the nervousness of the grain producers and brokers in the US about the effect on market prices of a build-up of reserves would be a stumbling block in the Geneva negotiations, but the official policy was in agreement with the need for stability.

Nuclear proliferation; Canadian and American safeguards, the problem of nuclear waste, SALT problems

The discussion on the Strategic Arms Limitation Treaties (SALT) was brief. A Canadian participant congratulated the US for its initiatives. The SALT lay at the heart of the superpower relationship. The success or failure of the present negotiations will greatly affect other present and future issues—the nuclear arms race, detente, world wide disarmament, arms control endeavours and the future course of East-West relations. He asked if Canada could help the US in this matter.

A US participant replied that agreement on SALT II now in progress was not that close. Anything the Canadian government could do to encourage the US Government to keep pressing for an agreement on SALT II would be helpful. There was a growing counterforce in the US from ultra conservative groups who are well organized to present their political and philosophical views in open meetings and in publications. Their objective is to prove that the US has already given too much to the other side in the SALT talks. It was evident from the stubborn position stated by a recent Soviet delegation to the

USA that while agreement was necessary there was little room for negotiation. A Canadian participant asked if it would be possible to put new life into the negotiations by deferring some of the major issues, getting agreement on those which were less contentious. Another US participant suggested that while both sides wanted to reach an agreement the position taken by the President during his campaign and since taking office on human rights including the USSR performance in this regard had made the climate for agreement very difficult. He characterized the current state of the talks as being "like trying to start a track meet in the mud."

The discussion of SALT was in fact an interjection in the midst of the main discussion of nuclear proliferation. The main discussion was introduced by a US spokesman who was sure that the US and Canada wanted continued close co-operation on mutual goals related to non-proliferation. The problem was, however, that around the world it had become increasingly difficult to exert control. He could understand Canada's concern about the processing of spent fuel possibly into weapons grade plutonium. Canada's activity to create safeguards surpassed the US. He asked the Canadian delegation how controversial was the nuclear question in Canada? In the US he said there were as many opinions as there were members of the Congress. There had been a new approach by the Carter administration which had honestly tried to sell the Congress on a non-proliferation policy. Unsuccessful efforts had been made to negotiate with France and other processors. It appeared to be pragmatically impossible to get an international safeguards agreement, but a start could be made if Canada and US took joint action on stronger safeguards and controls. A Canadian participant asked for an assessment of the attitude of Congress on getting the US to submit to international control beyond the present Vienna arrangements as proposed by the London suppliers. An American spokesman replied that in his opinion the US would probably agree to such control because it would be embarrassed not to agree but in these affairs the US liked to "go to the ball game with our own ball" so that it could take back the ball if the game did not go in its favour. However, it might be possible to get agreement on an international safeguards policy. The US had talked tough on Brazil's actions, it appeared to have control in the producers group, it had bitten the bullet on the breeder-reactor issue. If convinced that enforcement would work Congress would pass a bill to this effect. There had been no party differences on the non-proliferation bill which had passed with only three votes against.

A Canadian delegate turned the discussion to the nuclear waste problem. It was important that the US side realized that every level, governmental and public in Canada was concerned about nuclear waste. There was a House of Commons Committee actively considering it. The big problem was how to resolve it satisfactorily in political, environmental and economic terms. Canada from the beginning had emphasized the peaceful uses of nuclear development. It had developed the CANDU reactor and had tried to recoup some of the cost of development through sales to other countries. Difficulties resulted from the sale to India and the subsequent explosion there, then on sales to Argentina, Korea and Pakistan. Major political debate had been engendered by these sales and their possible ramifications. The Opposition parties were united in their opposition to the export program.

On the domestic side the situation was not as clear. For example, the public in P.E.I. had rejected investment by that province in the purchase of a CANDU reactor by another province, New Brunswick. There was concern about the expansion of nuclear technology, with the soaring economic costs which dislocate capital requirements for other needs and with the future political aspects of nuclear control. It was worrisome to Canadian officials that the US appeared to be ambivalent in its attitude toward the re-processing question. The US public was apparently more reluctant than the Canadian public in its acceptance of the expansion and development of nuclear power as an energy source regardless of potential hazards.

A US participant responded. The expansion of nuclear power as an energy source was a domestic political problem. For practical reasons the first plants had been located on water in coastal states. This engendered criticism that those states were reaping an advantage and in turn this created pressure for a national integrated program for siting nuclear power plants. Extending nuclear power plants was not thought to be the total answer. Breeder reactors had been stopped. The US was in a period of reconsideration of the whole energy question including nuclear energy.

A Canadian participant directed attention to Canada's stringent rules on safeguards which had possibly cost Canada some friends especially regarding sales to third parties. He noted that a mechanism had been developed between Canada and the US to control these sales but was concerned that it might be difficult to force multinational private sector organizations to observe guidelines on safeguards. This possibility was rejected by a US participant who felt international agreements would ensure control on the multinationals.

Another Canadian participant reviewed the new US nuclear non-proliferation bill. He gave the background to the conditions now placed on Canadian uranium sales. He further noted it was difficult to get government approval for an export permit, and deliberately so. Requests to export have to be accepted by the Department of Industry, Trade and Commerce, A.E.C.L. as well as the suppliers.

A US participant commented that in his opinion the Canadian policy had basically been proven to be the right one. The US had tried to keep all interests sweet but in his view the nuclear question was too big and too important for the whole world to be treated in this way. He urged closer co-operation between spokesmen in the field in Canada and the United States. There could also be greater exchange of technical people between the two countries. He would welcome testimony from Canadian experts before the appropriate foreign affairs committees in Congress and thought there could be

reciprocity in this area or at least in sharing information gained in testimony.

The Canadian side concluded the discussion making various points. It was questionable that sanctions could be applied to those countries which refused to conform to the policy of non-proliferation but it would be immoral not to try to gain this goal. Canada has been pressed by European countries, Germany specifically, to forget conscience and emphasize economic considerations in the sale of uranium. Public opinion in Canada supported the need for a balance between economic gain and world safety. Finally, it was observed that while Canada and the US from the beginning had gone separate ways in developing technology in this field, they now have to face the same problem of setting appropriate controls over their technology. A further dilemma existed. If the third world was denied access to technology they would find ways of developing their own over which control could not be exercised.

This discussion led into a brief exchange on the recent break-up of the USSR satellite containing radioactive material over northern Canada. The tremendous co-operation between Canada and the US in search and recovery was commended. International problems arising from the existence of satellites were bound to increase. President Carter had at first been critical of this incident but had backtracked because the US also has satellites in orbit. A Canadian participant concluded by observing that Canada was not as concerned about US satellites as it was assumed the costs incurred from any accident involving a US satellite could be recovered from the US.

Arms and Disarmament; standardization, arms sales and the U.N. Special session on disarmament

A Canadian participant led off on this subject which he felt required a combined continental approach. This would benefit both countries. He proposed to look at this question in the context of various issues. At present Canada and the US were in close agreement on the need for arms control. This point had not been reached without difficulties but progress had been made. In the area of trans-Atlantic co-operation the situation was not as promising. Standardization between Canada and the US was possible but within NATO it was exceedingly difficult. The US Military Foreign Sales Act which had proved bothersome to Canada was another context in which this topic could be discussed. Other contexts were the Defence Production Sharing arrangements, detente, SALT, human rights and Southern Africa. He pursued the final point in more detail. He was concerned about the US detachment from events in Southern Africa in contrast with the US involvement in North Africa. He looked in vain for a consistent pattern to US action in Africa. In human rights too the US posture is not the pattern in most countries of the world.

A US participant responded. He mentioned the recent visit made by some members of Congress present to the Middle East. He thought that co-operation might influence the balance of power in the north of Africa but not in the south.

Another US delegate turned the discussion to the US conventional arms transfer policy dating from May 1977. The US would not be the first supplier of new weapons technology to combatant countries. He cited the example of Angola where the US, as a carry over from the Vietnam experience, made no intervention. It sounded good to say that the 1976 dollar volume of arms sales would be reduced. President Carter wanted to apply arms restraint but Congress was unlikely to let this happen to any significant extent. The military advisers in the US too were against restraint. A problem stemmed from the development of weapons solely for export. For example, strong pressure for arms could be exerted by the oil exporting nations. Sales of arms were promoted by agents. It would be difficult to reconcile President Carter's desire to reduce production with the need to be practical.

The discussion was then specifically centered on Southern Africa and is reported under that heading below.

The 200-mile limit; the resolution of Canada-United States maritime boundaries issue for fisheries and resources

The US side was joined by several interested delegates from other Committees for the discussion on this and the deep sea-bed issue. The discussion was opened by a US participant who felt it was imperative that the boundary issue should be settled as quickly as possible. He outlined the activity of the Cadieux-Cutler negotiations from their inception. He noted that during the visit of Vice-President Mondale to Canada in January representations had been made urging an early conclusion. Now, however, negotiations had stopped temporarily. It was apparently agreed that they would resume for six weeks. If no settlement of outstanding issues could be made the question would be moved to international arbitration. He proposed that each delegation to the Canada-US interparliamentary group meeting communicate the recommendation of the group that negotiations should be speeded up, There was support for the basic statement of principles. There was a disposition in the US that whatever was worked out by the negotiators would be acceptable but there was a danger that the success achieved to date would be lost if the final negotiations got bogged down on too detailed discussion on species of fish, etc.

Another US participant pointed out that the fisheries question had been set aside until the boundary was settled, therefore pressure to do that was increased. He drew attention to an impending crisis in the Beaufort Sea if the boundary there was not settled. New Canadian discoveries were very close to the disputed area.

A Canadian delegate asked if there was any evident domestic pressure in the US to settle the border question. He was told that in Maine at least the fishermen whose trade is in groundfish particularly wanted an immediate settlement so they would know where they stood.

The Canadian side made the point that resolution was in sight but that there were legal principles involved. However

successful resolution through the present negotiations was desirable. The Anglo-French arbitration was cited to prove that it could be disadvantageous to both countries if the question had to be sent for international arbitration. Both US and Canadian fishermen would have to be convinced that the settlement was just in order to live with it. The measure of agreement already reached on fisheries and hydro carbons by the two panels of negotiators dealing with the East and West coasts was brought out. The US delegation was asked if US had any outstanding border problems with other countries, and it reported that the Mexican border was settled already, that with Cuba was not causing difficulty.

The US side drew attention to public hearings on complaints arising from the interim fisheries agreement. These in part came about because the Canadian fishermen had not taken all their allotment and continued to fish after the US fishermen had taken their quota. The Canadian side concluded that arbitration should be avoided and expressed the hope that any treaty based on the successful negotiation of the issue would be facilitated in Congress.

A US participant returned again to the Beaufort Sea dispute. He insisted that in this area Canada was going to have to move west of the line it proposed. It would be unfortunate if the value of the resources in the disputed area complicated the negotiations. A Canadian delegate referred to the US concern regarding the possibility of an oil spill in this area and a US delegate agreed that such an event would give environmental groups added support for their campaign to stop exploration and drilling. It was unfortunate but at the moment neither the US or Canada had developed technology capable of ensuring safe off-shore drilling.

The deep-seabed issue of the Law of the Sea Conference

The item was introduced by a US participant. In the third United Nations conference on this subject since 1974 the Canadian and US position were somewhat similar, with the distinction that the US was working for a broad-based treaty with few restrictions while Canada wanted some protection. Meantime Congress would consider a bill to provide ground rules on private sector activities in deep-seabed mining unilaterally if the Law of the Sea Conference had not resolved the issue by April 30. Another US delegate described some of the problems in reaching agreement created by the delegates of other nations. Two bills had been prepared for the House and the Senate to give licences to mine the sea bed.

A Canadian participant responded. Canada was in favour of an International authority but Canada's arguments on the control of nickel production were now in its own self interest. INCO was vitally interested in US moves to permit mining the sea bed.

The US was told by another Canadian that it should be aware that the present INCO situation will have an effect on the Canadian position on this question.

A US participant described the background to the US unilateral action which arose pressure from the competing private sector interests that the deep seabed be developed. Any such development would have to be compatible with environmental issues and in this light it was deemed preferable to take minerals out of the sea rather than rip up the land. It was possible to achieve economic benefit and still preserve the heritage of mankind concept, and the contribution that could be made by the private sector should be considered in any solution. In summary the US could see that both countries wanted a comprehensive agreement but the US was strongly committed notwithstanding to unilateral action.

A Canadian participant concluded the discussion. He noted that the US was only claiming the right to harvest not to extend sovereignty over the seabed. It would be 5-7 years before the results of any processing of nodules was known. If in that time adequate technology to mine the seabed was developed it would be used; the private sector would not wait for international agreements.

Role of internal security forces in a democratic society

This subject was opened for discussion by a US participant. He stated that in the US the creditibility of its security forces, the F.B.I., the CIA and the National Security Agency had been seriously challenged following the Watergate hearings and the revelations about their activities in Viet Nam. It was clear that the CIA has for example gone far beyond the intent of Congress in its activities in Viet Nam. These agencies therefore no longer received the sacred cow treatment. Their autonomy had been severely restricted and future legislation would reflect this. The select committees in both the House and the Senate which review their activities demand strict accountability. Even their budgets, formerly secret, were now examined carefully in committee. Helm's action had been based on his own judgment of the national interest but when it led to illegal acts he had to be treated as any private citizen and brought to account. Nowadays the activities of these forces were much more a matter of public record. They must report proposals for covert activities to Congressional Committees and the committees has the right to veto the proposal or to bring it to the floor of Congress.

A Canadian responded. He noted that Canada had not yet dealt as firmly with the problem of how to regard illegal acts carried out in the name of national security. This was a matter of a current debate. Who should be responsible? There was no parliamentary committee on security. Parliament in Canada did not have the same independence as Congress in dealing with such questions. Question time was used, and it was also possible to form a special joint committee of Parliament or to set up a Royal Commission. It appeared that there was movement toward expanding judicial control over illegal police activity. But the Canadian Parliament was caught in the same position as the British Parliament which assumed that the needs of security justified action to ensure it. The problem then became how to make the security forces responsible to the people. The Trudeau government polity was not to make its

reasons public and this was a political issue. Canadians did not appear to have the same sensitivity on civil rights as Americans.

A US participant disagreed with this observation. He thought that probably American sensitivity has come about because of the traumatic experiences of the past ten years. Trying to find a mechanism to ensure responsibility and accountability in the intelligence field was not a new problem. The US had been trying for twenty-two years to find a way to get around the powerful "in the name of national security" argument.

A Canadian delegate commented that question time in the Canadian Parliament did not provide the degree of accountability required. There was not the same obligation to answer as in Committee, with the exception that failure to answer at all had been ruled irresponsible by the Speaker. Judging by the past record the power of Congress to require accountability is great. It can blow the whistle on activities of security forces, it can create agencies to deal with situations. In Canada such moves are dependent on sponsorship by the government and therefore can take longer to be set in motion.

Another US participant noted that the concern to establish accountability had had an effect on the problem of ensuring privacy of information stored in computers. Congress would never condone an illegal activity if it knew it was being proposed, and present arrangements make disclosure of intent mandatory. The possibility of illegal activity therefore no longer exists.

The Canadian side asked how discretion of the select committees was ensured, was this a problem? It was acknowledged that it could be a problem but it was felt that the censure which would follow any failure to be discreet provided a deterrant. Precautions were taken to ensure against leaks. The budgets of the security agencies for example were reviewed in a room which had been swept for electronic listening devices.

A Canadian delegate posed the general question of what leeway should be allowed a security agency which is not allowed a private person. For example, could the President permit some questionable activities under an executive order? It was emphatically stated by the US side that while such activity might be condoned it would still be illegal if it contravened the laws of Congress or the constitution. However it was also pointed out that on the whole the US security forces had done an excellent job.

A Canadian concluded the discussion. He observed that all cases of "illegality" in Canada could have been avoided if a warrant, which in the circumstances was justified, had been obtained. Unfortunately the security people had got careless, possibly because they were not under any strong psychological pressure to maintain legality. He sought more information from the US delegation on how opening of mail in the interest of national security is handled in the US. An undertaking to provide this information was given.

Human rights including the Conference on Security and Co-operation in Europe (CSCE)

Development Assistance

These two items on the Agenda were discussed together. They were introduced by a Canadian delegate who suggested that tying grants of aid to acceptable performance in human rights was in danger of becoming the current fad in international affairs. It had started with the Carter inaugural address. Human rights had been a pivotal point in the Carter campaign and a personal commitment of the President in his approach to foreign policy. There had been strong identification in the US with the plight of Soviet dissidents. Congress was on record supporting human rights and had taken direct action to prevent arms being provided in Ethopia and elsewhere for example. This together with the increased activities of the NGO's (non-governmental organizations) especially church groups had focussed attention on human rights dramatically in the past two years. The numbers of delegations protesting the failure particularly of those regimes totally on the right, to show sensitivity for human rights was a continuing phenomenon. Interestingly the NGO's appeared to have forgotten the record of the total left. In Canada it was the ethnic groups which made the representations against the left.

He recalled that from a similar discussion led by Congressman Fascell at the last Canada-US meeting in Victoria the Canadian delegation became aware that Congressmen would accompany the US delegation to the Belgrade meetings. (C.S.C.E.) As a result an approach was made to External Affairs and Canadian parliamentarians had also attended the Belgrade discussions.

The most difficult issue was how to reconcile the new emphasis on human rights in terms of economic and trade issues? There was an evident shift now in Canada from the stand-point of principle. The December 19, 1977 declaration of policy on South Africa marked the first time economic policy had been applied directly to a human rights issue. In this case the Prime Minister had been careful to say that the case of South Africa was unique.

He called attention to the fact that the churches are now much more aggressive on the human rights issue. They were prepared to lobby stockholders, and to attend annual meetings of companies with interests in countries which were obvious violators of human rights. This new militancy would not yield to political pressure. Where was this debate going?

A US spokesman responded. He gave a detailed statement of the US position at Helsinki and noted that Canada had led in promoting acceptance of the Basket Three proposals. Canada's lead since Helsinki in working closely with the US and in NATO had been useful. The human rights phenomenon was new only in terms of the evident heightened sensitivity and the pronouncements by President Carter. It was an old concern in Congress. The statements on the Foreign Assistance Act and the action taken as a result of that act were evidence of earlier Congressional concern. There was a lot more activity now but it followed on a long seen need.

In the aid field especially the US had restructured its programs to deal with human needs as legitimate human rights. It was still a problem however to pass a bill to increase aid and decrease military expenditures. He agreed that the heavy emphasis on the human rights issue would continue. It was an appropriate matter for international discourse even if it did affect the achievement of detente. Human rights was not the only issue in the move toward detente. There were other over-riding issues but there was a strong desire on the US side that human rights should be a major issue. To gain ground on this would increase the strength of detente. Human rights was the only issue that the USSR was defensive about.

He then outlined Congressional action on various human rights activities. Congress accepted the appointments in the State department to deal specifically with the formulation of policy on human rights. A mixed commission had been formed to be the focal point for information in this field. Congress was anxious to stimulate the allies of the US to become more sensitive to this issue, to broaden it beyond individual cases and official activities. All publicity which engendered action on human rights was important.

He then commented on the current CSCE talks going on in Belgrade. There would be great difficulty about getting agreement on a final document due to obstruction from the USSR. This did not diminish the value of the meetings. It was well worth the fight to keep up the pressure to get agreement on the proposals in all three baskets. The meetings were important because they institutionalized the process. Congress would continue its active pursuit of human rights goals for some time to come. Finally he noted with approval that there was a move to establish a foundation to help advocates of human rights in other countries.

A Canadian participant called attention to the increased interest in human rights issues at the UN. This had been highlighted by the appointment of a Commissioner on Human Rights. He questioned whether this would actually improve the ability of the U.N. to deal with cases of violation of human rights. A U.S. delegate said in his opinion the appointment of the Commissioner was hopeful. It would be possible to strengthen the role by subsequent action.

Another Canadian participant called attention to the magnitude of the problem of reproaching countries with poor records on human rights. He quoted from a Freedom House publication categorizing countries by their record which showed 111 countries could be classified as not free or only partially free. This should be publicized and more material collected about local conditions. Publicity on this would make the claims of human rights advocates more creditable and would win acceptance for their activities.

A US participant pointed out that under US law now an assessment of performance in regard to human rights was made country by country and submitted to Congress. This too was a way of institutionalizing the process of review and discussion.

A Canadian delegate said that the US had been more aggressive than Canada in criticizing the failure of international financial institutions to be sensitive to violations of human rights in their decision-making. A US participant replied that caution was required in putting this kind of pressure on the international financial institutions.

This led to a more general discussion of the linking of aid to the human rights issue. A Canadian participant outlined the evolution of Canadian aid policy which had at first been looked at in terms of trade policy, then shifted to concentrate on giving aid to the areas of greatest need. There was as yet little evidence of a move to link aid to human rights issues. Canada was fortunate in that the labour movement in Canada was generally supportive of its aid programs. Labour did not feel aid assistance presented a threat to Canadian employment opportunities. There had been some objection to aid programs in Parliament on the mistaken grounds that it could threaten the Canadian economy. It was not generally recognized that 80% of funds allotted by Canada for aid programs was actually spent in Canada. He noted that the Canadian and US aid contributions as a percentage of GNP had reversed in the past five years, with the US now proportionately higher. There was, he concluded, broad acceptance for reasonable increases in the aid program in Canada. Another Canadian delegate observed that there were pressures building now against the size of Canadian aid programs.

A US participant raised the question of outstanding international debt and its effect on aid programs, especially the outstanding debt of the USSR. Some of the countries assisted by the US with aid for human needs had abandoned the servicing of their debts. This was causing a disturbance in the international currency field. A Canadian delegate noted that there was concern in Canada about the debt question as well and it had been the subject of a review and a report by the Commons External Affairs Committee recently. This concluded the Friday discussions.

Southern Africa Questions

This item on the agenda was introduced at the start of the Saturday morning meeting by a US delegate. It had however been touched on briefly the previous day when it was apparent that there was a wide divergence of views within the Canadian delegation. The US participant began by stating that the US side was united. The US was totally committed to support world-wide human rights by all possible measures. On Zimbabwe the US was totally committed to the Anglo-American settlement proposals. He agreed that there was a different time frame relating to each country, the Zimbabwe settlement being the more immediate.

A Canadian participant responded. He thought it inevitable that wide differences of opinion showed up when Southern Africa was discussed. The most contentious issues facing the international community could all be debated in the south African context-race, ideology, economic development and disparity. Debate raged on these issues everywhere. The US

experience with its own internal racial problems probably made it more realistic in its approach to Southern Africa. Even if he could not applaud all US action there, at least the Carter-Young interest in the area was an improvement over the indifference of the earlier administrations. This interest had begun in the latter days of the Ford administration over Angola and through the Kissinger interventions in Rhodesia. In the earlier time Canada was more advanced than the US in pursuing Southern Africa questions at the U.N., but during the fall of 1977 Canada was overtaken by the US.

However in mid-December Canada announced its new commercial policy in regard to South Africa. He outlined the policy which he said was a controversial step, but one that had been taken on the ground that the South African situation must be treated as absolutely unique.

He was not optimistic about the possibility of success of any joint role with the US to bring about a settlement in Namibia. South Africa as the principal force on the ground would not relinquish supervision until the constitution was in place, nor would South Africa ever recognize a SWAPO led regime there. It was an unnegotiable situation for which a military solution was the likely end.

It was his view that Donald Woods was now the most cogent sane, sober, spokesman on South Africa. His speech to the Security Council on January 26 was evidence of this. Woods did not accept the possibility of an extreme solution but apartheid was unacceptable and had been increased in its application in the past 25 years. A bloodbath might be precipitated in South Africa as a result of these internal tensions regardless of any outside influences.

Several other Canadian delegates continued the discussion, making the following observations. On Namibia some of the irritants had been removed. It was clear that South Africa was testing the water by its action in Namibia. The opinion of Donald Woods as stated was not accepted by all. The US delegates agreed that Andrew Young had been optimistic and had over-rated the willingness of the South African government to move, but there was hope that it would gradually take a more positive attitude of its own volition. Since the December statement Canada had been in a less hypocritical position on trade with South Africa.

Another Canadian participant stated that both U.S. and Canadian parliamentarians shared the goal of wanting a peaceful solution in South Africa. He thought that Nigeria afforded a useful model. There was a real danger in pressing for too much too fast for the black South Africans. It must always be kept in mind that Cuba and Russia were in the background and would capitalize on any opportunity opened by a conflict in that area.

A U.S. participant agreed that there was no difference between Canada and the U.S. at all on the target but only on the speed with which it should be achieved. The sentiment of the present Congress was extremely sensitive to any interventions in South Africa as elsewhere. Trade continued with South Africa but apartheid was condemned. There was no evidence however that South Africa was going to abandon apartheid, therefore it was important to try to find levers of persuasion and to evaluate these for use in the prevention of a bloodbath.

A Canadian participant highlighted the geographic significance of South Africa in world defence terms. He felt confidence in the capacity of South Africans to deal with their problems without having North American views imposed on them. A U.S. delegate replied that not all Americans agreed with Andrew Young. It was his impression that the President had drawn back somewhat from his support of Young in the early days of the administration. The present posture of the U.S. administration on South Africa appeared to be to "give a push but not a shove". The recent activity of Mr. Vance dealing directly with the USSR on its activity in the Horn of Africa suggested that he rather than Andrew Young would be the administration spokesman on African affairs.

The discussion was then summarized by the Chairman who emphasized the concern of all delegates that outside pressure to achieve a settlement of the problems of race in South Africa might force an undesirable armed conflict if not applied with care.

Potatoes

Because of the presence of several concerned delegates on both sides in Committee I this topic was reassigned for discussion there. It was basically a question of the perceived threat to producers in Maine from Canadian imports. A Canadian participant described the situation giving rise to complaints on both sides of the border. There was a glut of potatoes at present everywhere, which aggravated the complaint. Tariffs on some potato products are to be set in the GATT negotiations which Congress would have to approve ultimately. It was the presence of the processors which had changed the situation and added to the tensions. The transborder problem also existed in trade between provinces and was just as difficult to solve. If tariff reciprocity could be achieved it would reduce tensions. The present Canadian tariff was 37½ cents per hundredweight over the year without quotas. The U.S. rate was also 37½ cents but a quota was established for seed potatoes and table stock. As the U.S. quota was within sight the duty was doubled to 75 cents. In principle this could be rebated if a shipment was actually proved to be within the quota but in practice U.S. buyers stopped accepting Canadian supplies in advance of the quota being reached. The quota was the main New Brunswick complaint. Another Canadian participant noted that this matter had been raised previously and that Senator Hathaway had made representations to those concerned about the adverse impact this act had for Canadian growers. This is a continuing irritant which could be removed. A solution through a bilateral negotiation of the GATT would be fairer and would not affect the growers. Only Canada and the U.S. were exporters of potatoes. Another Canadian delegate presented the problem experienced by Manitoba growers

who supply processors in the U.S. In his view even equalization if not reciprocity would remove a real barrier to trade.

This led to a question from the Canadian side on how Congress got information from the administration about proposals for the GATT negotiations. In answer it was stated that the U.S. negotiator had met with three House Committees (Agriculture, Foreign Affairs and Ways and Means) and had replied to questions. Meetings to hear privileged information had been held in camera.

The meetings of Committee I concluded with a prolonged exposition by all members of the Canadian delegation on the Canadian political situation on which the U.S. participants had many questions.

80023—47½

Committee II—Trade and Economic Issues

A. Trade issues
   1) status report on automotive trade; possible corrective action on auto parts imbalance
   2) U.S. convention tax; impact on Canadian current account
   3) MTN negotiations; bilateral and multilateral concerns and objectives; tariffs and NTBs
   4) Chicken marketing boards
   5) impact on Canada of possible restriction by U.S. of technology transfers

B. Metric conversion; a comparison

C. St. Lawrence Seaway tolls; possible agreement

D. Cross-border workers; status report

E. Canadian and U.S. economic situations; how to handle stagflation and unemployment; discussion of OECD McCracken study

F. Investment climate
   1) Canadian foreign investment policy
   2) Provincial jurisdiction over resources; potash, asbestos
   3) Quebec
   4) impact of depreciation of Canadian and American dollars

G. Canadian and U.S. international competitiveness; rising trade deficits; state of the economies; cooperative R and D program

H. Extra-territoriality; the uranium marketing arrangement and anti-trust regulations

Discussion in Committee II was so intense that it only proved possible to cover about two-thirds of the items listed in the agreed agenda. Specifically, items B on metric conversion, E on the McCracken study and a comparative examination of the two economies and G on Canadian and US international competitiveness were scarcely dealt with. However, there were a number of items, particularly in the trade field, which were not on the agenda but which were raised by members of one or other of the two delegations, namely, proposed restrictions on the imports of several products of importance to Canada such as zinc, cattle and steel, limitations on the export of logs to Maine, problems of horticultural producers in Canada and delays attributable to pilot shortages on the St. Lawrence Seaway.

Two of the three sessions concentrated largely on trade issues. The most intense discussion, which was joined by representatives from the other committees, concerned the convention tax issue and Bill C-58. The meeting concluded with a brief re-assessment of the committee's work.

Multilateral Trade Negotiations (MTN)

This subject served more as a jumping off point for discussion on bilateral trade issues than as a subject in itself. The opening Canadian statement indicated government willingness to enter the Geneva bargaining, having accepted as an objective the reduction of industrial tariffs by a weighted average of 40 percent subject to several conditions including a degree of tariff harmonization. There was in Canada, however, nervousness about the effect of possible tariff reductions on the state of manufacturing.

The American spokesman in response stated that it was necessary for the effective organization of world trade that the MTN should succeed. The negotiations posed special problems for Canada because of the higher levels of Canadian tariffs. He thought that the Administration would tailor an agreement so that as little as possible would have to be approved by Congress; the main issues which Congress would have to consider would be in the field of non-tariff barriers. He was relatively more optimistic than Canadian participants regarding the possibility of including an agricultural settlement, because of the growing awareness of many Europeans of the need to improve on the current arrangements for agricultural support in Europe. He was sceptical, however, that Mr. Strauss' timetable would be adhered to and even saw benefit in waiting for final negotiations until after some important elections taking place this year in Europe and the United States.

Autopact

The Canadian spokesman expressed concern about investment trends in the auto industry, which seemed to be favouring the United States, the paucity of research now being undertaken in Canada and the higher proportionate demands for cars in Canada which might raise the current overall deficit of $1 billion to $2¼ billion by 1985 at current prices. Canada had nevertheless decided against seeking revision of the treaty and would instead try to persuade the companies to do more sourcing in Canada.

In response an American representative commented that the agreement had assisted the North American auto industry to become more competitive. He noted in passing that the US industry, including the parts producers, were moving south and west; for example, General Motors had established an assembly plant in Louisiana. In general his advice to the Canadian authorities was to act carefully so as not to stimulate protectionist sentiments in the two countries. He hoped that with the increasing use of aluminium and plastics in car manufacture, both of which involved materials produced in Canada, a greater proportion of parts would be manufactured in Canada. If problems could not be resolved, he counselled intergovernmental negotiations. On this point a Canadian participant responded that consultation with companies appeared to be the best route since they might on their own make the decisions considered necessary by Canada. As for the risk that the government might apply undue pressure, the companies could always complain.

Two related points come up. An American participant observed that the UAW had not pressed for greater protection; perhaps having a Canadian wing helped them to understand the Canadian situation. On DISC, he was pleased that Presi-

dent Carter had advocated its termination. However, he thought Congress might fail to act, particularly since the floating exchange rate had reduced its effectiveness.

Export of logs to Maine

An American participant asked for information on recent restrictions imposed by the New Brunswick government on the export of saw logs to Maine. He was told that both Maine and New Brunswick had highgraded their forests for a century and that the spruce bud worm had aggravated the current shortages. The situation was worse in Canada than in the United States; Maine's pulpwood mills were at work, whereas New Brunswick had unemployment in paper mills. Canadian sawmills had also had to close due to a shortage of wood and there was no prospect of raising the allowable cut, which was already excessive. As a result the provincial government had decided to limit the export of saw logs. British Columbia and Quebec had imposed restrictions on the export of logs many years ago. He advised the Maine government to do as New Brunswick had done and require paper companies to prohibit the processing of saw logs into pulp. The information satisfied the concerns of the American participant.

Horticulture imports

Canadian horticultural producers have been undermined by Californian production, especially in the field of soft fruit and some vegetables. The share of the market satisfied by Canadian production had fallen from about 50 percent to under 30 percent. Part of the problem, it was explained, was that Canadian duties were specific rather than "ad valorem" and had not been adjusted for almost two decades, with the result that the margin of protection was falling. The Tariff Board had recommended that an "ad valorem" rate approximating the 1960 level be introduced for fresh produce to apply only during the Canadian crop season and that increased "ad valorem" rates be introduced year round for frozen and tinned fruits and vegetables. It was reported that Canadian action would be taken only after consultation with US authorities and that problems had to be overcome of relating this measure to the MTN negotiations. Amercian participants asked to be advised of the timetable for Canadian action.

Western Canadian cattle exports

A US participant from a Western border state described the frustrations of American cattle producers, who considered that Canadian imports had driven down an already low price for beef. He understood, although few of his farming constituents did, that US producers were net exporters of pork in the West and of cattle in the East so that he personally did not support the embargo. He hoped to see more reciprocity in the field of agriculture.

A Canadian participant responded by wondering about the possibility of a North American common market in cattle. He noted that in fact Canada was about to introduce a meat import law, with some provision for freer North American trade. He was, however, uncertain about the legality of this law under GATT.

Fish exports

A Canadian participant expressed concern about the countervail action undertaken against groundfish imports from Canada. In 1974 when the fishing industry had been in bad shape, the government had given support to both catching and processing. As the industry recovered, this support was being reduced. He urged the United States to refrain from taking protective action.

Chicken marketing agency

US participants were curious as to Canada's plans. They were told that with Manitoba's agreement, the federal government was in a position to establish a national chicken marketing agency. Producer pressure was strong, since between 1970-76 US imports of chickens had risen from below one percent to about 6 percent of the Canadian market. If an agency were to be established, there would be prior consultation. It was understood that there was a risk of retaliatory activity by the United States.

Zinc and steel exports

Canadian objections to the operation of the steel reference price system had been explained in the opening Canadian statement. A discussion of Canadian objections to the proposed quota on refined zinc was initiated by the Canadian side which explained that Canada supplied zinc at the New York price and that the US problem was caused by underpriced custom smelted zinc refined in Europe. A US participant, with a large zinc producer in his district, acknowledged that Canada was known to have been a fair supplier and that particularly in 1973 at a time of world shortage, had not exploited America's need. For this reason, the producer in question, while supporting the application to the International Trade Commission, hoped that Canada would be treated fairly. The Canadian side pointed out that in the case of steel and zinc and possibly also copper, the US was responding to specific problems by general actions which tended to hurt Canada especially, even though Canada had had no part in causing the problems. Both sides agreed this was a serious situation which bore watching.

Possible restriction on technology transfers

Canadian participants expressed concern over reports that Congress might legislate some restrictions on the export of American technology. US participants responded that the AFL—CIO was pressing for some action in the field and that the International Affairs Committee was holding hearings on the subject. However, they did not expect the Committee to approve a draft bill. Although one American representative expected pressure for action to grow, he wondered how any restriction on what he described as the export of ideas would be enforced.

The convention tax question and Bill C-58

Discussion on this issue aroused widespread interest on the American side. In fact, it was proposed by the Americans that all three committees should join in discussing this item, which would in effect have produced a plenary meeting; but the Canadian committee chairman responded that this would give the item an exaggerated importance. Even so Committee III interrupted its proceedings to free members to attend and some Americans from Committee I also came to the Committee II discussion on the item.

A US spokesman opened the debate with the observation that the convention tax legislation had developed out of a Congressional initiative to put a stop to expense account high life abroad. The aim had been not to raise revenue, but to curtail an acknowledged abuse and there had been no desire to harm Canada or Mexico. The impact had in fact been unintended. But when the effort was made to exempt Mexico and Canada, those affected by a Canadian measure to protect its domestic TV industry had been successful in establishing a link in the minds of Congressmen. Although the financial effect of Bill C-58 was miniscule in terms of Canada—American trade, the connection had been made on the ground that each was a discriminatory tax measure designed, not to raise revenues, but to force a different pattern of action.

Canadian participants made a number of arguments to challenge this perception. They pointed out that, while the aim of the convention tax legislation was strictly economic, Bill C-58 was actually a device to promote a cultural and social policy. C-58 had also had an effect on two well-known American magazines, although surprisingly this had not become a subject of controversy in the United States. It was not yet evident whether Bill C-58 would cause the transfer of income, in the TV field from US to Canadian stations and it was pointed out that the potential was limited, perhaps $10 million in an industry generating $500 million of income. Nevertheless some advertising money had been diverted from TV to magazines, 20 new Canadian magazines had started and Macleans was about to become a weekly. Canada faced a special cultural problem in all fields, book publishing, record making and film production. National identity was especially important for Canada at a time of constitutional crisis and Bill C-58 had been a serious attempt to do something about the problem.

One American participant cited the instance when an Ottawa cable company had substituted Buffalo stations for WWNY in Watertown which had the effect of cutting 42 per cent of WWNY's revenue and of raising rates to local advertisers. Plattsburg's TV station owned by Rawlins Broadcasting of Atlanta, Georgia was faced with the prospect of a similar move to cut them off from the Montreal market. Even if C-58 were to be withdrawn the Watertown and Plattsburg situations would not be affected. In his view these actions indicated that Canadian aims were financial, not cultural. Canadian cable TV, because it received a variety of excellent US signals at no cost, was the most profitable in the world. Americans simply did not understand Canada's cultural problems. The popularity of US stations suggested that Canadian policy had little public support.

Canadian participants tried—but probably only with limited success—to meet this perception by reviewing the development of TV in North America, and explaining that CRTC enforcement of Canadian content had been introduced to ensure indigenous programming, so that Canadian young people would grow up with some sense of an identity separate from that of the United States.

Other arguments advanced by Canadian participants related to the convention tax legislation. Canada was uniquely affected because its citizens were members of most American associations. Until the enactment of the new law responsible associations normally held a proportionate number of their conventions in Canada. Plans for future meetings in Canada were now being cancelled, with a disproportionate effect since Canadians continued to attend the US meetings. Canada's tourist deficit with the limited status had reached close to $1 billion and the convention tax law had significantly aggravated this situation. The economic effects of the two laws were disproportionate. Estimates of the total effect of the convention tax legislation on Canada went as high as $100 million to $200 million annually. Translated into US terms the comparable impact would be $1 billion to $2 billion, whereas C-58 would at most only affect $20 million of Canadian advertising. Another Canadian participant argued against the principle of linkage, pointing out that two countries with so many and diverse interests had to be careful to treat every issue on its merits, or risk all problems becoming interconnected.

An apparent impasse emerged. Several US participants claimed that they understood and even sympathized with Canadian arguments. One mentioned that he had sought last year to repeal the whole of the convention tax legislation which he felt to be discriminatory and ineffective, but the Ways and Means Committee would not act. Although President Carter had raised the matter again with his criticism of the 3 martini lunch, he did not expect Congress to broaden the legislation to cover conventions in the United States. The domestic hotel lobby was too strong. So Canada had to face the fact that a link had been established and moreover that the lobby pressing for Canadian action on C-58 was efficiently organized and very well connected and had projected the issues in terms which carried emotional impact in Congress. Their leverage in Canada on C-58 being weak, they had fastened on the convention tax issue; its impact on Canada was disproportionate so they felt they had achieved considerable leverage. The position in Congress was typified by the situation in the Ways and Means Committee; the Chairman represented Oregon and was sympathetic to the Bellingham KVOS complaints and the ranking Republican as a Western New York State member was influenced by Buffalo's complaint. The conclusion expressed by one US participant was that Canada was paying a lot for principle.

United States participants suggested that there were three possible courses of action for Canada, if it wanted to have the convention tax legislation modified. It could withdraw C-58 in exchange for an exemption; the two governments could negotiate bilaterally; or it would be negotiated within the MTN. Canadian participants agreed that withdrawal in the face of US pressure was unacceptable. One Canadian suggested the establishment of a joint board, perhaps modelled on the International Joint Commission, to resolve border broadcasting issues, which he expected to grow in numbers. Others felt that this offered no prospect of quick relief, and that the US Congress could only act when it felt an acceptable compromise had been reached. Negotiations appeared to be the only viable route, but it was pointed out that at the time of the passage of Bill C-58 the Canadian Senate had secured an undertaking from the Minister of Communications to seek a better solution through negotiations with the Americans and that apparently nothing had been done. Some Canadians felt that it might be possible to exempt US border stations from the effect of Bill C-58 if they established a Canadian corporation and met Canadian content criteria.

Cross-border workers

An American participant from an Eastern border state raised the issue of cross-border workers. Two different situations prevailed. Some workers were admittedly temporarily under bond. Their right to work was limited to the job for which they were hired and was conditional on no American resident being available with the skills required. Others had been given resident alien status ("green cards"). The US courts had judged that a resident alien could maintain his status even if he left the United States every night to rejoin his family. These persons, once admitted, were free to take any employment they wished. To cope with this latter situation, the US participant had submitted a bill requiring resident aliens to establish permanent residence within a year.

In the discussion which followed, it was pointed out that there was a flow both ways and that both countries benefitted. In forest industry, for example, Canadians might be better situated to reach the working areas and prepared to remain in bush camps a week or two at a time. If this source of labour was cut off, the US pulp mills might have to close. It was therefore suggested that the Canadian Embassy might be approached by the US participant's staff and asked to prepare a full report of the implications of his proposal before he decided how to proceed.

It also emerged in discussion that US employers were opposed to the proposal. More importantly, US representatives of states bordering on the Mexican border probably prefer a system where resident aliens in fact do not set up permanent residence in the United States. The bill was therefore facing significant opposition.

St. Lawrence Seaway

While it was decided that agreement reached on the Seaway tolls made it unnecessary to discuss this subject, a US participant asked to bring up under it the problem of delays in Seaway traffic caused by pilotage problems. He tabled a letter from Mr. D. W. Oberlin, the US Administrator, documenting the numbers, extent and cost of delays in the Seaway between Montreal and Cape Vincent. In 1977 pilotage delays were calculated to have cost ship owners almost $2 million on this section of the Seaway alone. The US participant reported that he had just received the information and would be taking it up with the 100 members of the Great Lakes Caucus in Congress.

Two reasons for the delays were advanced. First, Canadian pilots in one section of the river are civil servants and this might lower productivity. The US member undertook to find and forward figures comparing the productivity of public service pilots with those who were not. Dividing the journey at Beauharnois was a second cause of delay.

It was agreed that the Canadian delegation would review this question at a delegation meeting and would probably draw the attention of the appropriate Canadian authorities to it. (According to a press report the issue has already been submitted to the Great Lakes caucus with the suggestion that hearings be organized). All participants were agreed that delays added to the cost of using the Seaway, and would affect the rates charged by ship owners for transiting the Seaway.

Extra-territoriality

Several Canadian participants described Canada's continuing difficulties with the extra-territorial application of US laws. Particular stress was placed on the current inquiry into the uranium industry in Canada, prompted by the Westinghouse anti-trust action. The closing of the US market in the 1960s and Westinghouse's decision to guarantee deliveries of uranium at a fixed price for the life of all reactors sold were described. Canadian members pointed to the serious effect on relations with the United States which would occur if criminal charges were laid against Canadian ministers and government officials.

US participants appeared to be surprised by the seriousness of the situation. They made no attempt to defend US actions, claiming that Congress was dissatisfied with the Justice Department. (The fact is that some Congressmen not at the meeting have been pressing the Justice Department to press ahead). They further suggested that the issue should be taken up with the Administration and that in the past the Justice Department had been influenced by strong objections raised by the State Department.

In the longer term, a US participant expressed the hope that the establishment of foreign subsidiaries in the United States would make the government more sensitive to the principle of extra-territoriality. Congressmen had discussed an international code with members of the European Parliament and it would eventually be necessary to proceed by way of international agreement.

The subject was raised in plenary spontaneously by the same US participant who said he would welcome information from

the Canadian Embassy on this and other problems which threatened to damage bilateral relations.

Foreign Investment and Tax Deferral

The Canadian side reported on the application of the Foreign Investment Review Agency. The record showed that it was not preventing US investment. US participants were surprised that Canada was not attracting more US investment, which led Canadian members to comment on the difficulties of secondary manufacturing in Canada at this time.

This last point lead Canadians to ask how Congress would respond to the President's proposal to terminate the right of US companies to defer taxes by not repatriating annually income earned by subsidiaries abroad. US participants stated categorically that the measure would not pass.

US participants were interested to hear of the plans to develop potash reserves in New Brunswick with the government of that province pursuing a quite different approach from that of Saskatchewan. It was pointed out to the Americans that this was an area of provincial jurisdiction.

The meeting concluded with US participants putting questions on the Quebec situation, and with Canadian members providing broad commentaries on the development through the years of Quebec society. A Canadian participant closed with a personal appeal that Americans and Canadians continue to invest in Quebec.

Post mortem

There was a brief exchange on the quality of the Committee's discussion. The American co-chairman apologized for the enforced absence of some US participants (mainly due to the Panama Canal debate). It was agreed that both sides should organize themselves on their return to inform their respective governments of conclusions reached and of problems on the horizon. There was no interest in the discussion of domestic policies where one country could learn from the other's experience e.g. health insurance in Canada; it was felt that subjects of mutual concern should have priority and only when the two countries shared a domestic problem (e.g. the role of security forces) should the subject be added to the agenda. Similarly there was little interest in adding international issues to the agenda, unless both countries faced the same problem. It was felt that Committee discussions were now effective and that the opening plenary had taken a useful form. It was agreed that the closing plenary could be more productive and stimulating.

Committee III—Energy and Environmental Issues

A. Supply and price of gas, oil, and other energy forms.

B. The gas pipeline agreement; some ongoing issues.

C. Oil pipeline routes in light of restrictions on Cherry Point; feasibility of Kitimat, Port Angeles, cost comparisons, environmental impact.

D. Comparative programmes—Canada-United States

1) conservation measures and policies;
2) reserves and storage policies;
3) environmental pollution control standards.

E. Energy exploration and transportation; possible environmental problems.

1) Beaufort oil and gas; Eastern Arctic gas; LNG tankers;
2) east and west coast tanker traffic; hazards and regulation; refinery locations; Eastport.

F. Air pollution; Long range transport of air pollutants; Cornwall Island; Boundary Wilderness (Atikokan); Poplar River.

G. Great Lakes Water Quality.

H. Report on Garrison Dam, Dickey Lincoln; Flathead River; Champlain Richelieu; Poplar River.

Supply and price of various energy forms

Canadian participants related that their natural gas supply situation had improved markedly during the year due mainly to new discoveries in Alberta. In addition, the results of high pressure drilling sites in the Beaufort Sea were promising and the prospects for new finds off Labrador seemed good if jurisdictional disputes could be ironed out. The Eastern Arctic might well prove to be a viable additional source and the Polar Gas LNG pilot project to bring liquified gas by tanker to eastern ports would merit watching.

In respect to gas exports Canada would meet all its commitments to the United States on present contracts. However, there were some problems related to gas swap proposals, that is, Alberta gas now for Alaskan gas later. For instance, when would swaps be paid back and at what price? A Canadian delegate suggested that an alternative to gas swaps might be an acceleration of the present throughput of gas with the result of an earlier termination of the contracts. Tied to the acceleration and swap ideas was an earlier construction of the southern portion of the Alaska gas pipeline in Canada.

The point was made that the Canadian government had announced it would look favourably on gas swaps so that it was now up to the multinational gas companies to work out the details. While some American delegates were warmly receptive to the acceleration suggestion, other delegates expressed doubt that the American gas companies would support it. They said companies were still unsure as to which companies would get the Alaskan gas contracts and in any case what they were really looking for was a net increase in supplies. Canadian participants pointed out that Alberta wished to bargain gas exports against better access in the US market for beef and petrochemicals. They explained that the emphasis on petrochemicals was in line with the Canadian policy of upgrading and further processing of natural resources before export. There was a natural Canadian reluctance to export gas which would go right into the American petrochemical industry while Canada itself wished to develop this industry domestically. While some of the US delegates were sympathetic to the Canadian upgrading objectives another delegate warned that he had heard exactly the same theme struck during his recent visit to Saudi Arabia. The Arabs also wanted to develop a petrochemical industry and would make their energy exports conditional on access and the transfer of technology. He wondered where Canada would find the markets it was hoping for.

In respect to gas supplies on the east coast, a Canadian delegate stated that there was a new plan gaining currency in Canada which would extend the trans-Canada gas pipeline through Quebec to the Maritimes. This proposal he said was moving quickly, it would help to handle the gas "bubble" and might provide export possibilities to Maine.

In respect to the oil supply in Canada, delegates said the picture had not shown a similar rapid improvement as in the gas sector although there had been some recent Alberta finds from deep-drilling techniques. The tar sands too undoubtedly offered vast reserves but huge costs were involved in these projects. In addition to continued though diminishing Canadian exports in all categories some oil swaps were taking place between the two countries. Additional exchanges of oil were possible including the sending of more western Canadian oil to the Northern Tier states in return for American-supplied oil to Eastern Canada. Detailed arrangements had to be left in the hands of the oil companies themselves. A constraint to the delivery of such crude at Montreal was the Canadian government's undertaking to keep the Sarnia to Montreal pipeline operating at full capacity in order to cover the costs of this line. One US participant said he thought the Canadian decision to let Canadian oil prices rise to the world price was the right decision.

While offshore sites from both countries in the Beaufort Sea offered potential prospects for additional supplies of both oil and gas in the future, participants on the two sides agreed that the techniques for transporting the resource to shore remained unproven and risky in the face of scouring or tidal action which could cause reeplines even in pipe imbeded below the seabed. There were also serious dangers to breaks in the casing of the drill holes, an American delegate emphasized and he feared another Santa Barbara disaster in the Beaufort.

The American side described the severe constraints to future energy development in Alaska in the current bill before Congress. This bill reflected extreme environmentalist pressures and would have the effect, if passed, of setting aside a huge and highly mineralized area in Alaska as a designated wild life area. The area was so remote as to be virtually inaccessible to

all but a few and its passage, it was felt, would deal Alaska a paralyzing economic blow.

A Canadian delegate asked if pressure from extreme environmentalists in the United States was not having undue negative impact on the American development of nuclear energy. At a time when the energy supply outlook remained so bleak, was it not important to push ahead with nuclear power supply projects? Inevitably the slowdown in the American programme would mean that Americans would be putting heavier demands on world supplies in the 1980s and 1990s and Canada would feel the pinch as would other countries in the competition for scarce supplies of other sources. Furthermore, it had been established that nuclear energy developments were the least environmentally harmful. Uranium mining itself was more of a health hazard than nuclear power reactors. American delegates expressed interest in the recent Canadian report (the Hare Report) on nuclear waste management which concluded that nuclear wastes were relatively easy to deal with. Part of the American problem with environmentalists, it was suggested by a US participant, was perhaps due to the fact that the general public had not been involved early enough in the complex problems.

The Gas Pipeline

While almost every aspect of energy questions produced lively discussions during the two-day meeting, the most intense debate involved the Gas Pipeline Project from Alaska through Canada to the United States, a project characterized by one delegate as the largest construction project ever undertaken anywhere between two countries.

Under the pipeline topic, there were five different subject areas which engaged the attention of participants:

1. financing of the line
2. danger of delay by Indian claims
3. possibilities of delays by the provinces
4. Canadian content
5. pipe specifications

In respect to the financing of the pipeline and whether it could be financed entirely in the private sector, an American spokesman said that one of the determining factors would be the American decision on pricing of the Alaskan gas—whether it would be "rolled in" with other-priced US gas making the Alaskan gas less costly or whether it would be incremently priced. He considered that if there were no "roll in" or if there were uncertainties as to price or if no gas bill were passed in Congress this could delay the whole project, restrict the possibility of private sector financing, and oblige the US federal government to step in to assist in financing this project of getting an essential American gas supply to market. In response to an assertion by an American member that he had heard Canada was not going to allow any American capital involvement in the Canadian portion of the line, the Canadian side informed the US delegates of the financing proposal for the Canadian section: 25 percent in common equity, 25 percent Canadian debt and 50 percent American debt, probably on the New York money market.

American participants questioned Canadians as to the possibility of delays through Indian claims or through provincial demands. Canadian delegates acknowledged that the Yukon and non-status Indians wanted the second stage of the Lysyk inquiry to be held. However negotiations were currently underway and it was generally thought likely that an agreement in principle would be reached during 1978. The situation was very different from that in Alaska with no real likelihood that the project in Canada could be stopped by Indian claims litigation. However several British Columbia delegates doubted that the B.C. Indians would be so amenable.

As far as provincial complications were concerned, the Canadian side said that the concerns of Alberta and Saskatchewan appeared to have been settled but the B.C. government was unhappy since proposed tax arrangements would net the Yukon over three times the amount as B.C. for the same length of pipeline. While the situation was still under discussion with B.C., it was thought likely that as soon as the Canadian legislation passed in the House of Commons, B.C. would act to resolve the problem as it had no intention of thwarting the construction of the line.

In respect to Canadian content the American participants questioned the Canadian delegation very closely on what was really intended regarding Canadian content on the Canadian portion of the line. Was the 90 percent objective of Foothills to be adhered to? What did it mean in terms of labour, pipe procurement, manufactured items like construction equipment? They reminded the Canadian side that Canadian labour and materials such as prefabricated housing had been used on the Trans-Alaska Pipeline. Would American labour be able to work on the Canadian line? An American delegate said he had heard that 74 percent of construction equipment for the line was to come from Canada but American exporters of such equipment had told him that Canadian industry has no such capability at present for construction of such equipment. Several American participants warned that such procurement action by Canada might endanger the whole project as support from both American industry and labour was needed. The American side urged a speedy passage of the Canadian legislation with no protracted debate over high Canadian content. The fear of another Arab embargo was voiced by some Americans. Canada was urged to develop, jointly with the United States, as much capacity as possible as soon as possible. A protracted debate in the Canadian Parliament would have a negative impact on the American perception of Canada.

In response, the Canadian side explained that politically the Canadian public had to be persuaded there was something for Canada in this pipeline; otherwise it might be perceived as just letting the US run a pipeline down with no benefit for Canada. From the first there had been clear-cut federal government intention to have a high Canadian content. In fact several Canadian delegates warned that if there were not a 90 percent Canadian content in the bill, there could be a long fillibuster in

Parliament. The NDP's amendment in this regard would likely be specific. If the Americans were really nervous about prolonged debate, they should refrain from pressing the content issue. Also mentioned was the fact that the American content proposed for the Canadian portion of the line was more than double the Canadian content which the Americans had proposed for their portion of the line.

As for pipe procurement, the differences between the American preference for 48″ high pressure pipe and a Canadian preference for 54″ lower pressure pipe were reviewed. Canadians explained that if the 48″ high pressure pipe were chosen, only one Canadian company had the present capability of producing it and this choice could delay the whole project by two years. On the other hand both Ipsco and Stelco, two Canadian steel companies, had the capability to build 54″ pipe. In view of the fact that both Alberta and Saskatchewan each had 25 percent interest in Ipsco, the Canadian spokesmen said it was almost inevitable that Ipsco would be involved. The National Energy Board would rule on the pipe sizes before the end of February but a compromise size of a 56″ size pipe was thought likely. One Canadian participant said that since the Foothills Company had to build as cheaply as possible, he thought a certain portion of the pipe procurement should be open to Japanese or other offshore bidders in order to guarantee a healthy competitive atmosphere in the steel pipe bidding. However, the Canadian side underlined the established competitiveness of the Canadian steel industry in international terms.

The Kitimat Pipeline and Alternatives

In the context of the supply of Alaskan crude oil to American mid-west refineries to replace diminishing Canadian crude exports the American side expressed a keen interest in the development of Kitimat as an oil port especially in the wake of recent American legislative constraints placed on Cherry Point as a transshipment point. United States delegates pointed out that development of Kitimat would take pressures off Vancouver and Cherry Point and would certainly be the most economic way to route the oil to the mid-west.

In reply, the Canadian side recounted the strong opposition of west coast environmentalists, and fishermen to the project, and even a Cabinet Minister, had pronounced openly against it. Furthermore, before the National Energy Board could deal with the Kitimat application itself, it had been charged to make a prior study into the Canadian oil supply and demand situation for the next 10 to 15 years and would need to determine whether there was the need for a new oil import facility. This would take until late 1978 to complete. A Canadian delegate asked how the United States could suggest that a west coast oil port designed primarily to answer American needs should be located at Kitimat, an environmentally sensitive point 50 miles up a Canadian fiord, when the Magnusson amendment had recently sought to reduce the risks to the American shores of Puget Sound. He suggested that the US should give consideration to an oil port in the southern part of the Alaska Panhandle, perhaps at Wrangel, so that the producer state would itself take the environmental risks. An American participant rejected Wrangel as being one of the worst narrows on the west coast.

A proposal for hydro-electric power

An American senator outlined to the Committee a proposal for a joint Canada-US hydro-power generating scheme in the Alaskan Panhandle. The Dyea project would involve utilizing the head waters of the Yukon at tidewater for power generation and the power so generated would be divided between the two countries. The Committee decided that each delegation would bring this proposal to the attention of their respective authorities, with a view to further joint consultations on the proposal by technicians and other interested parties.

Gas to the East Coast: Tenneco project

In the discussion of the problems of the transport of liquefied natural gas (LNG) and the supply of gas to the US east coast from the Tenneco project near Saint John, New Brunswick, Canadian delegates said that the Canadian regulatory process, the National Energy Board, had approved this project on the Canadian side. However, the Americans explained that there were delays on their side related mainly to pricing of such gas. Would it be "rolled in" or incrementally priced? There was currently an impasse over Mexican gas pricing which was not unrelated. Furthermore, an American delegate was sceptical that Tenneco gas, which would be transported by pipeline from Saint John through to Maine and other northeastern markets would be able to compete in price with other eastern seaboard gas, for example from Savannah. In sum, there were American participants who were not at all certain that the Tenneco project would be proceeded with.

In view of the reduced likelihood of the Tenneco project, a Canadian delegate thought the feasibility of the Quebec and Maritime (Q and M) line was greater. It could be linked to the Arctic Pilot Project bringing Arctic gas to the east coast by sea. As to this latter project, a Canadian delegate pointed out that it did not require the huge proven reserves of gas that the Polar Gas pipeline would. Under the pilot project the gas would be liquefied on Melville Island and be transferred by LNG tankers down to regasification plants on the east coast.

Energy Conservation

Underlying the exchange of views on methods by which each country was seeking to conserve energy was the recognition by the legislators on both sides of the seriousness of the energy situation. At the same time there was an uncertainty as to what was the best way of achieving it, faced as both governments were by a public which appeared wedded to the automobile, and lifestyles which were so hard to change. Both sides, reviewed the differing goals and measures already in effect or in Congress, including the American Administration's current energy measures. The American side expressed interest in the Canadian insulation grant program and in the kit which helps consumers individually to assess their insulation needs. There

was a difference of opinion between and within delegations as to whether higher gas prices, taxes on larger cars and other such incentives would reduce consumption and turn people to urban transit. Additional conservation measures mentioned were the increased use of coal; lower speed limits, the substitution of new energy forms such as solar heat or methanol, the encouragement by metering devices of hydro-electrical power at peak periods. There were differing views among American delegates as to whether President Carter's energy bill would get through with many "teeth" left in it. Since the United States had 40 percent of the world's coal, there would be incentives to convert to coal. This however had environmental disadvantages and could counter the pollution control requirements on cars.

Oil Storage

The American side stated that the Administration's appropriation of funds for the Strategic Petroleum Reserve Program had gone through and it would be enormously expensive. The two sites being looked at as possible oil storage on the Canadian east coast are at Canso in Nova Scotia and Bell Island, off Newfoundland, both deepwater ports. The two governments were currently undertaking a joint 90-day study of the feasibility of these sites as agreed to during Vice-President Mondale's visit. However, an American senator remarked that during a recent visit to Saudi Arabia he had found that the Saudi Arabia government was "not too impressed" by the strategic storage approach by the American government.

East Coast Tanker Traffic

On *Eastport*, an American delegate told the meeting that an Environmental Protection Agency (EPA) report on the refinery and a Corps of Engineers' report on navigation questions were still to be completed. He himself doubted that the Corps of Engineers' report would give the go-ahead in view of the fogs and narrowness of Head Harbour Passage. However, if these reports gave the green light, a bilateral problem would arise as to whether or not Canada had the legal right to regulate traffic through the passage. A Canadian delegate said Canada considered these waters to be internal waters over which Canada had the right to enact laws and regulations. He also made the point that the opposition to the use of the passage from large tankers comes not so much from environmentalists as from fishermen.

West Coast Tanker Traffic

Canadian delegates expressed concern that despite the progress which has been made in organizing passing lanes for tanker traffic in Juan de Fuca Strait and the establishment of the monitoring system, there have been several near collisions. Part of the problem was thought to be due to tankers of foreign registry manned by personnel who did not understand directions in English. The Committee agreed to a proposal to go on record as supporting the idea that pilots should be taken on board tankers further outside the entrance to the Strait in order to minimize the chance of accidents.

Air Pollution

The Canadian delegate initiating the discussion on air pollution drew the attention of the meeting to the growing seriousness of long-range transport of air pollutants—a problem which was becoming of transboundary concern in Europe as well as North America. Emissions, mainly of sulphur dioxide, can fall as acid rain and can have cumulative deleterious effects on soils, fish, forests and waters. Sulphur dioxide emissions in eastern North America were 24 million tons in 1976, of which 20 million came from US sources. By 1990 this could increase by as much as 28 per cent if measures including conservation are not instituted. In response, an American delegate said that the United States was conscious of the problem. He inquired why Canada had not yet reacted to the American proposal of November 1977 regarding international co-operation in this matter. The Canadian side told the Committee that Canada would shortly be proposing to the United States a joint research co-ordination group whose objective would be to institute a co-operative scientific study of the long-range transport of air pollutants. The delegates discussed a possible extension of the role of the International Joint Commission (IJC) to cover this aspect of air pollution. (The IJC already has an advisory capacity to the two governments on other transboundary air pollution matters). Canadian and American participants agreed to bring this question to the attention of their governments. A Canadian delegate reminded the group that in Canada a jurisdictional problem was involved in this question, as the regulatory authority for pollutants such as sulphur dioxide was provincial.

Atikokan

In answer to American concerns regarding the possible sulphur emissions on the Boundary Waters Canoe Area in Minnesota from the Ontario Hydro's coal generating plant at Atikokan, Canadian participants emphasized that the predicted emissions of SO_2 are far below those acceptable in the United States in any area except a pristine class I area. They made the points that low sulphur coal was being used in this project, that scientific studies on both sides had concluded there would be no injurious effects on the US from the plant's operations, that the emissions of the plant would be closely monitored and that there was sufficient design flexibility in the construction of the plant to allow for corrective action to be taken later if necessary.

Nevertheless, the American side considered that Atikokan presented a problem, particularly if viewed in a broader context. They pointed out that at a time when there was an emphasis on conversion from gas and oil to coal, this generating plant had been approved without scrubbers, and it could be just the first in a series of such new plants along the border. The cost for a scrubber for the Atikokan plant was estimated at $60 million, not overly expensive for remedying the emissions, an American delegate said. In the United States all new thermal generating plants were required to have scrubbers. There was no similar national policy in Canada, the delegates pointed out. With no federal mechanism of control in Canada

in place, there could be troubles ahead at many other points. The problem should be resolved co-operatively, the American spokesman said. The Canadian side agreed to report this point of view back to the Canadian government.

Poplar River

There were exchanges of views on both the water quality and air pollution implications of the Saskatchewan Power Corporation's coal fired generating station on the East Poplar River near the Saskatchewan-Montana border.

During the discussion on water quality aspects, an American spokesman raised the question of the IJC's recent request to the Saskatchewan government for a moratorium on the project pending receipt by the IJC of the full documentation it had requested. The American side said Saskatchewan's attitude had been very difficult and its letter to the IJC had set a very unhelpful tone. Canadian participants said it was unfortunate the material had been so slow in being presented but they were informed that the IJC now had all the relevant data. Further, Saskatchewan had undertaken to meet the requirements of the Boundary Waters Treaty regarding pollution and the project would in fact improve the natural flow by maintaining a continuous flow of one cubic foot of water per second at the boundary plus furnishing an additional 300 acre-feet each year. The Canadian side pointed out that it could be difficult if the IJC did not now lift its moratorium request and the Saskatchewan government refused to accede to it. If Washington put pressure on Ottawa to lean on Saskatchewan in this connection the end result might only be to damage the authority of the IJC, an institution which had done so much constructive work. However, if there were an adverse IJC ruling on water quality the Canadian federal government would then have authority to act under the International River Improvements Act. In the meantime, it was urged by both sides that the two federal governments should try to arrive at a formula to overcome what is a political problem.

In respect to the air quality problem ensuing from the Poplar project, the American spokesman described the concerns of Montana in light of the prevailing winds which at this point are from north to south. He was concerned with the cumulative effects of the emissions and considered that Saskatchewan did not seem to be addressing itself to the air pollution question. The American Congressman suggested that there was a definite need for an air pollution treaty between the two countries.

The Canadian side pointed out that using all the "worst case" assumptions the predicted emissions from the initial installations would be well below the US threshold levels and result in no injurious effects in the US. A test burn had also borne this out. Only the first 300 megawatt unit (of a planned 1200 megawatt unit) was going into operation to begin with and emissions would be monitored carefully. The unit was designed to permit additional abatement equipment if necessary. It was understood that discussions were continuing at the offficial level on this issue. In connection with the suggestion for a bilateral air pollution treaty, a Canadian participant said he thought there was some interest in Canada in the idea though it might not be easy in view of the federal-provincial lines of jurisdiction.

Cornwall Island

The Canadian delegation drew the attention of the American side to a new independent study, issued a few days prior to the meeting, which conclude the fluoride emissions from the Reynolds Metals Company in Massena, N.Y. were likely to be of serious danger not only to the health of cattle and vegetation but also to humans on Cornwall Island in the St. Lawrence. While the emission controls put on the plant some years ago appeared to meet New York state standards, they breached the Canadian standards. The American participant whose legislative district was involved expressed concern and requested a copy of the independent study from the Canadian side.

Other transboundary air pollution issues along the border were referred to briefly during the meeting. These included the intention of Detroit to dispose of PCB's by incineration in an unused cement kiln. This project, a Canadian delegate said, had alarmed the citizens of Windsor, across the river, and while the procedure may turn out to be a safe way for PCB disposal, he considered that there should be a better system for bringing the public into the picture, for informing them of the facts and relevant details. He suggested that the IJC might be the logical body to perform this function and to reassure the public that their interests were being considered. The heavy emissions at Trail, B.C. and Sudbury, Ontario were also mentioned.

Great Lakes Water Quality

The American concern in respect to Great Lakes Water Quality centred on the pollution which Canada was allowing to enter the Great Lakes system from tributary rivers. Questions were asked as to why this was permitted under the current anti-pollution rules for water quality whereas in the United States anti-pollution regulations applied to the Great Lakes tributaries as well. For its part the Canadian side emphasized the somewhat differing approach taken by Canada to the clean-up of the lakes and tributary rivers. Tertiary treatment plants are not required where the extra cost was judged not to warrant it. Canadian participants referred to the progress which was being made by the American side in closing the gap between the two countries in their clean-up objectives under the 1962 Great Lakes Water Quality Agreement.

In answer to Canadian concerns raised by a recent press report that the US Administration had halved the EPA budget from $11 to $5 million for the Great Lakes clean-up, an American senator stated that the thought this funding would be restored before the year-end. However he suggested that there might be some linkage with progress on the Atikokan problem since the same people were interested on both sides.

Garrison Dam

The American spokesman on this subject reviewed the background of this transboundary water problem involving Manito-

ba and North Dakota and referred particularly to the more recent events including the IJC report and the suit brought by the Audubon Society against the US Department of the Interior—both in 1977. Just two days before the meetings, the US Department of the Interior had unveiled an alternative proposal considerably reducing the acreage involved in the project to 96,000 acres from 250,000. He considered this a success story of co-operation and consultation which could take place between the two countries including between legislators. He said it underlined the effectiveness of the IJC.

In reply, a Canadian delegate said that the Andrus plan was a definite improvement and he was pleased that the Souris Loop had been eliminated. However he still considered there were two concerns remaining for Canadians although he stated that there had been as yet no official Canadian position taken on these issues. First, the people of Manitoba and wildlife groups remained opposed to any transfer of water from the Missouri to the Hudson Bay systems. While a fish screen and sand filter has been included in the Andrus proposal, concern would remain until this method has been demonstrated to be absolutely effective. Secondly, there was provincial concern that construction of the Lonetree Reservoir was continuing when it did not seem to be required in such a reduced system. Would this large project serve as a leverage to enlarge the project in the future, it was asked, perhaps as a political trade-off? Was there a longer term purpose involved?

An American spokesman responded that he understood the foreign biota including fish would not reproduce in Manitoba water but the Canadian delegate said this had not been proven yet and the IJC had said it did not know the answer. The American side made the point that the reduced Andrus plan will require reauthorization in Congress.

Dickey-Lincoln Dam

An American delegate told the Committee that the reports of the engineering and environmental studies on this dam and transmission project on the upper Saint John River in Maine could be expected in August 1978. If the reports gave the go-ahead he said, the Corps of Engineers would want to proceed but the State Governor had some reservations as did other legislators. Appropriations might be difficult to obtain and there were clearly still a lot of hurdles. A treaty with Canada would be required eventually he said.

A Canadian spokesman mentioned the environmental disadvantage to Quebec and the down-river advantages to Canadian plants in New Brunswick of the project. While there were some short-term employment possibilities in the project, he suggested that there was a long-range potential for both countries in the creation of an international park or wildlife facility along the St Francis River which would be symbolic of international co-operation and would provide permanent employment. It would also be likely to gain the support of environmentalists who might otherwise oppose the project. The American spokesman commented that he had heard the Corps of Engineers' chief also mention such a project. The Canadian participant also questioned whether in fact the final arrangement on the matter between the two countries should be reached by referral to the IJC or by treaty.

Two other transboundary water topics were discussed more briefly. A Canadian delegate referred to the *Richelieu-Champlain* project designed to regulate flooding in the Richelieu River-Lake Champlain area in Quebec and Vermont. After investigation an IJC board has reported and recommended a new gated structure at St-Jean Quebec which, he said, should satisfy both the concerns of the environmentalists and those who were concerned about flood control. A coal mining project in British Columbia affecting the *Flathead River* in Montana was raised briefly by the Canadian side. The development plan for this project requires B.C. environmental impact statements. There has been a delay in getting information for these studies from the company as the whole project seemed to be in a holding pattern at the moment. A Montana Congressman has been pushing to have the matter referred to the IJC, the Canadian participant pointed out.

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Addendum

US Funding of the International Joint Commission

On several occasions throughout the meetings and in the opening plenary session, the American delegation referred to a recent development in Washington regarding increased improved funding of the American side of the International Joint Commission. There was a feeling on the American side, the American Co-Chairman told the plenary, that Canada was doing more than its share in this body and that the American side needed to be more effective and quicker in its performance. Accordingly, the United States General Accounting Office had issued on February 8, 1978, a report entitled "How the United States Can and Should Improve its Funding of the International Joint Commission Activities". This report recommended, first, that a separate fund be established to finance studies undertaken by the IJC, and secondly, that the direct funding of the Commission should be in the Department of State's budget and not in a number of other federal agency budgets. One delegate said that the American co-chairman of the Canada-US Inter-parliamentary Group intended to use the State Department Authorization bill to push this report forward.

Closing Plenary

The plenary began with brief reports on the work of each of the three committees, followed by direct questions from the floor relating to each report. For the first time this year the reports were limited to the major issues which emerged in the committee sessions.

A Canadian delegate commented on the evolving attitude of Canada toward the United States. The generally-accepted notion in the post-war years of a special relationship between the two countries had been replaced following the Nixon economic measures by the concept of the Third Option, involving an effort to develop more intensive relations with the European Community and Japan. But the countries of North America inevitably continued to treat each other differently than they treated other countries. Even U.S. relations with Mexico were different from those with Canada in that the level of common trade was much lower and the two countries did not share a common language. So Canada and the United States remained ultimately interconnected and more and more the issues of mutual importance were ones where Congress had major responsibilities. At next year's meeting attention should be given to the special problem caused by the natural instinct of legislatures to generalize their actions, with the result that Canada was usually most affected by Congressional moves. What were the possibilities for developing specific arrangements between the two countries which would be consistent with GATT obligations?

An American delegate commented that he had been impressed by what he had learned of Canada's difficulties as a result of U.S. extraterritorial actions, mentioning in particular the anti-trust action in the field of uranium marketing. A Canadian asked if the U.S. delegation might be prepared to express their common concern to the responsible authorities in the U.S. executive branch. An American suggested that Congress was not listened to by the Administration and that Canadian representations on this issue should be direct. Another Canadian responded that the Attorney-General was bound by U.S. law, and that only Congress could change the law. It was Canada's view that U.S. policy could not be imposed abroad in foreign jurisdictions by American courts but rather had to be negotiated on a government to government basis.

Another American noted that the Group now had an "early warning" system and that it had been activated on the convention tax issue, although the appropriate time for representations had not yet come. This led another American to mention how little contact he and his colleagues had with the Canadian Embassy, in contrast with European representatives who were constantly making representations on matters of national concern where congressional action was involved. It was often too late if the Embassy relied on the executive branch to convey information. At this point, three U.S. participants successively referred to the close and effective contact they had maintained with the British Embassy, each mentioning that Mr. Drower has been helpful to them on numerous occasions. A Canadian participant referred to the last report of the Senate Committee on Foreign Affairs on Canadian relations with the United States, which had urged a more vigorous posture by the Canadian Embassy vis-à-vis Congress. He was pleased to have confirmation that contacts with the Embassy were welcomed by Congressmen.

Another Canadian raised the question of the Middle East, wondering if the time had not come for the United States to put pressure on Israel to reach a settlement. A couple of Congressmen responded that President Carter could not take sides if he were to be a successful mediator. There were signs of flexibility in the Middle East and it was better to let events develop naturally.

Follow up action by the Delegation

In addition to circulating the Report to all members of the Association and to tabling it in the Senate in the course of a debate on the New Orleans meeting, the delegation drew a number of conclusions to the attention of responsible Canadian ministers.

The following Minister and officials received copies of the Report with a request that they take note of certain specific conclusions.

Hon. Don. Jamieson Secretary of State for External Affairs	Committee II —convention tax legislation Committee III —placing pilots on board tankers further outside the Juan de Fuca Strait —role of IJC vis-à-vis long range transport of air pollutants —need for an air pollution treaty Dyea hydro project
Hon. Len Marchand Minister of Environment	Committee III —placing pilots on board tankers further outside the Juan de Fuca Strait —role of IJC vis-à-vis long range transport of air pollutants —need for an air pollution treaty Dyea hydro project
Hon. Jean Chrétien Minister of Finance	Committee II convention tax legislation
Hon. Alistair Gillespie	Dyea hydro project
Hon. Hugh Faulkner	Dyea hydro project
Hon. Allan MacEachen President of Privy Council	Committee III gas pipeline from Alaska
Mr. Paul Normandeau President, St. Lawrence Seaway Authority	Committee II pilots on the Seaway

The following information has been sent to the United States delegation for distribution to Committee members.

Committee II:—timetable for introduction of changes in the Canadian tariff on horticultural products.

19th Meeting, Canada-United States Inter-Parliamentary Group New Orleans, Louisiana, February 9-13, 1978

CANADIAN DELEGATION

The Senate

The Honourable Dan Lang — Co-Chairman
The Honourable Jacques Flynn, P.C.
The Honourable Alan Macnaughton, P.C.
The Honourable Charles McElman
The Honourable Hartland de M. Molson
The Honourable George van Roggen
The Honourable David Walker

House of Commons

Mr. Herb Breau, M.P. — Co-Chairman
Mr. Walter Baker, M.P.
Mr. Bob Brisco, M.P.
Mr. Armand Caouette, M.P.
Mr. Eymard Corbin, M.P.
Mr. John Crosbie, M.P.
Mr. James Gillies, M.P.
Mr. Claude Lajoie, M.P.
Mr. David MacDonald, M.P.
Mr. Mark MacGuigan, M.P.
Mr. Jack Murta, M.P.
Honourable Martin O'Connell, P.C., M.P.
Mr. Jack Pearsall, M.P.
Mr. Jacques Trudel, M.P.
Mr. Ian Watson, M.P.

Honourable Renaude Lapointe
Speaker of the Senate

Honourable James Jerome, M.P.
Speaker of the House of Commons

19th Meeting, Canada-United States Inter-Parliamentary Group, New Orleans, Louisiana, February 9-13, 1978

UNITED STATES DELEGATION

The Senate

The Honourable William D. Hathaway
(Democrat—Maine) — Co-Chairman
The Honourable Mike Gravel
(Democrat—Alaska)
The Honourable John D. Durkin
(Democrat—New Hampshire)
The Honourable Carl T. Curtis
(Republican—Nebraska)
The Honourable Ted Stevens
(Republican—Alaska)

House of Representatives

The Honourable Dante B. Fascell
(Democrat—Florida) — Co-Chairman
The Honourable Lloyd Meeds
(Democrat—Washington)
The Honourable Max Baucus
(Democrat—Montana)
The Honourable Harold T. Johnson
(Democrat—California)
The Honourable Sam M. Gibbons
(Democrat—Florida)
The Honourable James M. Hanley
(Democrat—New York)
The Honourable Wyche Fowler
(Democrat—Georgia)
The Honourable Corinne C. Boggs (Lindy)
(Democrat—Louisiana)
The Honourable Larry Winn, Jr.
(Republican—Kansas)
The Honourable Robert C. McEwen
(Republican—New York)
The Honourable Arlan Stangeland
(Republican—Minnesota)

CANADA-UNITED STATES INTER-PARLIAMENTARY GROUP, NEW ORLEANS, FEBRUARY 9-13, 1978

Opening Address by Senator Dan Lang, Canadian Co-Chairman

It would be unwise for me to say much about our domestic affairs because each Member of the Canadian delegation will have a different view of our problems. I suggest that the variety of opinions and the complexity of the issues will be well brought out through discussion in our Committees. Accordingly, I will confine myself to a few general observations.

There are two major problems in Canada at this time—one is economic and the other is political and both are interconnected. On the economic side, no country in the world is in very good shape at this moment. In a number of respects, however, the Canadian situation is more unsatisfactory than yours in the United States. A few facts may help bring this out.

The average rate of unemployment in Canada has reached 8.5 (seasonally adjusted), and it is much higher in many of the poorer regions of the country.

Inflation last year in Canada had risen to an average of 9.5 per cent. Although our Anti-Inflation Board had been quite successful in 1976, our inflation rate went up instead of down. In 1977, as a result of the depreciation of the Canadian dollar, there were some major commodity disasters, and our decision to let domestic oil prices rise gradually toward the world level.

We had a lower rate of real growth last year than you did—2.5 per cent in Canada as compared to about 5 per cent in the United States.

Our consumer spending was down in 1977; however, our exports were up.

Our trade balance was favourable, but for the third year in a row we had a current account deficit of about $4.5 billion. This would be comparable to annual deficits on current account of about $50 billion for you. Over $4 billion of this 4.5 billion Canadian deficit has been with the United States. It comprises a tourist deficit with you of $1 billion this year—due in no small measure to our overly zestful winter. Your recent restrictions on convention expenses hasn't helped this problem. We must also continue to make large payments on past borrowings and large payments arising out of United States investments in our country.

I could go on at some length, but I have given you enough to show, I hope, what whatever problems you have, ours are more acute.

This economic picture is far from a good environment in which to deal with our constitutional problems.

The Quebec situation is as uncertain as it was when we met nine months ago. No date has been chosen for a Quebec referendum on separation from Canada. Public opinion polls taken in Quebec indicate that the separatists—that is, those who really want separation—are still in a small minority. However, referenda are tricky and unpredictable political instruments at best, particularly when their management is in the hands of a government and party dedicated to bringing about one of the options to be voted upon. The major opposition party in that province has yet to choose a new leader, which it intends to do in April. So from these few words you may deduce the cloud of constitutional and political uncertainty that hangs over Quebec and disperses over the rest of the country.

Constitutional tensions in Canada are not limited to Quebec. As you may be aware your Vice-President and a former Senate colleague, Mr. Mondale, (accompanied by my co-chairman Senator Hathaway) went on to Alberta following a recent visit to Ottawa. Mr. Mondale has known Premier Lougheed for a number of years, but I think he discovered that Premier Lougheed is a tough defender of his province's interests. He underlined to your Vice-President that a decision by the federal government to export gas to the United States depends on his government's prior agreement. This situation illustrates some of the tensions which exist elsewhere in the Canadian federation.

Taken together our economic problems and constitutional crises today form the background of our concerns regarding trends in relations with the United States.

To strike a happier note let it be said that in many respects our relations have rarely been better. Your President has demonstrated a determination to develop a real entente cordial, with the neighbours of the United States and in this he has been very successful. Vice-President Mondale, whose forebearers came from Western Ontario, has—but not for that reason—participated enthusiastically in this effort. Both men have established a close personal relationship with our Prime Minister. These relationships have in turn set standards which penetrate both governments. It is not an exaggeration to say that relations are very good with every prospect of improving still.

There have also been in the past year some notable achievements in the field of intergovernmental negotiations. These will have beneficial consequences for relations between our two countries for decades to come.

One of these has been the agreement regarding the gas pipeline from Alaska to the mid-west and north-west. While many difficulties remain to be resolved, what is important is that the mutual interests of our two countries have been reconciled in what may become the largest private construction program in history. There are also good prospects for making arrangements to increase deliveries of gas to the United States in exchange for commitments to supply us with equivalent quantities of Alaska gas when the pipeline is completed. Another joint transportation arrangement, the St. Lawrence Seaway, has also been the subject of an agreement which we regard as most important, namely, raising tolls so that the system pays its own way.

Perhaps even more important, though less attention has been directed to it, has been the negotiations aimed at defining the four maritime boundaries between our two countries now that we have both established regimes out to the 200 mile limit. Although some difficult problems remain to be resolved, the negotiators have devised some imaginative solutions to our conflicting claims and there appears to be determination on both sides to reach an agreement. This would be a major achievement, for even among the best of friends, territorial differences can arouse strong passions. If and when our respective administrations reach agreement, I trust the resultant treaty will be supported in every respect within the Canadian Parliament and more importantly in the United States Congress and that the overall national interests and the importance of our bilateral relations will transcend parochial concerns.

If I stopped here, you might conclude that relations are in such shape that we call off our business session schedules for these two days and enjoy ourselves. But I must go on, as I see a number of difficulties looming on the horizon. I want to speak frankly about some of them, particularly because you—the Members of Congress—will be dealing specifically with these problems.

I have told you about some of our economic worries. We also know about yours. Indeed, most of our western world has similar problems to a greater or lesser degree. We are all concerned that these industrialized countries collectively and individually respond in a constructive way to internal domestic pressures to protect their economies and the jobs of their workers. The MTN talks in Geneva take on a new and heightened significance in this climate.

From this perspective, I would like to draw your attention to some United States protective actions, all based on powers conferred on the President by Congress and in some instances providing for Congressional review of the President's actions.

As Canadians, our grave concern is over actions taken by United States authorities to protect American interests against the actions of specific countries. These actions are through law clothed in general and overall terms and as a result may inadvertently damage us more than the countries for which the protection was really devised in the first place.

Let me illustrate what I mean with a few examples.

You have a steel reference price system which triggers an anti-dumping investigation. Your formula involves the cost of an efficient and low cost producer in Japan plus freight and other charges to various points in the United States. Canadian steel producers are well known as efficient and low cost producers but they are not in Japan but right on your back doorstep across the Great Lakes. In other words selling our steel into the United States at our domestic price plus the relatively small transport charges involved could automatically subject our steel exports to an anti-dumping investigation whereas in fact there has been no dumping—certainly not in the ordinary sense of that word.

There are a number of other cases before your International Trade Commission which have the potential for really hurting Canada. I am thinking of cases involving zinc and industrial fasteners, all areas in which we have for many years been a dependable supplier to the United States market.

Proposals for "Buy America" provisions limiting your sourcing of federal procurement are of particular concern to us. Congress has already attached riders to this effect on some legislation and there are other amendments being proposed which would be wider in their application.

Another area of concern is technology. As you know, the AFL-CIO has been a strong advocate of restrictions on technology transfers. Canada is a major market for your technology and the United States patent holders earn hundreds of millions of dollars from Canada annually. This exchange has been especially widespread in the defence field. Any decision to limit the transfer of technology could be crippling to Canada. And unless you exempted the defence industries it would weaken our contribution to the collective defence of North America.

If I have put emphasis on tariff issues it is because the field is one in which Congressional decisions prevail. The Administration must work within the guidelines which you collectively establish and the President must in many instances seek your approval for the slightest deviation from the guidelines.

But Congress' impact on Canadian-United States relations does not end with tariffs. As those of you who attended last year's meeting in Victoria will remember, your decision to change the regulations for accounting for *Convention expenses* had a disproportionate and I expect unintended impact on Canada. We calculate that this decision cost us many tens of millions of dollars last year, through cancelled conventions in Canada and increased attendance by Canadians at conventions of associations and organizations to which they belong in the United States.

There are literally hundreds of professional, business, industrial and fraternal organizations whose membership transcends our borders and we feel tax treatment of their convention expenses should be the same whether held in Canada or the United States. We welcome the proposed modifications recently announced by Vice-President Mondale but inasmuch as they are relatively modest and of applicability to every host country in the world, they may fall short of what we consider is necessary to meet a uniquely Canada-United States phenomenon.

As the extent of government intervention grows, there is bound to be increased interaction. I shall give just one more illustration of Congress' impact on Canadian-American relations by referring to your 1977 amendments to the Clean Air Act. We respect and generally support your objectives. It is not surprising that you instinctively classify large areas to the north as Class I pristine areas in which, in effect, even controlled industrial development cannot be undertaken. But this legislation takes no account of the fact that all along your northern border Canadians congregate in the most favourable climatic areas of our country. Ninety percent of our people live in a long thin ribbon within 200 miles of the border. That is where most of our industrial development must take place. So, unless we reach an agreement on common standards, your safeguards for the most stringently protected areas could present us with painful choices: either to forego building power plants—to cite two current issues—or for us to proceed in conformity with our own standards.

Now I expect some of you are saying that this is a tough world and everyone must look after himself. But such a reaction ignores the extent of our mutual trade. How many Americans are aware that our joint trade now approaches $60 billion? This is over $7 billion more than the United States trade with the nine countries of the European Community combined, including such major trading nations as Germany, France and Britain. As for Japan, I suppose that since President Nixon's widely reported mistake, it is now more generally known that our mutual trade is more than twice your trade with Japan.

United States exports to Canada as a percentage of your GNP has doubled in a decade. American exports to Canada now represent close to three per cent of your Gross National Product. This is a long way from the 15 to 20 per cent of our GNP that our exports to you represent, but is it far from insignificant even for you? Some US industries are particularly dependent on the Canadian market. For example, how many Americans realize that Canada is the world's largest importer of construction equipment, that our per capita use of construction equipment is twice that of the United States—with the result that almost 20 per cent of the construction equipment made in the United States is exported to Canada? I could go on drawing examples from other industries. But I think you will already appreciate my point.

So I am saying that this is not a one-way street, and if the Canadian economy falters badly many Americans will be

adversely affected. It illustrates the risk of showing weakness in the face of protectionist pressures. In this respect I must admit we Canadians have also responded to exploding imports with defensive measures and a couple of these actions have affected or could affect some of your producers. I think, for example, of our quotas on double knit synthetic textiles and the proposed national chicken marketing agency.

These are a few of the many matters which will come up during our meetings and lend a new relevance to this Group. In exploring our problems and searching for mutually satisfactory solutions I know that the Canadian delegation will approach them having in mind a certain perspective.

The Standing Committee on Foreign Affairs of the Canadian Senate which is chaired by our colleague, Senator van Roggen, recently published a report on Canada-United States relations. I will quote one paragraph:

> "How the Committee asks, in the light of the geographic ties, the affinities and interchange of the two peoples, the ease of communications, the similar institutions and the extent of trade cultural and other ties can the relationship be considered anything but a "unique one"? Canada cannot deny "a special relationship does exist with its southern neighbour." "

I hope that such perspective will find a sympathetic response among our American colleagues, and that it follows through our discussions here and into the discharge of our respective legislative responsibilities.

THE SENATE

Tuesday, April 25, 1978

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

Prayers.

[*Translation*]

NEW SENATOR

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that the Clerk has received a certificate from the Registrar General of Canada showing that Joseph Napoléon Claude Wagner, Esquire, has been summoned to the Senate.

NEW SENATOR INTRODUCED

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

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

Hon. Joseph Napoléon Claude Wagner, of Montreal, Quebec, introduced between Hon. Jacques Flynn, P.C., and Hon. Martial Asselin, P.C.

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

[*English*]

THE HONOURABLE JEAN-PIERRE CÔTÉ, P.C.

TRIBUTES ON RESIGNATION FROM SENATE AND APPOINTMENT AS LIEUTENANT GOVERNOR OF QUEBEC

Hon. Raymond J. Perrault: Honourable senators, on this evening when we welcome to our midst Senator Wagner, a distinguished representative from the Province of Quebec—

Hon. Senators: Hear, hear.

Senator Perrault: —it is also fitting to pay tribute to our colleague Jean-Pierre Côté, who resigned from the Senate on Friday last, following his appointment as Lieutenant Governor of Quebec.

His appointment follows years of accomplishment both here and in the other place. Jean-Pierre Côté exemplifies the fact that Canada was, and is, a land of opportunity for those prepared to work hard. He had to leave school in 1939 to help out his family when his father, a postal clerk, fell ill. Twenty-six years later he was Postmaster General of Canada. He was appointed Minister of National Revenue in 1968, but the same year he had to reduce his workload, following open-heart surgery, and returned to the back benches. However, in 1970 he was named Minister without Portfolio and was appointed Postmaster General of Canada for a second time a year later.

He was summoned to the Senate in 1972. He has been an amiable and well-liked colleague of ours, and he contributed much to our deliberations.

There is no doubt that he is well able to accept this new challenge. All of us who worked with him in the Senate are certain that he and his wife, Germaine, will handle their duties with both spirit and dignity.

[*Translation*]

I know that my colleagues will join me in wishing Jean-Pierre and his charming wife our most sincere congratulations as well as our best wishes for success in their new function.

Hon. Jacques Flynn: Honourable senators, as you can well imagine, I am also very happy to welcome our new colleague, Senator Wagner. I am happy because he will be adding to the strength of the opposition which is becoming more and more obvious. He will also enhance the quality of the Senate. I therefore wish to express my deepest gratitude to the Prime Minister for giving us this colleague.

I also wish to extend my most heartfelt congratulations to Senator Jean-Pierre Côté who, on Thursday, will be sworn in as Lieutenant Governor of Quebec.

He is a colleague whom I always appreciated. I am very glad for him. I do not know if I should regret his leaving, since he has no regrets himself, as he said he could never get used to the life of a senator. Apparently, he was a fighter in the other place. But, of course, there is a better balance of power in the other place than in the Senate. I think his problem was that he took too literally the general advice given by the government leader, that is speaking little and always voting properly.

In any event, if that was the problem Senator Côté had, I hope he has a lot to do in his new role. However, I am not sure he will find there the tempo or atmosphere of the House of Commons. Whatever the case may be, it will certainly be a new life and, since he is very happy about his new duties, so are we.

I wish him great satisfaction in the exercise of his new duties. Those good wishes and congratulations apply as well to Mrs. Côté who will be the chatelaine of the official residence of the Lieutenant Governor in Quebec, on St. Louis Road. In passing, I am sorry the residence at Bois de Coulonge was never rebuilt because, truly, that residence gave the post incomparable prestige. I have always deplored that fact that it was not rebuilt. I should have been so much happier if the new

Lieutenant Governor and his family had gone to live in the residence of former Lieutenant Governors of Quebec.

I speak for all senators of the official opposition when I say to Senator Côté: Good luck! Be happy, you and yours, in your new duties, in your new residence.

● (2010)

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Agreements between the Government of Canada and the Governments of Newfoundland, Nova Scotia and Prince Edward Island, dated April 18, March 23 and March 23, 1978, respectively, concerning the strengthening/improvement of certain primary highway links.

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans between employers and employees, as follows:

1. The Price Company Limited, Mont Joli, Quebec and the group of its sawmill hourly-rated employees represented by Le Syndicat national de l'Industrie du Bois de Price, Inc. (C.S.N.). Order dated April 12, 1978.

2. Domtar Packaging Ltd., Corrugated Containers Division, Kitchener, Ontario and the group of its hourly-rated employees, represented by the Canadian Paperworkers Union, Local 1196. Order dated April 14, 1978.

Copies of Reports of the Administrator under the Anti-Inflation Act, dated April 14, 1978, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting failure to file a compliance report form on the part of the following:

Mr. André Bélanger, Montreal, Quebec

Mr. Lawrence Diner, Westmount, Quebec

Mr. Norman A. Adler, Montreal, Quebec

Mr. John Cloutier, Saskatoon, Saskatchewan

Mr. Maurice L. Hébert, Montreal, Quebec

Report of the Canadian Turkey Marketing Agency, together with financial statements and the auditors' report thereon, for the year ended December 31, 1977, pursuant to section 31 of the Farm Products Marketing Agencies Act, Chapter 65, Statutes of Canada, 1970-71-72.

Capital Budget of Central Mortgage and Housing Corporation for the year ending December 31, 1978, pursuant to section 70(2) of the *Financial Administration Act,* Chapter F-10, R.S.C., 1970, as approved by Order in Council P.C. 1978-1062, dated April 6, 1978.

Report on operations under the Clean Air Act for the fiscal year ended March 31, 1977, pursuant to section 41 of the said Act, Chapter 47, Statutes of Canada, 1970-71-72.

BUSINESS OF THE SENATE

QUESTION

Senator Flynn: Honourable senators, no one will be surprised if I rise to ask the Leader of the Government why we are here this evening—outside of welcoming Senator Wagner, of course—as far as the business of the Senate is concerned.

In the past two weeks we have rushed through several important bills, some of which we would have preferred to have studied in much more depth. We are now faced with the fact that those bills have been passed and assented to, some in a very imperfect form. We could have done so much this week. What is expected of us this evening?

Senator Perrault: Honourable senators, the Leader of the Opposition has asked a very pertinent question. I assure the house that the activities of last week were undertaken in good faith. Indeed, may I say—

Senator Flynn: Which ones are you speaking of?

Senator Perrault: Indeed, may I say that if the Leader of the Government in the Senate is to be faulted at all, it is in that he may have placed too much faith in the pronouncements of the Leader of the Progressive Conservative Party and Mr. Stanley Knowles, both of whom predicted a polling date of June 19 next. Now that I have determined that both of those gentlemen are fallible, I think that we in this house must carry on with a "business as usual" approach, and let events occur as they may.

It may be proposed later on, however, if honourable senators agree to revert to Notices of Motions, unless we have had messages from the other place which indicate far more progress than that which appears to have been accomplished in the past few hours, that the Senate should adjourn until Tuesday evening of next week, subject to recall, of course, in the event that urgent and pressing business comes before us. That is the only course of action I can suggest at this time.

Senator Flynn: Are you proposing that we adjourn tonight or tomorrow until Tuesday of next week?

Senator Perrault: I would say tonight, depending on the circumstances in the next half hour or so.

Senator Flynn: Not dissolution?

Senator Perrault: That, too, is a possibility.

CROWN CORPORATIONS

AUDIT REQUIREMENTS—QUESTION

Senator Grosart: Honourable senators, I have a question for the Leader of the Government to which I do not insist on an immediate answer.

What crown corporations or other agencies of the government, which receive and expend revenues from the Consolidat-

ed Revenue Fund, are there which are not subject to audit by the Auditor General of Canada and, in each case, what are the reasons for the exemption?

Senator Perrault: Honourable senators, I will take that question as notice.

● (2020)

CANADA-UNITED STATES INTER-PARLIAMENTARY GROUP

NINETEENTH MEETING—DEBATE CONCLUDED

Hon. Daniel A. Lang rose pursuant to notice of Wednesday, March 22, 1978:

> That he will call the attention of the Senate to the Nineteenth Meeting of the Canada-United States Inter-Parliamentary Group, held at New Orleans, Louisiana, U.S.A. from 9th to 13th February, 1978.

He said: Honourable senators, I was very, very surprised and somewhat offended this evening by the question put by the Leader of the Opposition to my leader as to why we are present here tonight. It should be self-evident that we are here tonight to hear me speak on the inquiry standing in my name on the order paper. Finding myself in this position—

Senator Flynn: I rise on a point of order. I thought we agreed that instead of making a speech you would put the report on *Hansard*, as you did last week. It is a case of false pretences if you are now going to make a speech.

Senator Lang: That may have been your ill-founded assumption, Senator Flynn, but I had no intention whatsoever of letting such an opportunity go by when I am able to address this chamber with no preceding orders of the day and in the presence of such a full attendance as we have tonight. I must add that the importance of the subject matter warrants the occasion.

Now, before I get into my speech I should like to say to those who have recently been inducted into this chamber how pleased we are to have them, and to recognize the extent to which they are contributing and will contribute to this institution and its further development. It is not an unmixed blessing, of course, when we on this side look across the chamber and see such distinguished men as Senator Roblin and Senator Wagner strengthening the opposition. Their addition to the other side of the chamber will, I hope, tend to bring to our deliberations a sense of reason and moderation which at times appears to be lacking.

Now, honourable senators, your pleasure tonight is to hear my report on the Canada-United States Inter-Parliamentary Group meeting held last February.

Last Thursday, as the Leader of the Opposition has noted, I asked leave, and the Senate very graciously granted me leave, to have the report of the Canadian delegation appended to the proceedings of that day.

Senator Flynn: Yes, instead of a speech.

[Senator Grosart.]

Senator Lang: That has been done and I hope that it provided enjoyable and educational reading for all senators over the weekend. If it has done so, then my words tonight will have more import.

Honourable senators will have noted that the report is rather lengthy, being 26 printed pages. It deals in great detail with those matters currently at issue between ourselves and the United States. It also deals with many multilateral issues that are of concern to both our countries. I am sure it will prove of great interest to senators who are interested in these matters.

There is no question today that our relations with the United States are looming larger and larger, and I think that all senators will take an interest in what is happening because of that self-evident phenomenon.

It seems almost unnecessary to reiterate this fact, but I feel it incumbent upon me to remind honourable senators, as it is necessary to remind the press and the public occasionally, that these deliberations do not arrive at any definitive conclusions; nor do they settle issues as between the two countries; but they rather provide a channel of communication which is a valuable supplement to our normal administrative communications and our ambassadorial connections. Where those are deficient or lacking, this Canada-United States Inter-Parliamentary Group provides another recourse, and one that, more and more, is being recognized by our Department of External Affairs.

The role of this group at this moment is unique, because it is in fact the only direct connection between Canada and the United States Congress on matters of mutual interest. We should bear in mind in that respect the significant role the United States Congress plays—particularly today after the demise of the Nixon administration—in initiating, amending and blocking legislation.

Indeed, of the three arms of the American system of government, that is, their presidential executive arm, their judicial component, and their congressional arm, Congress is by far the most potent force, particularly in respect of issues affecting our two countries. Therefore, our input as Canadian parliamentarians into the congressional opinion-making areas is important to Canada; conversely, we must admit that their input into our houses, because of our parliamentary system, has probably a less direct effect. As a consequence, we in Canada can, realistically, place a great deal of importance on this group's activities.

The main purposes of our deliberations are to transmit information, to ascertain positions on issues and, hopefully, to recommend solutions or modifications in order to avoid or minimize confrontations or frictions.

I think it is safe to say, and I am sure senators who were present last February at the meeting will agree with me, that the American delegation considered that meeting to be one of the most successful that had been held by the group to date, and I should not let pass the opportunity to acknowledge that, if that is true, it is in no small measure because of the diligence of the Canadian delegation and because of several factors which affected the input to our delegation.

● (2030)

There were thorough and exhaustive briefings by experts from various departments and outside officials. They took up 20 sessions, each of from two to two-and-a-half hours, for the three committees into which the delegation was subdivided. This involved three or four weeks of firm commitment by members of the delegation before the meeting took place.

The committee is greatly indebted as to the logistical base not only for the meeting itself but also for the scheduling of the committees; to Ian Imrie and his staff in the Parliamentary Relations Secretariat; and, for the substantive input at briefings and the meeting itself, to Peter Dobell and his staff at the Parliamentary Centre for Foreign Affairs and Foreign Trade. Both groups were most competently professional. They were, in fact, the envy of the staff of the American delegation. When we can provide that sort of reaction among the professionals in Washington, we have achieved something rather unusual.

Honourable senators, there were some 30 topics on the agenda. I shall mention only some of them, to give honourable senators an idea of the range and scope of the meetings held by each of the three committees with their United States counterpart.

There were a significant number of multilateral issues as opposed to bilateral issues. I think it was probably the first time there had been so many of them on the agenda. In parenthesis, I might add, of course, that the agenda is formulated by discussions undertaken between our respective staffs in the months before the meeting.

Among the multilateral issues, there were discussed such matters as the proposed grains marketing system, the problems of nuclear proliferation, disarmanent-SALT talks, human rights, Carter administration policy in this regard, the use of development assistance as ancillary to the promotion of human rights and then, of course, the all important current GATT negotiations.

As a general observation, I believe it is quite fair to say that in these areas the approach taken by Canada and the United States is basically the same. What was apparent to us, as Canadians, was how much more complicated and intricate are the ways toward the achievement of these objectives through the United States system of government than through our own. That last comment involves, as much as anything else, a mark of respect by Canadian legislators for the vitality and ingenuity of the United States congressmen.

Expectedly, of course, most of the issues were of a bilateral nature. I will not enumerate them at length; they involved trade and energy issues. It was self evident that those two fields of inquiry would be paramount. With regard to trade issues, of course, we had the perennial problems of the Automotive Pact, but now the new major irritant of the U.S. convention tax. We have the problem of non-tariff barriers, particularly those affecting us and imposed in the United States. We have the new problem of our proposed chicken marketing boards; of seaway tolls, which now fortunately seems to be resolved; of cross-border workers; of trade deficits, particularly ours vis-à-vis the United States; and the question that is always with us of the extraterritorial effect of some U.S. laws as currently highlighted by the controversy over the uranium cartel inquiry in the United States.

With regard to energy issues, one of the committees dealt at some length with the gas and oil pricing policies of the Canadian government, with our delegates attempting to elucidate the rationale behind those policies. The pipeline agreement had not at that time been signed, and this, of course, was a very important agenda item.

In the environmental area, conservation and anti-pollution standards were a major subject of discussion, as was the transportation of Arctic gas and oil. Great Lakes water quality and trans-boundary irrigation projects, many of which had been discussed at the meeting held a year previously, again arose, and where such was the case we were simply given an opportunity to up-date the problems in question.

There was one issue that I feel I should bring to the attention of the Senate, because it took up an inordinate amount of time, both in committee meetings and at the plenary session, and it was an issue on which we could find practically no common ground with our United States counterparts. Honourable senators will recall that a couple of years ago we passed a measure known as Bill C-58, which effectively put the Canadian *Time* magazine out of business, and denied, for income tax purposes, the expensing of costs incurred by Canadians advertising on United States radio and television stations when that advertising was primarily directed to the Canadian market—that is, trans-border advertising.

It will be recalled that the reaction from United States interests at that time was very marked. It will also be recalled that a year or so ago the United States passed an income tax act amendment, just as our Bill C-58 was an income tax amendment, limiting the deduction of expenses for attendance at conventions held outside the United States. That limitation was imposed, very rationally, in order to curb the expensive junketing that was being indulged in by certain American organizations, and which took them anywhere on the globe for the purpose of holding a convention and deducting the expenses of attending such conventions from their income tax.

● (2040)

This legislation, when it was passed by Congress, really failed to get the attention it deserved, considering the fact that there are many hundreds of organizations who have a common base in both Canada and the United States. These include professional groups such as medical groups, service clubs and business groups which, by and large, meet alternatively in either Canada or the United States.

As a result, this amendment had a direct effect on the Canadian convention business last year. In fact, after it was passed, members of Congress suddenly realized how completely inappropriate it was when applied to Canada and the United States. Immediately thereafter there were moves to try to exempt Canada from this provision, recognizing that to do so would be most difficult because the act is framed in terms of

generality and applies to every country in the world. To exempt Canada specifically would mean creating a legislative precedent; if not a precedent, a very difficult legislative hurdle.

The efforts to try to have this act amended or modified have been very effectively lobbied into nothingness by interests in the United States. These, of course, are television, radio and press interests. I do not need to mention to honourable senators how persuasive those groups can be with elected representatives. The argument being made by those lobbies is that in return for amending the convention tax provision so that Canada is not adversely affected, Congress should demand a *quid pro quo*, namely, the repeal or modification of our Bill C-58.

Honourable senators, I mention that not simply because of the inordinate amount of time that was spent on this matter at the meeting, but really to point out that while we have picked up about $8 million a year in Canadian advertising revenue as a result of Bill C-58, it is apparent that because of the U.S. convention tax amendment we have lost perhaps $100 million a year of revenue in our hotel and ancillary businesses in Canada.

These two enactments have only one common ground, namely, in both countries they were amendments to an income tax act; otherwise they have really no commonality. However, the fact of life is that now the two are inextricably linked and, as a result, we seem to have reached an impasse, and on balance Canadians are the big losers.

Honourable senators, I will not elaborate further. I would just say, in conclusion, that the meeting was successful and productive. These contacts are very valuable. I urge all senators to take an interest in this Inter-Parliamentary Group. It is an important group and it is going to become more so during the next few years. That is reflected, to some extent, in the fact that the Canadian government, in the person of the Minister of State for External Affairs, is realizing and acknowledging that this committee can play a very important role in connection with this all-pervasive area of relationships between the two countries. This recognition and acknowledgement in turn greatly enhances the importance of the group and its perceived importance by members of Parliament here in Canada.

Honourable senators, thank you for attending this brief sitting this evening to hear these words of wisdom, and for your kind and rapt attention.

The Hon. the Speaker: As no other honourable senator wishes to participate, this inquiry is considered as having been debated.

● (2050)

ADJOURNMENT

Leave having been given to revert to Notices of Motions:

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(*g*), I move that when the Senate adjourns today it do stand adjourned until Tuesday, May 2, 1978, at 8 o'clock in the evening.

Senator Flynn: Did you say 1978?

Senator Langlois: Yes, 1978, of course.

Motion agreed to.

Senator Langlois: I move that the Senate do now adjourn.

The Hon. the Speaker: Before putting the motion to adjourn, I should like to invite all honourable senators to my chambers to welcome the new senator and his family and friends.

Motion agreed to.

The Senate adjourned until Tuesday, May 2, 1978 at 8 o'clock in the evening.

THE SENATE

Tuesday, May 2, 1978

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

Prayers.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker *pro tem* informed the Senate that a message had been received from the House of Commons with Bill C-10, to amend the Financial Administration Act.

Bill read first time.

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

Senator Langlois, with leave of the Senate, moved that the bill be placed on the Orders of the Day for second reading later this day.

Motion agreed to.

DOCUMENTS TABLED

Senator Langlois tabled:

Capital Budget of Atomic Energy of Canada Limited for the fiscal year ended March 31, 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with a copy of Order in Council P.C. 1978-996, dated April 6, 1978, approving same.

Report of Uranium Canada, Limited, including its accounts and financial statements certified by the Auditor General, for the year ended December 31, 1977, pursuant to sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Copies of amendment to section 4(d) of the Immigration Regulations, 1978, pursuant to section 115(3) of the Immigration Act, 1976, Chapter 52, Statutes of Canada, 1976-77.

Copies of Ordinances passed by the Council of the Yukon Territory at its 1976 Third Session, pursuant to section 20(1) of the Yukon Act, Chapter Y-2, R.S.C., 1970, together with copy of Order in Council P.C. 1977-65, dated January 13, 1977.

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, regarding the reference on Keeprite Products Limited, Unifin Division, London, Ontario. Order dated April 21, 1978.

Report of operations under Part II of the Export Credits Insurance Act for the fiscal year ended March 31, 1978, pursuant to section 27 of the said Act, Chapter 105, R.S.C., 1952.

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. Crescent Cheese Co. and the Maycrest Co. and its Marieville, Quebec, Plant Personnel represented by the Teamsters' Union, Local 973, dated April 20, 1978.

2. Lincoln Steel Products Limited and its employees represented by the Canadian Association of Industrial, Mechanical and Allied Workers, Local 1 (B.C.), dated April 20, 1978.

3. Nova Scotia Corporation and its Thermal Generating Plant Employee group represented by Local 507 of the Canadian Brotherhood of Railway, Transport and General Workers, dated April 19, 1978.

4. Nova Scotia Power Corporation and its Office Employees and Others group represented by Local 610 of the Canadian Brotherhood of Railway, Transport and General Workers, dated April 19, 1978.

Copies of a document entitled "Economic Review", issued by the Department of Finance and dated April 1978.

DEPARTMENT OF JUSTICE

STATEMENT BY MINISTER WITH RESPECT TO LIBEL ACTION—QUESTIONS

Senator Roblin: Honourable senators, I should like to address a question to the Deputy Leader of the Government. It has to do with the recent statement made in the other place by the Minister of Justice with respect to the conviction of the Honourable Jean-Pierre Goyer on a matter of libel with respect to a civil servant.

My question has to do with the statement the Minister of Justice made respecting the government's paying the legal fees involved in this case on behalf of the minister in question; that it intended, if a fine was payable, to pay the fine, and if further legal proceedings were taken it intended to pay those expenses as well.

In the other place the Minister of Justice said that he intended to take this action, or approve of this action, because

there were legal precedents and other precedents which he felt justified the taking of this action.

● (2010)

I would ask the Acting Leader of the Government if he would be good enough to produce the precedents for the legal rulings referred to by the minister so that we may examine them to determine whether or not they fit this particular case.

It seems to me that if this matter goes unremarked, we are in danger of establishing a precedent which perhaps would not be generally approved in the future. In my view, there is a difference to be drawn between what a minister does in his official capacity protected by parliamentary privilege and what he does as a private person. While I am not in a position myself to comment on these precedents, I think if we had them placed before us it would be advantageous, and I am wondering whether that can be done.

Senator Langlois: Honourable senators, my only information to date regarding the statements alleged to have been made by the Minister of Justice in the other place is from news reports that I have read or heard over the radio or television. For that reason, I shall take the question as notice. I will endeavour to make the necessary inquiries to provide the information which my honourable colleague wishes to have.

Senator Forsey: Honourable senators, I wonder if I might address a supplementary to the acting leader. I should be interested to see, not only the precedents to which the Honourable Senator Roblin has referred, but also the legal basis for the action which the minister has apparently taken—and I am relying not upon news reports, or the radio, or the TV, but upon something I read in the official record of debates of the other place—the action which the minister has apparently taken in paying the legal costs and which he is prepared to take, if there is no appeal, in paying the damage assessed against the Honourable Mr. Goyer.

I should like to know by what authority, statutory or prerogative, this has been done, or is being contemplated, because even if there are precedents, unless there is legal authority, 50 precedents won't make the thing legal.

I should like to see the legal authorities cited, and I should also like to know by what legal authority the Department of Justice has apparently been advising the Honourable Jean-Pierre Goyer in what was apparently a purely private action, not flowing at all from his official duties as a minister, giving him advice as to whether there should or should not be an appeal, and apparently other legal advice. I should very much like to see the legal basis for all of these actions.

Senator Langlois: Honourable senators, my information based upon newspaper reports is that the minister, in the other place, said that he had obtained legal advice. Since my information is based only on newspaper reports, I shall take the question as notice and inquire into the situation further.

[Senator Roblin.]

NATIONAL REVENUE

INFORMATION CIRCULAR—REGISTERED CHARITIES—QUESTIONS

Senator Benidickson: Honourable senators, I wonder if the Acting Leader of the Government would see if he can obtain a copy of the directive of the Department of National Revenue which I think is under media discussion at the moment, issued in February of this year and to the effect that certain organizations which have been granted the status of a charitable organization, which entitles them and their donors to income tax consideration, might lose that status if they make representations of a political nature to members of Parliament and to authorities at other governmental levels.

Senator Langlois: Honourable senators, I shall have to take this question as notice. Again, my information in respect of this matter is based upon newspaper reports. I shall make inquiries and endeavour to provide an answer as soon as possible.

Senator Roblin: Honourable senators, I wonder if I might ask a supplementary question on the same subject. I have in my hand a copy of the letter that the Honourable Senator Joseph P. Guay, in his capacity as Minister of National Revenue, wrote in respect of this matter, enclosing a copy of the information circular to which my honourable friend opposite has already referred.

I think it is a particularly interesting document. I am sorry that the minister is not here to answer for it. They had trouble finding someone to answer for it in the other place, and we seem to be having the same problem here.

Among the matters referred to in the document issued by the department are certain opinions expressed respecting what I consider to be an interpretation of the statute. I am wondering whose interpretation of the statute it is, and whether it is based upon legal precedent or legal proceedings of any kind. If so, I, for one, would be very pleased to know what they are.

In particular I make reference to the definition of political objects which is contained in this rather objectionable memorandum.

> An object normally is said to be "political" if its ultimate intention is to influence the policy making process (as opposed to the administrative process) of any level of government, viz, federal, provincial or municipal. In this context an organization whose object is to promote a change in the law or promote the maintenance of an existing statute is considered to operate for a political objective.

It goes on further to say, under "Political Activities," that an organization could not undertake a program to promote its recommendations.

What are we to make of a document like that? I ask the government what we are to say to people in charitable organizations who perhaps want to change the school laws in the Province of Ontario? Are they not conducting a campaign to influence the government, to change the law, to change policy? What are we to say about people opposed to, or in favour of,

abortion and who belong to charitable organizations of various kinds? Could they not be described as offending against this particular piece of departmental literature? I think they can. And I would like to hear what the government has to say about the application of this extreme and extraordinary statement by which they have defined charitable organizations in such a narrow term that anybody who belongs to one of them cannot open his mouth without running the risk of having his income tax privileges withdrawn, thus, naturally, reducing the effectiveness of the organization.

What is there to say about religious organizations? They are certainly caught up in this net. By whose authority has this document been published? Why is it here? What is its justification? What law is behind it, and what policy is behind it? It seems to me to be entirely objectionable as an implied threat to anybody who belongs to any organization for doing anything that is going to disturb the government of the day.

The holding of public events to attract public support, et cetera, is an acceptable activity, "but if the purpose of the demonstration is to embarrass or apply pressure upon a government it is considered to be a political activity."

Those kinds of definitions are entirely unacceptable and I regret that the minister is not in his place to tell us exactly what he is up to.

Senator Langlois: Honourable senators, I was very much tempted to intervene before my honourable colleagues resumed his seat because his question is a rather long one, and goes beyond the limits of questions allowed at this stage ofF⅛he proceedings. However, I am going to take this as notice and I shall try to provide an answer for his many questions put in one.

Senator Roblin: I apologize to my honourable friend if I appear to have trespassed against his interpretation of the rules, but it is easier to do that than to ask 15 questions one after the other.

Senator Smith (Colchester): Honourable senators, I should like also to ask a supplementary question, if I may, about this reprehensible and threatening document, and in particular I would like to ask what criteria the Minister of National Revenue had in mind when he wrote his letter of April 18, 1978, to Mr. James M. McGrath, M.P. in which he said, among other things, that the charitable status "would not be prejudiced by limited attempts to promote the interests of these organizations". What criteria did he have in mind, if any?

Senator Langlois: Honourable senators, it is pretty hard for me or for anybody else in this chamber to say what anybody had in his mind when he said something, and in any case I am afraid I am a pretty poor mind-reader, and so I shall not attempt to answer that question. I shall wait until I get information from the minister himself. If he is back in his seat later this week perhaps he would like to comment on this question himself.

• (2020)

Senator Smith (Colchester): Honourable senators, I just wanted to observe, if I might, that I was not asking anyone to read the minister's mind. I was asking that the criteria that he had in mind be ascertained and the house informed.

Senator Langlois: Only the minister can answer that.

Senator Smith (Colchester): Honourable senators, I point out to the Acting Leader of the Government that the minister is not here. All I am asking the acting leader to do is to make sure that the minister comes prepared, when he next dares to face the house on this question, with the criteria that he mentions in this letter.

Senator Langlois: I will try to do that.

Senator Forsey: Honourable senators, I should particularly like to support that supplementary of the Honourable Senator Smith, because I have in my office at the moment a request from a certain charitable organization to ask for certain amendments to the Income Tax Act, and I am positively scared to ask for them, lest I imperil the income tax status of this very reputable, long-standing and important organization. So I very much hope that the minister will turn up and answer the questions.

Senator Grosart: Honourable senators, on the point, I wonder if I might ask the Acting Leader of the Government to do what he can to make sure that the minister attends the sittings of the Senate. We are in the most unusual position of having in this house a minister of the Crown other than the Leader of the Government. Questions were asked in the other place, and there were complaints that the minister was not there. The Senate is the only place where questions can be asked of the minister, and he is not here.

I would suggest to the acting leader that he inquire, and inform the Senate, just why the minister is not able to attend the sittings of the Senate regularly, when he is a minister and subject to questioning.

Senator Langlois: Honourable senators, I hope my honourable friend is not implying that the minister is always away from this house. After all, he has been here only a few weeks.

I am not aware of why he is not here today. I suppose he has good reasons for not being present. In any case, he is the person who should be asked to account for his conduct. I am certainly not going to start accounting for anyone else's conduct in this house.

I will convey the messages of my honourable colleagues to the minister, but that is all I can do.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. Eric Cook moved the second reading of Bill C-10, to amend the Financial Administration Act.

He said: Honourable senators, the purpose of Bill C-10 is to create the position of Comptroller General of Canada.

I should perhaps begin by pointing out that this morning on the CBC 8 o'clock news the name of the new Comptroller General of Canada was announced. This indicated to me that the government is confident that the Senate will do right by the government and pass the bill. On the other hand, it might indicate that the cabinet once again is displaying some of its customary insensitivity to the position of the Senate in our system of government.

Some Hon. Senators: Hear, hear.

Senator Cook: Whatever the reason, I am still obliged to do my best to discuss with, and explain to, the Senate the principle of the bill.

In his report to the House of Commons for the fiscal year ended March 31, 1976, the Auditor General of Canada stated:

> I turn now to the more important question of what should be done to restore effective control of the public purse to the government—and thereby to Parliament. My 1975 report described in detail many of my recommendations to attain this objective. These were endorsed unanimously by the Public Accounts Committee in its sixth report to the House of Commons under date of June 30, 1976.
>
> I believe there are two actions of paramount importance which the government should take to establish the foundation for an evolution toward a completely satisfactory system of financial management and control which would be fully compatible with maintenance of the decentralized authority of deputy heads proposed by Glassco. These recommended actions are:
>
> (1) The establishment of the position of chief financial officer of the government, preferably with the title Comptroller General of Canada, with deputy minister status and a direct reporting relationship to the President of the Treasury Board, and with duties and authorities fully commensurate with the important responsibilities of such a key position—a position which I rate, as do the members of my Independent Advisory Committee on Financial Management and Control Standards, as the most important and responsible financial executive position in both the public and private sectors of Canada.

Following extensive discussions between the President of the Treasury Board and the Auditor General to clarify certain aspects of the proposed responsibilities for the office, the government, in April, 1977, announced its intention to create such a position, identifying it as that of:

> the chief financial administrator of the federal public service, responsible for the quality and integrity of the financial administrative systems and related practices and procedures in use throughout the federal public service.

If Bill C-10 becomes law, Parliament will have implemented the first part of the Auditor General's recommendation. There is, of course, much more to be done to carry out the report of the Auditor General over and beyond creating the position of Comptroller General of Canada. In view of the fact that the Government of Canada collects and spends billions of dollars each year, the creation of the post of Comptroller General is merely a first step in a journey of a thousand miles.

The Comptroller General must be entrusted with all necessary duties and vested with all needed authority to carry out his job. If the Comptroller General is a mere man of straw without proper authority, the appointment will be one of form and not of substance. In this connection I cannot do better than quote further from the Auditor General's recommendations:

> (2) The selection and appointment as the first Comptroller General of Canada of a person with appropriate professional qualifications, with a proven record of outstanding competence and achievement at senior levels of responsibility, and with extensive experience as a senior financial executive in a large-scale organization in either the public or private sector. The appointee should have the sort of impressive credentials and personal characteristics that will enable him to gain quickly the confidence and respect of his Minister, of the Treasury Board, of the Cabinet, of parliamentary committees, of his peers (the deputy heads of all departments and agencies, and the heads of partially or fully-owned and controlled government corporations), of financial and accounting personnel throughout government who will look to him for functional leadership including advice and guidance on financial and accounting matters, of national professional accounting bodies, and of the Auditor General and his senior officers.

I am still quoting from the report:

> Unless the government responds positively to these two recommended actions I am convinced that the present unsatisfactory state of affairs will persist. Action on both recommendations, especially the selection or appointment of a properly qualified person to become the first Comptroller General of Canada, will lay the essential foundation of a soundly conceived program for restoring effective control over public funds and assets, and to ensure probity, prudence and economy in their management.
>
> I am confident that the government, Parliament, and indeed all taxpaying Canadians will subscribe to these objectives.

● (2030)

Honourable senators, it is clear that the Auditor General is of the opinion that this will be an important appointment, and if the office is correctly set up, and the right person chosen, it will be a very real step forward, and will be of great benefit to Canada.

It would be unfair to give the impression that nothing is being done at the present time in respect of the duties which will be entrusted to the Comptroller General. There are two existing branches of the Treasury Board which are responsible for the quality and integrity of financial administration policies, practices and control systems. These two branches, namely, the Efficiency Evaluation Branch and the Financial

Administration Branch, also develop and maintain the policies and procedures which are necessary for evaluation and reporting of the efficiency and effectiveness of government programs. These two branches will henceforth be part of the office of the Comptroller General.

I have in my hand a documents entitled, "Responsibilities of the Comptroller General," which lists 20 items which will be entrusted to him. This list was read into the record of the Standing Committee of the House of Commons on Miscellaneous Estimates on March 16, 1978, by the Honourable Mr. Andras, President of the Treasury Board. It seems to me that this document would be helpful to honourable senators when considering this bill, and I ask the consent of the house to have it printed as an appendix to *Hansard*.

The Hon. the Speaker *pro tem:* Is it agreed, honourable senators?

Hon. Senators: Agreed.

[*For text of document, see appendix p. 725.*]

Senator Cook: With recent passage of the Auditor General Act, and the broadening of the Auditor General's mandate, scrutiny of departmental expenditures from the standpoint of economy and efficiency have been improved.

It should be noted that paragraphs 7(2)(d) and (e) of the Auditor General Act require the Auditor General to draw the attention of the House of Commons to any case in which he has observed that:

> (d) money has been expended without due regard to economy or efficiency; or
>
> (e) satisfactory procedures have not been established to measure and report the effectiveness of programs, where such procedures could appropriately and reasonably be implemented.

These provisions, of course, are far wider in their application than simply requiring the Auditor General to ascertain whether in his opinion proper books and records have been kept, or that public money has been fully accounted for and expended only for the purposes for which it was appropriated by Parliament, these being the provisions of the old act.

As I understand the situation, however, the Auditor General reports after the event. His report deals with things already passed and done. The duties of the Comptroller General would be different. As I understand his purpose, the Comptroller General will be supervising actions and decisions which are being done while they are being done, that he will give directions, guidance and advice, and will exert necessary control.

The creation of the office is not difficult. This bill, if passed, does that. Assigning the necessary duties and granting the needed authorities will be more difficult. The selection of the right person will be most important.

Honourable senators, at this point in time we can only hope that the government will be successful in selecting the right man, and that having wisely given him the correct mandate it will give him the full authority to carry it out.

The creation of the post of Comptroller General of Canada means that we are breaking new ground. If we are not breaking new ground, then, as some critics say, we are only creating another deputy minister.

If we are, in fact, breaking new ground, it seems to me that it would be a mistake to try to draft out a hard and fast mandate for the Comptroller General in the act itself. It may well take some period of time for the Auditor General, the Comptroller General and the departments of government to settle the terms of his mandate and the extent of his authority.

It seems to me we will have to await future reports from the Auditor General before we will be able to judge if the government has settled on the correct mandate and has secured a suitable candidate for the office, and if an all-round improvement has resulted. But, of course, before anything can happen, the office must be created, and that, as I have said, is the purpose of this bill.

Senator Grosart: Honourable senators, I wonder if I may ask the sponsor of this bill if the appointment of the Comptroller General of Canada has been made.

Senator Cook: That was an item in the CBC 8 o'clock news this morning and also, I noticed, in the *Globe and Mail*, to the effect that Mr. Rogers had been appointed Comptroller General as from April 1.

Senator Grosart: Does the sponsor of the bill really believe that? Perhaps I should direct the question to the Acting Leader of the Government. Is it possible that the sponsor of the bill, who should know whether this has been done, is correct in saying, as he did say, that it has been done? This would be, of course, an insult to Parliament. May we be told now, before we proceed further with this bill, whether this has been done? Is it fact or fiction?

Senator Langlois: The honourable senator sponsoring this bill has given the source of his information, and we will have to leave it at that.

Senator Neiman: Honourable senators, may I interject? I happen to be reading yesterday's *Hansard* of the House of Commons, and the proceedings on third reading of this bill, and I see that the Parliamentary Secretary to the President of the Treasury Board referred to Mr. Rogers as the Comptroller General in his concluding remarks. Therefore, I would assume the appointment has, in fact, been made.

Senator Grosart: I can only ask if this is not the most extraordinary situation we have been faced with in my years in the Senate, when another honourable senator rises to quote from Commons *Hansard* to the effect that this has been done. I cannot believe it has been done. It is true that Mr. Rogers is a very distinguished prospective occupant of this position. He was the vice-president of Xerox, and the evidence appears to be that there could not be a better man for the job, but surely before we proceed with this bill we should have the facts. Are we in a position where we are asked to approve a bill to create the office of Comptroller General of Canada and are being told by two and a half senators that an appointment has been made?

Senator Langlois: Who is the half senator?

Senator Forsey: I am going to add another half senator, if I may, because I have just been looking at *Hansard* of the other place and I find Mr. Rogers is three times referred to as "the new Comptroller General." The parliamentary secretary said "the new Comptroller General himself, Mr. Rogers, appeared" before the committee of the other place and, "Indeed, neither Mr. Rogers, the Comptroller General, nor the Auditor General, Mr. Macdonnell, has any problem . . ." Three times the parliamentary secretary referred to this gentleman, whom I know and whom I esteem very highly, as "the new Comptroller General." I think the question of the Deputy Leader of the Opposition is certainly very relevant indeed. It is a most extraordinary procedure.

Possibly the parliamentary secretary was speaking without any kind of authority but, if so, he should be told by his superiors in the other place to be careful in his use of language henceforth. It is the most extraordinary production I have seen in a long time.

Senator Choquette: It is a fait accompli if it has been done.

Senator Forsey: It is at page 5041 if the acting leader wishes to check the references I have given.

• (2040)

Senator Grosart: Honourable senators, it was my intention—and I suppose it still is—to move the adjournment of the debate. However, I hesitate to do so without having some answers to this very important question. I regret that with this bill before us we are unable to get an answer to this question from either the sponsor of the bill or the Acting Leader of the Government. I move the adjournment of the debate.

On motion of Senator Grosart, debate adjourned.

DISTINGUISHED VISITOR IN GALLERY

Senator Grosart: Honourable senators, before the adjournment of the Senate may I with leave call attention to the presence in our gallery of a distinguished visitor to Canada, a Paramount Chief from Western Samoa, a scholar, who is now the development dean of the projected University of Samoa, the Honourable Tagaloa Leota Pita.

Hon. Senators: Hear, hear.

The Senate adjourned until tomorrow at 2 p.m.

APPENDIX

(*See p. 723*)

RESPONSIBILITIES OF THE COMPTROLLER GENERAL

The Comptroller General would be responsible for the Treasury Board's interest in the following items:

1. Financial Officers development and maintenance in conjunction with Personnel Policy Branch and Public Service Commission of training programs for financial officers. Liaison with Personnel Policy Branch concerning the general level of financial staff within the government and with PSC, departments and agencies concerning transfer and promotion of senior financial officers. Representation on selection boards for senior financial positions.

2. Ensuring that internal audit procedures support the Treasury Board Secretariat's audit for compliance.

3. Ensure that financial systems are compatible with and support procedures recommended by the Treasury Board designed to provide for the measurement of program effectiveness.

4. Design and implementation guidance with respect to systems of financial reporting, financial management and financial control to provide assurance that public monies and assets are expended with probity, economy and efficiency and that public monies and assets are under effective custody and control. Assessment of the adequacy of such systems in departments and agencies.

5. Report to President of the Treasury Board on the adequacy of departmental and agency systems and procedures for effectiveness evaluation.

6. Report to President of the Treasury Board on the adequacy of departmental and agency systems and procedures for measuring efficiency.

7. Preparing and signing of the Public Accounts and certain other financial statements of Canada.

8. Accounting principles and practices for the Accounts of Canada.

9. Structure of accounts to be used by departments and agencies for the preparation of financial reports.

10. Recommendations on the form of the Public Accounts including ensuring consistency of the Public Accounts form of presentation with the form of the Estimates presentation and taking into account the need for adequate disclosure to Parliament.

11. Recommendations on the form of the Estimates with respect to ensuring that expenditures are made for the purposes voted and in accordance with Treasury Board standards and policies for financial administration.

12. Review and approval of all accounting systems and procedures supporting the financial information and statements included in the Public Accounts.

13. Support the President before Parliamentary Committees on matters of expenditure control and financial reporting.

14. Recommendations as to how capital budgets might be changed to improve expenditure control and financial reporting.

15. Preparation of briefing material and recommendations for the Minister on all Memoranda to Cabinet having to do with the responsibilities of the Office of the Comptroller General.

16. A functional relationship with chief financial officers of the departments, agencies and corporations (providing "functional guidance").

17. Provision of assistance to departments, agencies and corporations in the design and development or improvement of financial management, control, and reporting systems.

18. Liaison of the President of the Treasury Board with the Auditor General, including the coordination of the response to the Auditor General's Annual Report. Ensuring that effective and prompt remedial action is taken by departments and agencies on matters raised in audit observations, and on recommendations of the Public Accounts Committee.

19. Development, maintenance and evaluation of detailed policies and guidelines on the internal financial and operational audit function of the government; the evaluation of the scope and quality of this internal financial and operational audit in departments and agencies. The provision of advice and leadership to the internal financial and operational audit community of the government.

20. The provision of a central advisory service to departments and agencies concerning financial administration policies, principles and standards of the government, and the provision of authoritative interpretations of legislation, regulations and policies related to financial administration. The provision of advice to the Treasury Board Secretariat on financial administration aspects of issues submitted to the Treasury Board for consideration.

THE SENATE

Wednesday, May 3, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Canadian Dairy Commission, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1977, pursuant to section 22 of the Canadian Dairy Commission Act, Chapter C-7, R.S.C., 1970.

COMPTROLLER GENERAL OF CANADA

STATUS OF MR. HARRY ROGERS—QUESTIONS

Senator Grosart: Honourable senators, I should like to address two questions *seriatim* to the Leader of the Government in the Senate, the first of which relates to the important question asked last evening in connection with Bill C-10 for which an answer was not at that time available.

I would now ask the Leader of the Government whether an appointment has been made to the office of Comptroller General of Canada?

Senator Perrault: Honourable senators, I have read an account of last night's proceedings during which an important question was posed by the Deputy Leader of the Opposition. I have since ascertained certain facts with respect to the appointment of Mr. Harry Rogers as an adviser to the President of the Treasury Board.

I am informed that Mr. Harry Rogers, formerly the Vice-President, Operations, Xerox of Canada Limited, joined the Treasury Board on April 10 as a special adviser to the President of the Treasury Board. He was appointed by order in council which was made possible under section 39 of the Public Service Employment Act. A press release referring to Mr. Rogers described him as the "Comptroller General designate." I understand that certain news reports referred to him as the Comptroller General. Of course, he cannot assume the responsibilities of that position until the bill creating the position has been duly debated and passed by both houses of Parliament and given royal assent.

The relevant section of the communiqué from the office of the Prime Minister, issued on February 20, reads:

> The Prime Minister announced today the appointment of Mr. Harry Rogers . . . as Comptroller General designate effective April 2, 1978. The Prime Minister expressed his pleasure that the government has been able to obtain the services of such an outstanding person for this key position and thanked Xerox of Canada Limited for its co-operation in this matter.
>
> In making the announcement, the Prime Minister noted that Mr. Rogers would be reporting to the President of the Treasury Board and would be responsible for the assessment and upgrading of financial management programs and financial personnel throughout the Public Service in order to improve both financial control and overall management.

The release goes on to set out some of Mr. Rogers' academic and other background.

I have ascertained, as well, that the practice is not an extraordinary one; that this procedure has been followed in the case of other appointments, pending assent being given by Parliament to the legislation creating the position for which the designated individual is expected to assume responsibility.

Senator Grosart: A supplementary. Could I ask the Leader of the Government if the situation, then, is that the Prime Minister made an appointment designate to an office to which Parliament had not assented?

Senator Perrault: Honourable senators, Mr. Rogers has been assigned the position of special adviser to the Treasury Board as at the present time. That is his only position and status. If, of course, Parliament determines at some future date that it does not wish to approve of the proposed legislation which would bring into being the position of Comptroller General, a position which it is intended that Mr. Rogers may ultimately be able to fill, then appropriate action would have to be taken with respect to Mr. Rogers' position as special adviser to the Treasury Board.

• (1410)

Honourable senators, generally it is regarded as being of value to have people who are expected to assume burdensome responsibilities of this kind acquaint themselves in advance with some of the challenges of the office. As I have stated, the practice is a normal one and has been followed, I understand, on other occasions by this government and by previous governments.

Senator Greene: Honourable senators, Xerox being an American corporation, may we take it that Mr. Rogers is a Canadian citizen?

Senator Perrault: Mr. Rogers is most assuredly a Canadian citizen. He was born in that great thriving metropolis of Toronto on April 24, 1931. He obtained his B.A. in Economics and Political Science from the University of Western Ontario where he was a gold medalist in 1954. In 1955 he was involved with the Ford Motor Company of Canada, and after two years

he became involved in its international operations where he held comptrollership and finance positions, eventually becoming general manager in Japan.

In 1969 Mr. Rogers accepted a senior financial position with Xerox. He returned to Canada in 1973 as Vice-President, Finance, Xerox of Canada Limited, and in 1977 he was appointed to his present position with that firm. He is very much a Canadian, and a good one.

CAPITAL PUNISHMENT

STATEMENT ATTRIBUTED TO GOVERNMENT LEADER IN THE SENATE—QUESTION

Senator Grosart: Honourable senators, may I direct a second question to the Leader of the Government? Has the leader announced, as reported in the public media, that the government has in preparation legislation or a referendum which might have the effect of restoring capital punishment in certain circumstances? I ask this question because there were reports that the Leader of the Government, as a member of the cabinet, has made these statements. These reports were carried on radio, television and in the public press.

Senator Perrault: Honourable senators, I appreciate this opportunity to clarify a statement which was incorrectly attributed to me. It arose from an open-line radio program in which I took part on Monday morning last. The program was 90 minutes in length and it was carried on a network of radio stations in the province of British Columbia. The host of the program is a former member of the Conservative causus, who does a very competent job in his present position. In the course of the program, without giving details, I had the opportunity to suggest to the audience that there were in preparation a number of amendments to the Criminal Code which I felt would be welcomed by the Canadian people. As honourable senators are aware, on Monday afternoon last, these proposed amendments in the form of Bill C-51, the Criminal Law Amendment Act, 1978, were given first reading in the other place.

As I recall, in the course of the broadcast a caller introduced the subject of a possible referendum on the subject of capital punishment in Canada. I said in the course of my reply that I agreed with the views set forth by Edmund Burke to the electors of Bristol, that, in effect, when the electorate sends a representative to Parliament, they elect his or her judgment.

I said that, while at some future time some Government of Canada might choose to conduct a referendum on the subject of capital punishment, or any other subject, it was my view that it would create chaos to have individual referendums on every question which arises.

Out of that statement, which was heard by thousands of people in British Columbia over a network of stations and was tape recorded, came a truncated report in the media that I had advocated a vote on the re-establishment of capital punishment. Indeed, the report suggested that I had in mind some specific government-enabling legislation which was in process of preparation.

The report was inaccurate and I appreciate, therefore, the opportunity to clarify the matter.

Senator Grosart: Did I understand the Leader of the Government to say that some future government might consider it?

Senator Perrault: Yes. I held out the possibility that some future government might. After all, any government, with the assent of Parliament, is capable of undertaking many initiatives in the sense of—

Senator Choquette: Introducing new legislation.

Senator Perrault: Yes, introducing new legislation or even conducting referendums. I did point out to the audience that, as honourable senators are aware, there is some proposed legislation in the other place that will in all probability come before us ultimately to permit the holding of referendums on questions relating to constitutional matters. I think that my reply under the circumstances was entirely proper.

Senator Grosart: May the Senate take it, then, that the reference to a future government makes it clear that there is no suggestion that that future government will be a Liberal government?

Senator Langlois: Could it be otherwise?

Senator Perrault: No, it is simply that I would not wish to predict what any future government would choose to do. That would be presumptuous of me. It may be that at some distant point in the future there will be a change in government and that that new government might decide it wishes to undertake all sorts of initiatives, including public referendums.

Senator Smith (Colchester): Has the honourable gentleman changed his mind about the imminence of the opportunity for the electorate to change the government of the day?

Senator Perrault: The possibility of an election is certainly not an obsession of the government at the present time. Indeed, the government is engaged in developing a range of new legislation which can be brought before Parliament.

Senator Smith (Colchester): What about the obsession which led the honourable gentleman on April 13 to refer to the possible imminence of dissolution? Is it letting go its hold on the government?

Senator Perrault: Honourable senators, as I said a few days ago, I fear that I placed too much credence in predictions made by the Honourable Leader of the Conservative Party, who confidently predicted that there would be an election on June 19. I must confess that I was misled by his most eloquent statement.

Senator Smith (Colchester): Does the honourable gentleman ordinarily give more credence to the statements of the Leader of the Conservative Party than he does to those of his own leader?

Senator Grosart: May I ask the Leader of the Government a supplementary question? In view of the answer he has just given and in view of the fact that, in his opinion anyway, it was

clear that dissolution would be "soon"—and that was the word he used—and for that reason he urged the passage of legislation with what many of us would regard as undue haste—in view of that is he prepared now to give us the assurance that there will be no such pressure to pass the legislation that is before us and is coming before us?

Senator Perrault: That is a guarantee that I am unable to provide. Honourable senators are aware, of course, that the decision to have a dissolution is one which belongs entirely to the Right Honourable the Prime Minister. I know that the Deputy Leader of the Opposition has had experience in that area and is aware of the prerogatives and rights associated with the responsibility of the office of Prime Minister. I wish to say that there is an immense amount of support for the leader of the Liberal Party in Canada, and his dissolution decision will be accepted by all members of our party. We are fully prepared to set forth our record for the Canadian people at the time designated by the Right Honourable the Prime Minister.

• (1420)

Senator Smith (Colchester): Obviously, you have more courage than he.

MIDDLE EAST

PARTICIPATION OF CANADA IN UNITED NATIONS PEACEKEEPING FORCE IN SOUTHERN LEBANON—QUESTION

[*Translation*]

Senator Wagner: Honourable senators, on another matter—which concerns me far more than the calling of an election—I should like to ask the Leader of the Government about the current situation in Lebanon by putting the following question to him:

[*English*]

In view of the most recent incidents in which members of the United Nations peacekeeping force in Lebanon have encountered resistance from Palestinian groups, as a result of which some have been killed, is it the intention of the government to revise its position toward Canadian participation in the UN operations and to seek assurances from the interested parties that active resistance to the presence of the blue berets will cease forthwith?

Senator Perrault: Honourable senators, I must take that question as notice. A reply will be sought immediately and an answer provided as quickly as possible.

Senator Wagner: Honourable senators, as a supplementary question, I understand that the Secretary General of the United Nations has expressed concern over these new developments and is considering asking the Security Council for additional troops from participating countries. May I ask the government leader if effectively Canada has been approached by the Secretary General for additional military personnel, and, if so, what has been our response to such a request?

[Senator Grosart.]

Senator Perrault: Information with respect to that supplementary question will be obtained as soon as possible.

NATIONAL REVENUE

INFORMATION CIRCULAR—REGISTERED CHARITIES—QUESTIONS

Senator Grosart: Honourable senators, because this is the question period, may I take this opportunity to welcome the Minister of National Revenue (Senator Guay) on his return to the chamber.

Senator Godfrey: Honourable senators, I should like to address a question to the Minister of National Revenue, dealing with the same subject that Senator Roblin dealt with last night. Although my question is somewhat similar to that asked by Senator Roblin, it is a little more specific. I do not expect the minister to be able to answer it immediately, but that he will take the question as notice.

My first question is: Are there any court cases in Canada—I underline the words "in Canada"—dealing with the question of whether or not a charity may be denied registration or lose its registration under the Income Tax Act because it devotes some of its resources to the kind of political activities outlined in paragraphs three to seven inclusive of the information circular? If so, what are the names and citations of those cases?

My second question is: Does the department consider that there is an appeal to any court from a decision of the minister as to whether or not a charity may be registered, or lose its registration under the Income Tax Act, because of the type of so-called political activities referred to in the information circular? If the department is of the opinion that there is a right of appeal to the courts, what is the legislative or other authority for such an appeal?

Senator Guay: Honourable senators, I should first like to say that last night was the first occasion since I took the oath in this chamber that I was not present here.

Some Hon. Senators: Hear, hear.

Senator Guay: As Minister of National Revenue it is my responsibility to administer the department to the best of my ability. That is what I was doing. I informed my leader that I would not be in the chamber last night, and I also informed the appropriate Senate official of this by letter, stating that I would be in Vancouver fulfilling certain responsibilities I have as Minister of National Revenue. I intend, honourable senators, to do that job as well as you are attempting to do your job, while at the same time attending the Senate on a daily basis.

If you will allow me to do so I should also like to say that I have been in the House of Commons for ten years, and I would challenge many of you to match my record of attendance in that house. I do not recall being absent for a single day unless it was on government business, or unless it was the occasion when I was in hospital for 11 days. I am very proud of that record and, should by any chance my responsibilities as Minis-

ter of National Revenue be taken away, it is my intention to carry on in the same way in this chamber, even if only to make sure that all of you are in attendance when I am.

With regard to your first question, senator, let me say that I am checking to see whether there is any jurisprudence as far as Canada is concerned. To the best of my knowledge at the moment, there is none. We can refer to the British courts, as you know, but I have my doubts as far as the Canadian courts are concerned. However, I am having officials of the Department of Justice look into this for me.

Your second question is a very good one indeed, though I am not familiar enough with the subject matter to be able to answer it right away. However, I will make sure that I get the appropriate answer and present it to the Senate.

I am prepared, at least in part, if I am called upon to do so, to answer some of the questions pertaining to the responsibility of my department concerning the publication of the leaflet that was referred to in this chamber yesterday.

Senator Roblin: I wonder if the honourable senator would consider answering the questions I raised last night on these points.

Senator Guay: I should like to read the section of the act that was referred to in the information circular we sent out. Section 149.1(1)(b) reads as follows:

> (b) "Charitable organization"—"charitable organization" means an organization, whether or not incorporated, all the resources of which are devoted to charitable activities carried on by the organization itself and no part of the income of which is payable to, or is otherwise available for, the personal benefit of any proprietor, member, shareholder, trustee or settlor thereof.

The information circular gives great leeway to charitable organizations with regard to the presentation of briefs, letters, and so on, to the minister responsible for the activities the organization is concerned with.

The press and the opposition have greatly distorted the facts of the present situation. I would like to say, for example, that we are not muzzling anyone. This is information which the officials of my department are giving to assist in the interpreting of the law as it is. If by any chance anyone should feel that the law is not right, then perhaps they should ask for legislation to have it changed. The individuals running charitable organizations have great leeway also, under the law, with regard to making known their political views as they relate to their activities, so long as they do not abuse the resources of the charity they are concerned with in doing so. They also have complete freedom to express views and campaign for any political party as much as they wish, as long as they do so outside of the bounds of their charitable organization.

● (1430)

To be more specific in regard to your question, senator, the issue of the circular was not an act of intimidation, implied or otherwise. It was issued as a service to inform the public of the existing law, and thereby enabling charities to avoid an unintended contravention of the law. It was not a statement of policy. It was an explanation of certain aspects of the law and related jurisprudence as administered by Revenue Canada that have been in existence for many years.

The circular does not apply to all voluntary organizations in the country as inferred by the honourable senator. It applies only to those segments of the voluntary sector that operate as charities and who wish to seek registration under the Income Tax Act as charities.

These guidelines that we sent out are certainly not regulations, but they do explain what the officers in my department have in mind. They usually put this out only after consultation with the appropriate lawyers, for example, from the Department of Justice and also from my own department.

Senator Roblin: Honourable senators, may I ask a question following on the minister's statement? Is he telling the Senate that this document to which we have been referring is being used as the basis now for the enforcement of this act and his duties? Is this now in force?

Senator Guay: This is the interpretation the officers have put on it, but, at the same time, we are quite prepared, as I outlined earlier, to hear representations by various organizations, to consider their briefs, if necessary, and to consider their concern in this particular regard. In so doing we may suggest that some changes be made. At the moment, we are saying to these organizations that this is the way in which Revenue Canada, which has the responsibility of dealing with these matters, interprets the law as it stands at the moment under the section I quoted earlier.

Senator Roblin: Will the honourable minister tell the Senate whether there have been any cases in which the terms of this particular document have been invoked so as to cancel the right of any charitable organization to the given tax concessions?

Senator Guay: Not to my knowledge, but I will be very pleased to look into that aspect and give you an answer tomorrow.

Senator Roblin: Then, Mr. Minister, if there are no cases that you can bring to mind based on the rules and regulations laid out in this document, I am wondering why it was found necessary to issue the document in the first place.

Senator Guay: I said "No" to you a moment ago, but possibly I should not have said that.

There is a case that I have in mind, but which I am not prepared to spell out at the moment, whereby a charitable organization was dealing in a subdivision, was dealing in real estate, was dealing in a multiplicity of things while, at the same time, wanting to be recognized as a charitable organization. There were millions of dollars involved. However, I am not in a position to name that case.

Senator Roblin: Selling property is not politics at the present time.

Senator Guay: I could have added other things, but I did not want to go too far.

Senator Forsey: Honourable senators, I wonder if I might ask a supplementary, drawing the minister's attention particularly to two notable features in this circular. On second thought, I may draw his attention to more than two, but first of all, two. If he would look at point number four in the circular headed "Political Objects", in the second paragraph he will find this:

> "Political" also is an objective which is to be achieved through political action, for example, an organization formed to promote temperance by securing legislation to reduce the consumption of alcohol (even though the courts have held that the promotion of temperance otherwise is a charitable object).

Well, now, I should like the minister to explain to us exactly what that means, because I happen to belong to an organization one of whose purposes to the best of my belief is to secure legislation to reduce the consumption of alcohol.

Senator Grosart: Shame, shame.

Senator Forsey: And I wish more people belonged to it, I might add. I am a regular contributor to the funds of that organization and it is one of my favourite charitable organizations. It is certainly concerned with the promotion of temperance in various other ways, but I should like the minister to give me some idea of whether the fact that it does unquestionably, by briefs to various governments and by circulating documents to members of Parliament, both houses as far as I know, whether it is, in fact, held to be engaged in political objects and political activity, because, if so, then very shortly it may find itself decertified, wiped off the list. That is my first question.

Now, my second question has to do with something under the next main heading, "Political Activities," and paragraph (a)(ii), which reads:

> It is also considered acceptable for a registered charity to present a brief spontaneously, without invitation, to governments, commissions or committees, setting out its views on matters of concern and merely recommending corrective measures, provided it does not undertake a program to promote its recommendations.

Well, now, that last expression seems to be extremely vague. What constitutes "undertake a program to promote its recommendations"? I don't know, but it seems to be distressingly vague and it seems to me a net which might catch various activities which most of us would probably consider quite legitimate.

On the next page, in paragraph (b)(i), we find the same kind of thing:

> Written or oral representations by a registered charity to its own elected representative—

Who in the world is the "elected representative" of a registered charity? That is a mysterious observation. I should like to discover anybody in this house, or the other house—well, not in this house, because we aren't elected, but anybody in the other house—who could be described as the "elected representative" of a particular charity. This is another example, I think, of the sloppy drafting that we are so often confronted with in legislation coming up from the other place.

[Senator Guay.]

It goes on:

> —i.e. Member of Parliament, Member of Legislative Assembly or Municipal Councillor, to the involved Minister of the Crown or the pertinent public servant are also looked upon as an acceptable activity on condition that such representations are limited to presenting the organization's interests and point of view and otherwise do not attempt to influence legislation.

Well, I have got in my office now a document from a certain other organization to which I contribute, an important and old and well-recognized and most reputable organization, which asks me to write to the minister or ministers concerned on the subject of certain amendments to the Income Tax Act which appear to me to be perfectly legitimate. I am not much impressed by the particular views they express and I am doubtful whether I shall take any action, but is that an attempt to influence legislation? I don't know.

The next subparagraph, (ii), is:

> Written or oral representations to all or mostly all—

● (1440)

At what point do you get enough members of Parliament to say that it is "mostly all"? It is curious English into the bargain, I might add. It states:

> Written or oral representations to all or mostly all Members of Parliament or Ministers of the Crown, as part of a campaign to influence intended or specific legislation, is—

You will observe that not only do they not know much about the dictionary but the rules of English grammar are beyond their compass.

> Written or oral representations . . . is a political activity and as such cannot be properly carried on by a charity that wishes to maintain registered status.

What does it mean when it says "as part of a campaign to influence intended or specific legislation."

Then, of course, there is the business about demonstrations, which has been referred to in other questions.

Farther down under (f) it deals with the letters to editors. This is one that strikes home directly to me, of course.

> A letter-to-the-editor campaign may be used by a registered charity to explain its purposes and programmes, recruit members and raise funds but may not be used to air political views or attempt to sway public opinion for or against a political issue.

They mean "on a political issue", of course, because you cannot sway public opinion against an issue. It is a good job for me that I am not a registered charity or I would have been wiped out of existence a long time ago.

Then farther down we have (g) which relates to publications.

> A registered charity may publish a magazine, a review or a newspaper, etc. on a political subject provided that an impartial and objective coverage is given to all facets of the subject matter.

Well, that would be rather rough on the temperance organization which I mentioned a while ago. I suppose it would have to include statements from the distillers organizations, the brewers organizations and various others. I think it is a little bit hard to expect the temperance organization to do this, especially as these other organizations, presumably, are quite capable of airing their views effectively.

I hope that when the minister looks over this thing and considers the whole set of questions which have been raised, he will take these questions of mine as notice and will look into these particularly and give us some kind of answer on the meaning of some of these mysterious, vague, sweeping and possibly highly pernicious phrases.

Senator Guay: Senator Forsey, I can see that you have done some homework since I saw you this morning. First of all, I should like to say that I do not wish to see any tax rip-offs. I do not want to see any diversion of the revenue which would otherwise come to Canada—a diversion which makes for increased taxation. It is possible that taxes can be reduced if Canada receives all the revenue to which it is entitled, and it is my responsibility to see that it does.

I want to make sure that every case is dealt with on its own merits. I do not want to speak in a broad sense and then say we are going to treat everyone alike, because all these cases are different.

I also believe, senator, that a question such as this would certainly be out of bounds in the other place.

Senator Grosart: You are not in the other place now.

Senator Guay: Perhaps it is a different ball game in the Senate, and I am learning. I did not know one could get up and ask a question lasting 10 minutes and expect an answer immediately.

I will use the same words you used, and say that I am impressed by your question. I will make sure I will give you the appropriate answer tomorrow after looking over the notes I have taken of your question.

Senator Greene: I rise on a point of order. Almost from the day of the Charlottetown agreement volumes have been written on how we can reform the Senate. I suggest that the Right Honourable the Prime Minister, in one fell swoop, has done this as effectively as it could be done—in the first place, by making appointments of such high calibre on both sides of this house and, secondly, by making this house a place where cabinet ministers sit in more abundant numbers than they have in the past.

Senator Manning: Honourable senators, in his comments a few moments ago, I believe the minister drew a distinction between charitable organizations and non-profit organizations. I am somewhat confused on that point and wonder if he would mind, not necessarily today but when he is dealing with this matter tomorrow, elaborating on that point, both with respect to the legislation and this directive which has been sent out.

There is another area which has caused a great deal of concern in recent days, and perhaps he would be good enough to comment on it tomorrow. Many church organizations, as honourable senators know, have what they call social action committees and other groups through which they express their concern with the social problems of our times. It seems to me that what we have heard in respect to this legislation and this directive could well be in direct conflict with what has been accepted practice, because many of these social action committees are integral parts of the church organizations, and are not only making representations to the government for changes in policy, but are active, I think we would have to say, in at least the fringe of the political field. One finds their representatives in marches which protest government policies, and it seems to me to be a very serious thing if we infringe on that type of freedom of expression simply because they are classified as religious, charitable or non-profit organizations.

I hope the minister can clarify this matter. If it is found that the legislation or directive does infringe on those fields, then I would appeal to him to take the necessary action to see that the legislation is amended so that this fear that has been engendered by what has happened in the last few days is dispelled.

Senator Guay: Honourable senators, I have made a note of the discussions which have taken place. I think there may be some specific problems relating to the wording of this interpretation bulletin. Although the general wording of it appears to me to be sound, I am going to request my officials to review the entire wording and make it more precise.

Senator Smith (Colchester): Honourable senators, I will defer—perhaps not ask at all—some of the questions I had in mind, in view of the minister's assurance of a moment ago. However, there are one or two questions I should like to ask.

The first is: Is he not aware that the bulk of the criticism directed towards this document or circular is concerned not with the law itself, but with the interpretation of the law which officials have placed on the document?

Senator Guay: Yes.

Senator Smith (Colchester): I thank the honourable senator for that answer.

Secondly, may I ask him a question relating to a letter he wrote to Mr. McGrath, a member of the other place, on April 18, 1978, I believe. I should like to know what criteria for judgment he had in mind when he used the following phrase:

> As you will see, this status would not be prejudiced by limited attempts to promote the interests of these organizations at the political level.

As I said, I should like to know what criteria or standards he had in mind by which he would determine, or his department would determine, whether the attempts were or were not limited?

• (1450)

ROYAL COMMISSION ON CONCENTRATION OF CORPORATE POWER

PUBLICATION OF REPORT—QUESTION

Senator Austin: Honourable senators, I have a question for the government leader. It relates to the Royal Commission on Corporate Concentration. At the time of the appointment of that commission in 1975, the Prime Minister gave it the appellation "Royal," because he said it was a commission dealing with one of the most significant subjects in the Canadian economic context.

Can the government leader tell us whether that royal commission is going to make a report on the subject of corporate concentration and, if so, when that report might be expected?

Senator Perrault: Honourable senators, I must take the question as notice. I understand that the publication of the report is imminent. I shall make further inquiries in that regard later this afternoon.

COMPTROLLER GENERAL OF CANADA

STATUS OF HARRY ROGERS—SUPPLEMENTARY QUESTION

Senator Smith (Colchester): Honourable senators, I wonder if I might direct a supplementary question to the Leader of the Government with reference to a question asked earlier in this question period by the Deputy Leader of the Opposition concerning the appointment, or otherwise, of a Comptroller General. My question relates to the answer given by the Leader of the Government to that earlier question in which he said, as I understood him, that the procedure to which he then referred in explanation of what had happened had been used on previous occasions by various governments.

I should like to know on what previous occasions has a person been referred to as designate for a position which can only be created by Parliament and which had not been created by Parliament at the time the announcement was made?

Senator Perrault: Honourable senators, that information will be sought. In the meantime, I want to assure honourable senators that the procedures followed here have precedents and are legal, and are in accord with our parliamentary traditions. Two or three other instances have been cited. However, I shall attempt to obtain specific information which I can bring to the Senate.

Senator Grosart: It could be a bad precedent.

Senator Perrault: Honourable senators, I think the precedents will be totally relevant. I have here the regulations respecting the employment of Mr. H. G. Rogers, P.C. 1978-475, which state:

> The Governor in Council may appoint Mr. H. G. Rogers to the position of Special Adviser to the President of the Treasury Board on matters of financial and administrative controls.

[Senator Smith (Colchester).]

That is really the only action that has been taken so far. I can see nothing wrong in specifying that a person is designated for a position, subject to approval of that position by Parliament. Surely there is nothing unusual in that.

Senator Grosart: Except there is no provision for approval by Parliament.

Senator Perrault: I feel rather confident that in the long career of the Honourable Senator Smith (Colchester) in Nova Scotia that, indeed, he can recall similar provincial precedents.

Senator Smith (Colchester): I would be very surprised if one could ever find a provincial precedent with which I had anything to do where a person was referred to as a Comptroller General designate, or any kind of designate, for a job which did not exist and could not exist until created by the legislature of Nova Scotia or, as in this case, the Parliament of Canada.

My question did not relate to the hiring of a person as a consultant or adviser, but as Comptroller General designate, as I understood the official reference to be from the earlier answer given by the Leader of the Government. What is the precedent for the use of that kind of reference?

Senator Perrault: The term "designate" was employed in a press release. The official, legal order in council, the regulation respecting the appointment of Mr. Rogers, clearly sets out that he is a special adviser to the President of the Treasury Board.

There is an earnest intent on the part of the government to meet, as effectively as possible, certain criteria which have been set forth by the Auditor General. I think it is most encouraging that the Auditor General has had a great deal of praise for the initiative of the government, the energy of the government, in attempting to meet these criteria.

I think it rather significant that the present Government of Canada has been substantially more active in implementing the spirit and letter of the recommendations of the Auditor General than has been the case in similar instances with other political jurisdictions of this nation.

Senator Grosart: On a point of order—

Senator Perrault: Honourable senators, I am speaking now—

Senator Grosart: This is on a point of order.

Senator Perrault: May I conclude what I have to say in reply to the honourable senator?

Senator Grosart: It is a point of order.

Senator Perrault: If it is a valid point of order, we will listen with rapt attention.

Senator Grosart: Our rules are very clear here. When a senator rises and says he is rising on a point of order, he has the floor. I am surprised that the Leader of the Government wishes to contest that.

Senator Perrault: Carry on, senator.

Senator Grosart: Surely he has been here long enough to appreciate that that is essential to our practice here.

The point of order is this: There is before the Senate a bill on second reading for discussion. That being so, it is completely out of order for the Leader of the Government, in reply to a question, to enter into that debate in the way he is now doing.

Senator Perrault: Honourable senators, that is a very dubious point of order. I find it incredible that a person who gives so much lip service to the idea of parliamentary democracy and the rights of the opposition should wish to deny to the Leader of the Government the opportunity to reply to a question posed by a member of the opposition—indeed, a question containing very negative inferences about this government. I think the position set forth by the Deputy Leader of the Opposition could find no support in any other parliamentary assembly of which I have knowledge. I want to assure honourable senators—

Senator Grosart: We have a rule of relevance.

Senator Perrault: —that the intention of the government in having Mr. Rogers assume this position as a special adviser represents an earnest effort by the government to get on with the job as quickly as possible, an effort to assure that the spending programs of this nation are brought under even more adequate control, supervision and vigilance—a demand which has been made unceasingly by the official opposition for years. I want to tell honourable senators that we are not going to be deterred in our efforts to bring these advances into being.

Senator Grosart: That was not the question.

Senator Smith (Colchester): I thank the honourable gentleman for his brief, concise and clear answer—

Senator Grosart: And irrevelant.

Senator Smith (Colchester): —to my very brief question. However, I could wish that it had been relevant; I could wish that he had not drawn attention to the dereliction of duty of his own government so vigorously by referring to the fact that it has taken the government such a long time to bring these matters under control.

Dealing with the press release, was it not drawn by a person authorized by the government and was it not issued to be believed?

Senator Perrault: Honourable senators, there is nothing improper in the press release issued in connection with Mr. Rogers' new position as special adviser to the Treasury Board and as a designate for the position of Comptroller General. If Parliament decides that it does not wish to create the position of Comptroller General, then, of course, Mr. Rogers will not be in a position to assume his new responsibilities.

I really think, for some reason that escapes me, that there is a vigorous attempt being made here to create a mountain out of a molehill.

Senator Smith (Colchester): I will readily concede the proposition that sometimes the honourable gentleman resembles a molehill, but that was not my intent to demonstrate today.

All of this discussion, which the honourable gentleman lengthened irrelevantly, at considerable trouble to himself, started over the simple question I asked, which was whether he could produce the precedents to which he had referred wherein in such cases a person had been referred to as a designate of some kind.

Senator Perrault: That assurance was given some time ago. I can only say that that information will be sought. There is nothing improper in this procedure. If Parliament decides that it does not wish to pursue the proposed legislation, that is Parliament's right.

Senator Smith (Colchester): Which we know.

[*Later:*]

Senator Perrault: Honourable senators, may I rise to provide a partial reply? I was asked for precedents and I have one. Mr. André Fortier was appointed as special adviser to the Secretary of State until legislation establishing the Social Science and Humanities Research Council of which he is now president was passed. That is just one precedent.

Senator Smith (Colchester): Honourable senators, though the honourable gentleman has put it forward as a precedent, it is in fact no precedent at all. The question I asked was as to what precedents there were where such a person was referred to officially as "designate," whether it be "comptroller designate" or whatever other position it might be. The example given does not mention the word "designate" at all so it is no precedent. That is no precedent.

Senator Grosart: I wonder if the Leader of the Government would tell us whether he really appreciates the difference between appointing somebody as "designate" to a position that Parliament has not approved, and merely hiring somebody in the hope that he will get a better job?

Senator Croll: Oh, let us get on with the Orders of the Day.

Senator Smith (Colchester): I would point out to Senator Croll that there are privileges of Parliament.

Senator Croll: You have had no shortage of privilege today.

ADMINISTRATION OF JUSTICE

LIBEL ACTION—PAYMENT OF LEGAL FEES—QUESTION

Senator Forsey: Honourable senators, I forgot last night, when I was asking certain questions about the measures which have apparently been taken and are being contemplated for the relief of the Honourable Jean-Pierre Goyer, to ask—and I should like now to ask the Leader of the Government to inquire—from what vote in the appropriation acts the money has been paid, or will be paid, for the relief of Mr. Goyer in that libel action in which he was involved?

I asked for the legal basis for the government's action in the matter. I should like also to ask where exactly the money is coming from under appropriations from Parliament.

● (1500)

Senator Perrault: Honourable senators, that question will be taken as notice and the information will be sought as quickly as possible.

Senator Grosart: You are going to be busy.

Senator Perrault: Yes.

SOLAR ENERGY

OBSERVATION OF SUN-DAY

Senator Austin: Honourable senators, before the Orders of the Day are called I would ask leave to draw the attention of the Senate to the observance by some 40 countries today of an event known as SUN-DAY.

The Senate earlier approved on second reading a bill which I had the honour to present in connection with the development of solar energy. Regrettably, it was not proceeded with in the last session, but I know that the Senate is interested in and does support the development of solar energy techniques so as to provide humanity with an abundant, economical, safe and environmentally compatible energy supply. SUN-DAY is also being noted this afternoon in the other place, and, I believe, with the unanimous approval of all parties in that place.

Senator Perrault: Let there be light in this house as well!

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the debate on the motion of Senator Cook for the second reading of Bill C-10, to amend the Financial Administration Act.

Hon. Allister Grosart: Honourable senators, I would like to be able to say that this is a bill which gives me an opportunity to cool the atmosphere in the Senate a little, but unfortunately it is not that kind of bill. However, I must begin my remarks by complimenting its sponsor, Senator Cook, on an excellent presentation to the Senate. I say that particularly because he did not merely read to us the presentation by the department; he had obviously studied the bill carefully and made his own comments on its effectiveness or otherwise.

I gathered the impression that he had some qualifications; that he was not entirely convinced that this bill will do what he and others hope it will. I may be misinterpreting him in that, but I think a reading of his remarks would indicate that he did appear to have some reservations, and I share them with him. I have a few more that he did not express, although I have no doubt that they will have occurred to him.

This is an important bill; it deals with the creation of the position of Comptroller General of Canada. The Auditor General, who recommended the creation of this post, went so far as to say that this position would be the most important financial position in the public or private sector in Canada. That may be going too far, but I would most certainly agree with him that the effective creation and the effective carrying out of the duties proposed by the Auditor General—but not by the government—for this position would go a long way towards making it as important as the Auditor General believes it to be. In fact, the Auditor General went so far as to say that the office of Comptroller General which he recommended, if made effective, would be ten times more important than that of the Auditor General. Possibly it was the minister who said that, but it is an indication of the importance attached to the position we are now asked to create. In fact, its importance is the subject of a 600-page recommendation by the Auditor General in his report for the fiscal year ended March 31, 1976.

I speak now directly to the importance of the post, and not immediately to those conditions which create the importance of the post. Those words which I quoted from memory a moment ago appear at page 14 of that report where the Auditor General, speaking of the position, says:

> I rate it as the most important and responsible financial executive position in both the public and private sectors of Canada.

He also said:

> What I do advocate is the type of financial control exercised by the chief financial officer of virtually every business organization of any size in Canada, or, indeed, throughout the world.

The suggestion there, of course, is that we do not have that kind of chief financial officer operating at the present time. The Auditor General further says that the Comptroller General should have prescribed authorities that are fully commensurate with his key duties and responsibilities. As I shall indicate in a moment, the major deficiency in this bill is that this legislative authority has not been provided. What is provided is in no way consonant with that recommendation that he should have the legislative responsibility to do the job.

Referring back for a moment to the words I attributed to the minister, I find that, in fact, it was the Auditor General who said:

> —I can assure you that those responsibilities are probably 10 times as great as those of the Auditor General of Canada.

So, having a clear indication of the importance of this post, one naturally asks if the government has met those requirements of the Auditor General. Has it in any way established a post which will take this absolutely necessary control over the long record of waste, inefficiency and scandal in the conduct of government over the years? I am not at the moment tying it merely to this government. The evidence is that control of our financial affairs by government and by Parliament has been deteriorating for many years, and little has been done about it.

● (1510)

It has been said that this legislation is something new. The Leader of the Government indicated that here the government is now doing something innovative. It is doing nothing of the kind. The office of Comptroller General was established in

1931. It was then abolished and this is a significant date—in 1969.

The reasons for that abolition are not hard to find. The government just did not like a Comptroller General with the authority to scrutinize, as Parliament wished, the government's spending and spending intentions. There is clear evidence of that.

The Auditor General's proposal was made in this 600-page report. What was the government's reaction to that? The Prime Minister said, "No, we will not have a Comptroller General." The President of the Treasury Board said no, and the Secretary of the Treasury Board went before the Public Accounts Committee and said, "No, it won't work."

What happened? More and more evidence came forward—it was pouring in day by day—of inefficiency in financial management, of incompetence, of waste and, as we all remember, of scandals. Perhaps it was those scandals—AECL, Polysar and others—that forced on the government a change of mind.

Reluctantly—and the evidence of that reluctance is scattered through the official records—the government agreed to bring in a bill to create the office of Comptroller General. Naturally, it was a compromise, and as poor and ineffective a compromise as would be possible to dream up.

May I read the bill? I have indicated the responsibility and importance of the office. Here is what the bill says:

> Her Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows:
>
> 1. Section 4 of the Financial Administration Act is amended by adding thereto, immediately after subsection (2) thereof, the following subsection:
>
> "(2.1) The Governor in Council may appoint an officer called the Comptroller General of Canada to hold office during pleasure and to perform such duties and functions as may be assigned to him by the Treasury Board, and the Comptroller General of Canada shall rank as and have all the powers of a deputy head of a department."

I sensed some honourable senators wondering whether I was going to read a long passage, but that is the whole bill. Obviously, I cannot discuss the bill in detail, because it has no detail. It merely says that the Governor in Council may—and I am not arguing that point; we have the assurance that he will—that he may appoint this official during pleasure. It is only during pleasure. The official can be fired at any time, if the cabinet does not like his advice. It says that he has the rank of a deputy head of a department and that he shall "perform such duties and functions as may be assigned to him by the Treasury Board".

Of course, we ask immediately: To whom does he report? He has the duty of being responsible for all of the financial expenditures of Canada—$48 billion-plus this year. His duties are assigned by the President of the Treasury Board; but to whom does he report? He reports to the President of the Treasury Board. Could anything be more absurd?

Here is a situation that calls for an objective, outside, independent assessment of the spending intentions of the government, and yet the official appointed reports not to Parliament, not even to the Governor in Council, but to the President of the Treasury Board.

One of the main objections to this bill, expressed both inside and outside Parliament, is that this Comptroller General is denied access to Parliament and Parliament is denied access to him under the present intentions, as they have been indicated by the President of the Treasury Board and others. He is just another official. He is one of two deputy ministers in the Treasury Board. He has the status of a deputy minister and also a status equivalent to that of the Secretary of the Treasury Board.

In what I am saying now I am simply repeating the information that has been given to us, most of it put on record by Senator Cook last night.

The Comptroller General takes over the functions of two branches of government which heretofore, according to the statements made, had the job of making sure that departments were not wasting money. I am not sure how long those departments have been in existence. In any event, they could not do the job. They were ineffective. Moreover, no one seems to have ever heard of those two branches. In fact, when their names were indicated or the designations were given, the *Hansard* reporters in the other place, who are fully aware of the multiplicity of titles that exist of boards, committees, branches, divisions and so on, had to go and ask, "Who are they? Do we put this in capital letters? Are they official branches?" Well, there they were, and, so far as indicated by any information before the Senate at this moment, the Comptroller General will take over their duties.

The Leader of the Government, in what Senator Smith thought was an irrelevant answer, started to say that the government has implemented the report of the Auditor General. I am sorry to say that it has done nothing of the kind. It has picked what it wanted from that report, what it thought it could live with, but the major recommendation has not been accepted.

Clearly, the purpose of this bill is simply to effect a compromise; to say, "We do not want this kind of scrutiny of the way we are spending public money, but, if you want a facade, if it is necessary to have a facade and to set up this straw man, we will go along with that."

I am sorry for Mr. Rogers. I am surprised that he has accepted the job. The evidence appears to be that he accepted it before he knew what this bill would contain. I would have imagined that a man of Mr. Rogers' calibre and reputation would have said, "Well, of course, my responsibilities, my authority, my power will be spelled out in the legislation." But there is nothing of the sort.

As a result, we have here a bill that provides for this important office and gives this important official—the most

important executive in the public or private service of Canada, according to the minister's statement—no authority whatsoever. Yet we are asked to pass this bill that gives not one speck of legislative authority to the Comptroller General or one moment's access to a parliamentary committee.

I would hope that when the Senate gives full consideration to this bill, it will consider improving it. It has been one of our functions here to improve bills. It has been my own feeling that the Senate has accepted this responsibility and that when a case can be made—not a partisan or political case—for the improvement of a bill in the public interest, senators are prepared to give it consideration and, if necessary, to make those improvements in the bill. I, for one, hope that this will happen in this case.

● (1520)

I have at the moment no schedule or program of amendments, but it occurs to me that in the course of debate—I understand there are a number of senators who will speak on the bill—some amendments that would improve the bill will emerge and will receive the support of the Senate.

I emphasize that the major deficiency is the fact that this important official has no authority whatsoever from Parliament except his name. That is all. Parliament says, "We will create the office, we will designate the name of your office, and that is all; that is the end of your authority. You have to rely on what the President of the Treasury Board, the man who is most interested, most concerned, with spending, tells you what you may do to check on the efficiency of the operation of the Treasury Board."

It is just that simple. He can advise. According to the statement of responsibilities, which honourable senators will find appended to yesterday's *Debates of the Senate*, he will be given no legislative authority; nothing to do with Parliament. His minister can give him authority to advise, and to—believe it or not—"Support the President before Parliamentary Committees." It is incredible. He is the equivalent of an external auditor of business. He is given the job of supporting the decisions of the President of the Treasury Board. That is clear. Item number 13 says:

> Support the President before Parliamentary Committees on matters of expenditure control and financial reporting.

It is not to report on the President of the Treasury Board, but to support him. That is what he is going to be told to do. He can give advice, he can give leadership, he can set up a central advisory service to departments, he can provide advice to the Treasury Board Secretariat, and so on, and he can also prepare briefing material. He will be allowed to do that. He will probably be allowed to write speeches for the minister.

In this statement, which is headed "Responsibilities of the Comptroller General," and which is an official statement from the Treasury Board, item number 7 gives him the power to prepare and sign the Public Accounts and certain other financial statements of Canada.

As honourable senators may be aware, one of the most regressive, silly and unbelievable decisions made by this government not very long ago was to transfer the preparation of the Public Accounts to the Department of Supply and Services. The spending department, the purchasing department, was given the job of preparing the Public Accounts. I have not heard of a greater absurdity in financial management. Apparently that function is going to be transferred back to the Comptroller General of Canada.

Much more could be said in detail, if there were any detail in the bill. As honourable senators will note, almost everything I have said does not refer to anything in the bill, because there is nothing in the bill. I have had to rely on scattered statements here and there. To a most important question asked of the minister in the Public Accounts Committee, his reply consisted of the two words "No way." He was asked if the government would consider giving the Comptroller General the authority, power and responsibility of reporting to Parliament. Well, we are all aware that the purpose of financial control today is to attempt to restore to Parliament the power of the purse. But when the minister was asked if the Comptroller General could report to Parliament, his two-word answer was, "No way."

So we are asked to pass this bill. I presume that the sponsor will agree to refer it to committee, which I hope will be done in due course, and that it will be examined there. However, I hope that the bill will be debated in the chamber before we are asked to refer it to committee or to proceed with it further.

Senator Greene: Would the honourable senator permit a question?

Senator Grosart: Yes, certainly.

Senator Greene: I wonder if he can assist me. Between the Public Accounts Committee of the other place and the National Finance Committee of the Senate, do we not have access to any of the information to which the honourable senator has adverted, or is there something missing in the staffing or power of those committees which prevents us from getting the sort of financial information for which I believe he quite properly asked?

Senator Grosart: I thank the honourable senator for his question because it is an excellent one, and one to which I should perhaps have given an answer in advance. The fact of the matter, assuming the Comptroller General does anything or tells someone what he is doing, is that he is only required to tell the President of the Treasury Board, and that is the end of the matter. If he writes a report, it will be in the hands of the President of the Treasury Board. It could be hidden forever. Somebody may ask, "Did the Comptroller General object to this expenditure?", and the President of the Treasury Board could give us the familiar answer, "It is not in the public interest to disclose that information."

There is no requirement whatsoever. It is not in the bill and it is not in the suggested *modus vivendi* that any report he makes, or anything he does, may not be kept absolutely secret. Parliament has no right whatsoever under the bill or any of the quasi-regulations to inquire into that and to ask to see the

report. If I read the information correctly, it has no right to obtain any information about the activities of the Comptroller General.

Hon. Eugene A. Forsey: Honourable senators, this bill has at least the merit of brevity. It has the additional merit of being perfectly clear. For once nobody can complain of the inadequate or bad drafting to which we are so often subjected. This bill says exactly what it means. Unfortunately, what it means is exactly nothing. The best description that I can think of for it is one that the late Arthur Meighen once applied to a very different piece of legislation in this house, "a roaring farce and a resounding fake."

The proposed Comptroller of the Treasury has been referred to elsewhere as a watchdog. Well, as far as this bill is concerned, he is a watchdog without even false teeth. He is given no power whatsoever. He is a mere official of the Treasury Board, a special adviser. His existing title, under the regulation which was read to us by the Leader of the Government, will be perfectly appropriate to him when he assumes his new title, if this bill is passed. He will remain a special adviser, nothing more.

● (1530)

He will have the power, if you can call it that, to perform such duties and functions as may be assigned to him by the Treasury Board. He is to bring light, wisdom and order where there has been, on the showing of the Auditor General himself, darkness, folly and chaos; and he is to do this under the instructions of the very institution which has been responsible for the darkness, folly and chaos. He will be completely at the mercy of the Treasury Board.

The sponsor of the bill said, ". . . we can only hope that the government will be successful in selecting the right man . . ."—well, I think that is all right; that hope has been fulfilled—". . . and that having wisely given him the correct mandate . . ."—it has given him, in this bill, no mandate whatever—". . . it will give him the full authority to carry it out," although it has given him in this bill no authority to carry out anything, except possibly waste paper, if his reports get the kind of treatment that quite possibly they might get from an annoyed Treasury Board.

The instructions under which he operates will be open to change at any moment, simply by the Treasury Board; not by Parliament, not even with a report to Parliament, not even with any consent of Parliament, or any advice of Parliament, but simply at the whim of the Treasury Board. As if that were not enough, he will hold office during pleasure. When I read that my eyes almost started from my head. He will hold office during the pleasure of the Governor in Council. In other words, he will be subject to dismissal at any moment by the government. A queer kind of watch-dog that is.

He will report, not to Parliament, but simply to the Auditor General. Presumably the Auditor General will transmit to Parliament such observations of the Comptroller General as he thinks necessary, but even if he does decide that this transmittal is necessary, he will be transmitting only what the Treasury Board has seen fit to give the Comptroller General the power to comment upon. The Comptroller General, in other words, will be told, "Thus far shalt thou go, and no farther. This thou shalt report upon but not that." When the Treasury Board had told him what he is to report upon, then it goes to the Auditor General, and then the Auditor General will decide whether or not it is necessary to transmit to Parliament the report which the Comptroller General, within the possibly very limited authority given to him, has made.

I think it is instructive to compare what is provided in this bill with what exists in the United Kingdom, where there is, as honourable senators know, a very high official known as the Comptroller and Auditor General, the two offices being united in one. I turn here to two authorities, the first being Wilding's *An Encyclopedia of Parliament*, where, at pages 161 and 162 we find a description of the office of Comptroller and Auditor General in the United Kingdom. I quote directly from this authority as follows, under the heading of "Comptroller and Auditor General":

> The officer who is responsible for the auditing of all public accounts. His position is unique in that he is an Officer of Parliament—

Observe that, honourable senators. He is "an Officer of Parliament;" not merely an official, and in effect, a special adviser to the Treasury Board.

> —yet, as head of the Exchequer and Audit Department, he controls a staff of Civil Servants. He is appointed by letters patent on the nomination of the Prime Minister (q.v.), his full title being "Comptroller General of the Receipt and Issue of Her Majesty's Exchequer and Auditor General of Public Accounts." His salary, like that of the Speaker (q.v.), is charged directly to the Consolidated Fund (q.v.) and not provided for in the Estimates (q.v.). His statutory duties are laid down in the Exchequer and Audit Department Acts, 1866 and 1921.

I could quote more from this, and I may return to it in a moment or two, if I find it necessary.

I turn now to the last edition of *Erskine May*, where I find, under the heading "The Comptroller and Auditor General," the following:

> The Comptroller of the receipt and issue of Her Majesty's Exchequer and Auditor General of Public Accounts is appointed by letters patent under the Exchequer and Audit Departments Act 1866, and is removable only on an address from the two Houses.

I am informed by one of the officials in the library, who is particularly learned in this matter, that he is removable actually on an address of the House of Commons. At any rate, he is removable only on an address from at least one of the two Houses of Parliament. I was under the impression that it was on an address by the two Houses of Parliament, as indicated in *Erskine May*, but it is possible that, as my expert informant tells me, it is on an address of the House of Commons alone. *Erskine May* continues as follows:

> He assists the House of Commons by controlling the issue of money granted by Parliament from the Exchequer on the demand of the Treasury—

Note that, the issue of money.

> —and by auditing the accounts of the departments on behalf of the House. His reports regarding the applications and the appropriations of the grants form the basis of the work of the Public Accounts Committee.

There is more on this subject in some detail, but I shall not trouble the house with that.

I do commend to the attention of the house, however, and of the government, the position of the Comptroller and Auditor General in the United Kingdom, and I cannot help asking myself why, if this official in the United Kingdom should be an officer of Parliament, and removable only by address of at least one house of Parliament—and I think it is actually of both houses—the corresponding official here, or the person who is supposed to be in a corresponding position to that of this official in the United Kingdom, should be removable at the pleasure of the Governor in Council.

I draw attention also to the fact that we have formerly had in this country itself a personage called the Comptroller of the Treasury, and if honourable senators will refer to the Revised Statutes of Canada, 1952, chapter 116, they will find, in section 11, the following:

> (3) The Comptroller shall be appointed to hold office during good behaviour, but he is removable by the Governor in Council for misbehaviour or for incapacity, inability or failure to perform his duties properly, or for other cause.

Then comes subsection (4), which is as follows:

> (4) Where the Comptroller is removed from office, the Order in Council providing for his removal and the documents relating thereto shall be laid before Parliament within fifteen days after it is made, or if Parliament is not then in session, within fifteen days after the commencement of the next ensuing session.

● (1540)

Now, this unfortunate official, whose appointment is provided for in the bill before us, is not given even that limited security of tenure. He is not even given the security of tenure which was provided for the former Comptroller of the Treasury. The list of powers of the former Comptroller of the Treasury, which honourable senators will find in sections 31, 32, 33, 34, 35 and 36 of the Act I have just been reading from, is a very formidable one. I will just mention one or two of them.

Under section 30(1):

> No contract providing for the payment of any money by Her Majesty shall be entered into or have any force or effect unless the Comptroller certifies that there is a sufficient unencumbered balance available out of an appropriation or out of an item included in estimates before the House of Commons to discharge any commitments under such contract that would, under the provisions thereof, come in course of payment during the fiscal year in which the contract was entered into.

And there are further provisions under other subsections.

Section 31 is:

> (1) No charge shall be made against an appropriation except upon the requisition of the appropriate Minister of the department for which the appropriation was made, or by a person authorized by him in writing.
>
> (2) Every requisition for a payment out of the Consolidated Revenue Fund shall be in such form, accompanied by such documents and certified in such manner as the Comptroller may require.

It goes on through a fairly long subsection (3) and another fairly long subsection (4), and subsections (5), (6) and (7). Then follow the other sections which I referred to. The powers and duties of the Comptroller are specified in immense detail.

It is quite evident from what the Auditor General said to the committee in the other place that he would have originally liked to see, in legislation of this sort, some specification of the duties of the Comptroller General. When he was questioned on the subject, he admitted that he would have liked to see the particular proposals which were being put forward by the Conservative Party in the other place as amendments embodied in the legislation, but when he took the matter up, he said, "I bumped my head into the whole principle of ministerial responsibility." In other words, you could not put this into an act of Parliament, oh no, that would be altogether improper; it would take away from the responsibility of the minister. The Auditor General, being as he said, something of an amateur or a novice in matters of constitutional law, accepted this. What he bumped his head against was not the principle of ministerial responsibility, but the government's or the officials' idea or theory of ministerial responsibility, which is not quite the same thing.

For the life of me I cannot see why this legislation should not provide for an office of the kind that is provided for in the United Kingdom—the office of Comptroller and Auditor General. As we have an Auditor General already, we presumably do not want to touch that. If we are creating an office of Comptroller General, why can't we give him the kind of powers which are specified in the British act? Why can we not specify his powers and his duties in exactly the same way as the powers and duties of the Comptroller of the Treasury were specified in chapter 116 of the Revised Statutes of 1952? Nobody bumped his head into any theory of ministerial responsibility, presumably, when those duties were drawn up. I do not know the precise time when that act was originally passed. I think that the indication here is that there had been a section in the act of 1951. Apparently it was perfectly possible then to put these things into an act of Parliament. If you can put into an act of Parliament anything you want to about the powers and duties and functions of the Comptroller of the Treasury, why can't it be done with the Comptroller General? Apparently it is perfectly possible to do it in Great Britain

where I should think the principle of ministerial reponsibility is fully as well understood as it is in this country—I am even inclined to think, in some jaundiced and cynical moments, better understood than it is in this country.

Senator Grosart: Right.

Senator Forsey: I cannot for the life of me see why the amendments proposed in the other place, very mild amendments as it seems to me, embodying certain specifications of the powers and duties, should not in fact be included in this legislation.

The amendments were as follows:

> The Comptroller General of Canada shall design, develop, implement and monitor such systems that will ensure that
>
> (a) the form of Estimates provides a sound basis for budgetary control;
>
> (b) public monies and assets are under effective custody and control at all times;
>
> (c) accounting procedures and financial reports conform to accepted accounting principles and standards;

Paragraph (d) seems to have got left out in my list here, but (e) is:

> satisfactory procedures measure the effectiveness of government programs;

It then went on to say:

> and without restricting the generality of the foregoing shall perform such additional duties and functions as may be assigned to him by the Treasury Board.

I am not too enamoured of that last paragraph, but apparently, from the point of view of the people who proposed the amendment in the other place, it was a case of "It pleases 'ee and it don't hurt oi," a well-known principle of the rural proletariat in the United Kingdom.

I simply cannot see why we should not have the same kind of office here with the same kind of security of tenure and the same kind of powers as are provided for in the British legislation, and as were provided for, even to a limited extent, in the old legislation here, for the office and powers and duties of the Comptroller of the Treasury.

I can only hope that when this bill goes to committee, as I trust it will—on the face of it, it is so simple and so brief that one might say that there is no occasion to send it to committee, but the brevity and the simplicity are altogether deceptive—it will receive the most searching examination, and that the minister and officials will be called upon to appear and explain why they think it must be in this peculiar blank and void form, and why there should not be inserted into it the kind of provisions which I have just referred to which will be found, to a limited extent, in our own former legislation and which are to be found in their full plenitude and glory in the legislation of the United Kingdom.

This is a bill of immeasurable importance, it seems to me, if Parliament is to re-assert its control over the expenditure of public money, over the finances of the country. The government, in effect, admits that, but having admitted it in principle, it then produces this shadow of legislation, this mere pious aspiration, if you can dignify it even with that expression, which, as it stands, is really worth absolutely nothing and gives Parliament no control whatever, no vestige of the control which it ought to have over this most important matter.

Senator Greene: Will the honourable senator permit a question?

Senator Forsey: Yes, but if I do not replace my earphone I shall miss your words of wisdom.

Senator Greene: It seems to me we presently have, under the laws of Parliament, the right to use subpoena to bring any officer from any department before our committees. We have been very timorous about using those powers. Are we using this bill, which might be a very proper bill, for the executive to have a certain official that they require when we already have those powers ourselves, if we had the guts to use them? Are we asking them to pull our chestnuts out of the fire by trying to opt an officer that they apparently feel they require for executive purposes, and use him for our legislative purposes?

• (1550)

I do not see why now under our present authority we cannot do any of the things to which you adverted in your speech. We have just been too timid to do them.

Senator Forsey: Well, honourable senator, in the first place I don't think it is a matter of the executive authority and what is useful and convenient for the executive authority. It is a matter of the authority of Parliament and what is useful and necessary for Parliament and, as the Honourable Senator Grosart has pointed out, if the Comptroller General under this legislation reports something to the Treasury Board there is no guarantee that we shall ever know even whether this report exists. How can we say, "We subpoena you . . ."—I shall come to the point about subpoena in a moment—"We subpoena you to come here and tell us about what is in your report" when we do not know that he has made a report at all, let alone what may be in any report that he may have made? The whole thing is hedged with "might have" and "may have" and so forth, and we are groping in the dark. I do not think—I speak subject to correction by honourable senators learned in the law—but you cannot very well subpoena someone simply to come and bring something that he may have written. If he comes, he is obliged in this case to say, "Well, I am acting under the instructions of the Treasury Board, and I cannot produce that." You would get a recorded message such as those we keep getting in the Joint Committee on Regulations and other Statutory Instruments to the effect: "This would involve the giving of a legal opinion which, as you know, I am not allowed to give." The Comptroller General is in a position to say, "This involves revealing information which I am not allowed to reveal. I am acting under the instructions of the Treasury Board."

Now, I am reliably informed that the committees of the House of Commons cannot subpoena anybody, though I am open to correction on that point. Frankly, I do not know

whether the Senate committees have or have not the power to subpoena witnesses. If they have, no doubt that is a great advantage, but as I say, even if you have the power to subpoena but you do not know what you are subpoenaing, and the chap is not allowed to give you whatever he may have, I don't know that it would be very effective for the purpose of exerting parliamentary control.

Hon. Léopold Langlois: Honourable senators, I believe I owe a word of explanation to this house for my failure last evening to answer the questions which were posed with regard to this legislation, and particularly with regard to the then information we had that Mr. Rogers had been appointed as Comptroller General. My explanation is that I was absent from Ottawa from the time we adjourned on Tuesday of last week until about five minutes before we came into the house last evening. A week before that I was away from the house because I was under medical treatment as a result of an accident, from which accident I have not as yet fully recovered. This has impeded my activities to a great degree, and it was due to my absence from Ottawa that I was unaware of the announcement which had been published in the press with respect to the so-called appointment of Mr. Rogers until it was brought up in the house yesterday by the sponsor of the bill.

For that reason I had to take the question as notice last evening. Since then I have done some extensive reading in following the progress of this bill in the Commons during the last year and a half or two years. First, it went to the Public Accounts Committee, and since the beginning of this year it has been studied on several occasions by the Committee on Miscellaneous Estimates. I have checked the reaction of the members of the other place with regard to this so-called premature appointment of Mr. Rogers. Absolutely nowhere in these reports was any objection taken, although Mr. Rogers appeared before one of the committees of the other place and gave evidence. No one objected to his being present there and testifying as to his future functions.

Senator Grosart: Not until we discovered the mistake here.

Senator Langlois: No, it was not a mistake, because he was never appointed as Comptroller General. Last evening we witnessed another tempest in a teacup. I will not say "a tempest in a teapot" because the tempest was not even that big.

I turn to the comment—it was not a question but a comment—made last evening by Senator Forsey with regard to the use of the expression of Comptroller General in the other place by the Parliamentary Secretary to the President of the Treasury Board, Mr. Lefebvre. Senator Forsey said this, and I quote from page 724 of *Debates of the Senate* of yesterday:

> Possibly the parliamentary secretary was speaking without any kind of authority but, if so, he should be told by his superiors in the other place to be careful in his use of language henceforth. It is the most extraordinary production I have seen in a long time.

My reading this morning proved that the Parliamentary Secretary to the President of the Treasury Board, Mr. Lefebvre, was not the only one to refer to Mr. Rogers as being the new Comptroller General. I found many instances of several members of the other place referring to him by his new position. Mr. Lefebvre stated this, at page 5041 of *House of Commons Debates* of May 1, 1978. Further, Mr. Ron Huntington, the opposition member for Capilano, who is also the chairman of the Public Accounts Committee, said at page 4982 that he was very pleased to see "the appointment and selection of a comptroller general". He also said it is "something I endorse personally, and I am grateful to see it in place." Mr. McGrath also used the same designation for Mr. Rogers. There is nothing wrong with this, and I am not blaming those gentlemen for having misrepresented the facts because they knew exactly what Mr. Rogers was, he having appeared before one of their own committees.

This having been said, I wish to comment on the remarks of Senator Grosart this afternoon when he referred to the responsibilities of this new position. I am not in agreement with his statement that these responsibilities should have been spelled out in the legislation. However, I believe that very few in this and the other house are not acquainted with the responsibilities which will be those of the new appointee.

● (1600)

At a meeting of the Miscellaneous Estimates Committee of the other place on March 16 of this year, Mr. Andras outlined in detail some 20 responsibilities which would be given to the appointee designate. I believe it might be interesting to put some of these responsibilities on the record.

Senator Grosart: They are already part of the record.

Senator Cook: They were made an appendix to last evening's proceedings.

Senator Langlois: Then I will simply point out that these responsibilities do not include being a watchdog of the Treasury Board exclusively as was expressed here this afternoon. The Comptroller General will be the watchdog of all departments, including the Public Service Commission. He will be an adviser to the Treasury Board, having the rank of deputy minister, and, as such, will be available to be called before committees of this house and the other place to report on the operations of his branch of the administration of the Treasury Board.

The suggestion was advanced again this afternoon by both Senator Forsey and Senator Grosart that he probably should have been appointed as an officer of Parliament. This question was put to the President of the Treasury Board during meeting of the Miscellaneous Estimates Committee of the other place. In this connection I refer you again to Issue No. 7 of the proceedings of that committee at page 7:11. Mr. Alexander put a long question to the President of the Treasury Board, but, for the sake of brevity, I will read only the last sentence, as follows:

> I would ask you this, sir, do you think it is a good idea that the Auditor General reports and his report is then directed to a committee of Parliament? Do you think that is a good idea?

The report continues:

MR. ANDRAS (PORT ARTHUR): The Auditor General?

THE CHAIRMAN: Yes, Mr. Andras.

MR. ANDRAS (PORT ARTHUR): Obviously I do because I was the architect of the bill that made sure this was the case. I think that is absolutely correct. He is an officer of Parliament, yes.

MR. ALEXANDER: Do you not also think, in light of the importance of this new function, a similar procedure would be a good idea?

MR. ANDRAS (PORT ARTHUR): I think it would be an absolute duplication of what the Auditor General would be doing and, therefore, redundant. You know, that was exactly the issue, Mr. Alexander, which was very thoroughly discussed with the Auditor General. I think if you call the Auditor General before this Committee as a witness, you will find total agreement that he is to be a Deputy Minister with the same authority and the same reporting liaison with committees and Parliament as any other Deputy Minister. The practicality of this is that this man is an operating executive within the administration, as other deputy ministers are, and I think if you broaden it to duplicate the intent of the Auditor General, first, you are simply duplicating the whole system and you really would fragment the co-operation and fragment the effectiveness of this officer. This is an operating executive within the administration, the same as any other deputy minister.

Senator Grosart: That is what is wrong with it.

Senator Langlois: There is nothing to prevent any committee of this house or any committee of the other place from calling this new appointee before it to answer questions as to his functions as Comptroller General. This is a guarantee that Parliament has to appraise the manner in which he will perform his duties.

Senator Grosart: Would the deputy leader permit a question?

Senator Langlois: Yes.

Senator Grosart: Would you not agree that if a committee of Parliament did call this deputy minister or any other deputy minister—and in this particular case I will refer to this deputy minister—he would not be able to come without the permission of his minister?

Senator Langlois: I have been a member of the Senate for 12 years, and was a member of the House of Commons for 12 years. I have participated in the working and operations of many committees, and have never seen an example of a minister turning down a request of any committee to have his deputy or any other officials of his department appear before a committee to give testimony. On many occasions my honourable friend has attended with me meetings of the National Finance Committee when the President of the Treasury Board and his officials, and officials of the Department of Public Works, and many other departmental officials, were called as witnesses. As I indicated, I have never heard of a request having been turned down by a minister. If this should happen, I am sure the minister refusing the permission would be on the spot.

I do not believe a deputy minister has to seek permission from his minister to appear before a committee of Parliament. He is required to appear and give testimony and put himself at the disposal of the committee. That has been the case for several years now. That has been the practice of this Parliament, and I have no fear that it will change tomorrow morning.

The same rule would apply to the Auditor General. The Auditor General does not have to seek permission to put something in his annual report to Parliament. If he is not satisfied with the work done by the Comptroller General, he is required to report that directly to Parliament. That is where you would see some liaison between Parliament and the Comptroller General as stated by Mr. Andras when he appeared before the Miscellaneous Estimates Committee of the other place.

I do not believe there is very much more to add, since I am sure this bill will be referred to committee. I am sure a motion will be put by the sponsor of the bill to refer the same to the National Finance Committee. If that is done this afternoon, I can assure you that notices will be sent out this evening advising that a meeting will be held at 9.30 tomorrow morning. At that time we will have an opportunity to have either Mr. Andras or Mr. Rogers, if he is available, to testify before the committee. Perhaps we could even have the Auditor General, if it is our wish to hear him, give us his views on this arrangement for the operation of the Comptroller General's Office.

The minister stated in the other place that the Auditor General was quite satisfied with this new arrangement, and until it has been given the test I do not think we should try to destroy the position before it is even created.

On motion of Senator Roblin, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, May 4, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

PRIVILEGE

PRESS REPORT OF SENATE PROCEEDINGS

Senator Grosart: Honourable senators, I rise on a question of privilege. My purpose in doing so is to correct a report distributed by the Canadian Press agency relating to the proceedings of the Senate of Tuesday last.

The report in question was circulated to customers of the Canadian Press and has been repeated on the radio and television and, amongst other newspapers, in yesterday's Ottawa *Journal*.

The first few paragraphs of the report are as follows:

> For some persons news travels slowly.
>
> For instance, businessman Harry Rogers was appointed comptroller-general of Canada last February and he took office April 2.
>
> Some senators just heard about it Tuesday night, and then in an indirect fashion. They expressed some indignation.
>
> It happened this way—

And the report goes on to indicate some aspects of our proceedings at that time.

I need hardly say that the facts are in effect a direct contradiction of this report, and I emphasize the word "facts." The facts are, of course, that Mr. Harry Rogers was *not* appointed Comptroller General last February; he did *not* take office on April 2, and some senators did *not* just hear about it on Tuesday night, because it just did not happen.

Perhaps it is only fair to say that Canadian Press has issued a follow-up story and they have had the courtesy and kindness to send me a copy. This definitely modifies the original report and quotes the Leader of the Government in the Senate as straightening out the record in this regard, to the extent that he did. Furthermore, the new report carries this statement—"Government spokesmen in the Commons have consistently referred to Rogers as though he already were Comptroller General," which, I suppose, quite definitely gives some excuse to Canadian Press for the incorrect report.

However, honourable senators, I am sure we all welcome in the Senate any time and any occasion when Canadian Press reports our proceedings, and it is certainly not my intent to discourage them in any way, although it would be my hope that in general the reports should be more accurate than this one. This report is so incorrect that if there were an award for the news story of the year that had *all* the facts wrong, this one would certainly qualify. This same statement could be applied to other press reports of proceedings of the Senate, and indeed to some pronouncements by certain university professors to which Senator Forsey referred quite recently.

In this case the facts are that the news media, some members of the other place, even the official government spokesmen on this bill made the same mistake that the Canadian Press has made; they have said that Mr. Rogers was appointed to this post, before the post had been created by Parliament. Mere common sense made it obvious to us here that nobody could be appointed to a position that had not been created. That is what we said and that was confirmed in the proceedings of the Senate last night to which the second report by Canadian Press refers.

● (1410)

However, I might suggest, if the Canadian Press is thinking of another follow-up, it might, in more or less the same wording as the report, read as follows:

> For some persons, including some national news agencies, news travels slowly.
>
> For instance, businessman Harry Rogers was not appointed Comptroller General of Canada last February. He did not take office April 2.
>
> Canadian Press just heard about it Wednesday night.

Senator Cook: Honourable senators, on the same point of privilege, I am now satisfied that I allowed myself to be misled by the news report referred to by Senator Grosart. However, I blame myself, as I should have gone to the source of the news items, in which case I would have been reassured that the government in no way acted without regard to the Senate.

Securing a man for the position to be created and even making a provisional appointment before the law was passed may or may not be good procedure, but it should not, I am now satisfied, be regarded in any way as an affront either to the Senate or to the other place.

Senator Perrault: Honourable senators, I think we all appreciate the remarks of the Honourable Deputy Leader of the Opposition, who has had extensive experience in the field of communications and, perhaps as a result, has certain specialized insights not possessed by some others in this chamber. I think we can all agree that there have been better weeks for Canadian Press.

DOCUMENTS TABLED

Senator Perrault tabled:

Capital Budget of the Canadian Saltfish Corporation for the fiscal year ended March 31, 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-1271, dated April 20, 1978, approving same.

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, regarding the references on the following:

1. Bendix Heavy Vehicle Systems Ltd., London, Ontario. Order dated May 3, 1978.
2. Bonar and Bemis Limited, Burlington, Ontario. Order dated May 4, 1978.

Copies of Report of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in the compensation plan between the Corporation of Delta and its employees represented by the Delta Municipal Police Association, dated April 26, 1978.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, May 9, 1978, at 8 o'clock in the evening.

Honourable senators, when we return next Tuesday evening we can expect to have before us Bill C-39, to amend the Currency and Exchange Act, and possibly also Bill C-17, to amend the Canadian National Railways Capital Revision Act. Both these bills are at the reporting stage in the other place. They will be followed by Bill C-36, to amend the Export Development Act; Bill C-42, to amend the Criminal Code; and Bill C-4, to amend the Aeronautics Act, which are likely to come before us early next week.

With respect to Senate committees, the National Finance Committee will meet to consider Bill C-10 after the bill has been referred.

Senator Grosart: If they get it.

Senator Langlois: We have it here; it is Bill C-10.

Senator Grosart: I am referring to the committee; if the committee gets it next week.

Senator Langlois: I did not state a date next week; some time next week. It is expected that the Standing Senate Committee on Banking, Trade and Commerce will meet on Wednesday at 9.30 a.m. to consider the subject matter of Bill C-13, and that the Joint Committee on Regulations and other Statutory Instruments will meet on Tuesday and Thursday. Times for the latter committee have not yet been set.

Motion agreed to.

NATIONAL REVENUE

INFORMATION CIRCULAR—REGISTERED CHARITIES—QUESTIONS ANSWERED

Senator Guay: Honourable senators, I should like to reply to some of the questions that were asked of me yesterday, when I gave assurance that I would provide answers today. I have replies to at least four questions, and another answer may come to my desk during the interim and can be dealt with later.

Senator Roblin, referring to the information circular, asked me the following question:

> Is he telling the Senate that this document to which we have been referring is being used as the basis now for the enforcement of this act and his duties? Is this now in force?

In reply, the registration of charities for purposes of the Income Tax Act is based upon specific provisions of the act and, where necessary, common law and jurisprudence related to that law. Enforcement of the act is not based upon the circular. It is merely a vehicle that has been used to inform the public about certain aspects of the Income Tax Act, common law and related jurisprudence.

The circular remains in distribution for those who wish to consider the information it contains.

Another question from Senator Roblin was:

> Will the honourable minister tell the Senate whether there have been any cases in which the terms of this particular document have been invoked so as to cancel the right of any charitable organization to the given tax concessions?

In reply, to date my department has not brought about revocation of any charity's registration for political activities. At least one organization voluntarily sought revocation after the officials of my department had questioned its activities. Registration has been denied in other cases where the stated objects and activities of applicant organizations were considered to be of a political nature.

The officials of my department have had to bring to the attention of other registered charities certain of their activities that were considered political and to request that they discontinue them.

They received written undertakings from these charities to comply and therefore did not revoke the registrations.

Senator Roblin asked a further question:

> . . . if there are no cases that you can bring to mind based on the rules and regulations laid out in this document, I am wondering why it was found necessary to issue the document in the first place.

In reply, preparation of the circular commenced last summer at the instruction of my predecessor as the result, on the one hand, of a growing concern expressed by the public on the issue of what they felt to be political lobbying by some charities, and, on the other hand, of increasing concern by some charities as to what, in common law, constitutes a

political activity. The intention of the circular was to explain and provide information to charities as to what, in common law, constitutes a political activity.

Senator Manning asked if I could clarify a certain matter. The point in question was the involvement of church social action committees in representations to the government for changes in policy.

● (1420)

My answer is that the provision of the Income Tax Act, in paragraph 149.1(1)(b), is quite explicit in that it states that a charitable organization must devote all its resources to charitable activities. The term "resources" is interpreted to mean both physical and financial resources. When representatives of church organizations participate in demonstrations protesting government policies they may be participating as individuals, through personal conviction, or they may be there as official representatives of the charity. If the latter is the case, and the charity is devoting some of its resources to the event, then it could well be that there is an infringement of the existing legislation.

A "non-profit organization," as defined in the Income Tax Act, other than a charity, could carry on such an activity within the ambit of the legislation.

If I may be allowed to finish these answers, even though the senators concerned are not present, I will be pleased to do so.

The next question I have an answer to was asked by Senator Godfrey:

> Does the department consider that there is an appeal to any court from a decision of the minister as to whether or not a charity may be registered, or lose its registration under the Income Tax Act, because of the type of so-called political activities referred to in the information circular? If the department is of the opinion that there is a right of appeal to the courts, what is the legislative or other authority for such an appeal?

My answer is that provision is made in the Income Tax Act for an appeal to the Federal Court of Appeal from my department's refusal to grant registration to an organization that has applied for the same, as well as from a notice of intention to revoke the registration of a registered charity.

Another question from Senator Godfrey was as follows:

> Are there any court cases in Canada—I underline the words "in Canada"—dealing with the question of whether or not a charity may be denied registration, or lose its registration under the Income Tax Act, because it devotes some of its resources to the kind of political activities outlined in paragraphs three to seven inclusive of the information circular? If so, what are the names and citations of those cases?

The answer is that one known case was heard in the Saskatchewan Court of Appeal in 1951; it concerned the Patriotic Acre Fund. The fund's objects were to promote legislation benefiting farmers, and it was held to be political and therefore not charitable. I may add that some of my officials feel there may well be other Canadian cases we can cite.

Senator Manning asked this question:

> Honourable senators, in his comments a few moments ago, I believe the minister drew a distinction between charitable organizations and non-profit organizations. I am somewhat confused on that point and wonder if he would mind, not necessarily today, but when he is dealing with this matter tomorrow, elaborating on that point, both with respect to the legislation and this directive which has been sent out.

My answer is that it must be established that both a non-profit organization and a charitable organization are not for profit. The distinction between the two is in the purposes for which they are established to operate. While a charity must be established to operate for exclusively charitable purposes, a non-profit organization need not.

A large number of voluntary organizations are non-profit organizations. In other words, charities are only a portion of the voluntary or non-profit organizations. Only registered charities are permitted to issue tax-deductible receipts to their donors.

I should like to add a statement with reference to the questions I was asked yesterday. It is apparent from the comments and representations received with regard to the information circular, that there is some misunderstanding about the rules in relation to what organizations may properly be registered as "charitable organizations" under the Income Tax Act. I have therefore withdrawn the circular entitled "Registered Charities; Political Objects and Activities", No. 78-3, so that it may be reviewed and reworded to avoid any ambiguity.

Hon. Senators: Hear, hear.

Senator Smith (Colchester): Honourable senators, I wonder if I may ask the minister a question. I should like to begin by saying we very much appreciate the statement he has just made. He was kind enough to send me a copy of a letter dated yesterday which he wrote to a member in the other place and which I do not think he meant me to regard as confidential—if he did, I will say no more about it.

Senator Guay: No. It was sent yesterday before I made these statements here today.

Senator Smith (Colchester): So the indication therein that the circular would be continued to be distributed is now varied by the statement given today.

Senator Guay: Yes.

Senator Smith (Colchester): Thank you very much.

Senator Grosart: May I ask the Minister of National Revenue a specific but somewhat supplementary question? In view of the definition that he appears to have given of Revenue Canada's definition of "political activity," may I ask him a specific question which I do not expect him to answer immediately, but which might clear up the confusion, if it is confusion, that is in the minds of many people about this memoran-

dum? Would the department include in its definition of "political activity" an organization dedicated to cancer research, if it were a registered charity, using some of its resources to send a representative to Ottawa to urge on the government a fundamental change in its present method of funding cancer research? I am being specific to see what kind of clarification we can get between the two apparent definitions of "political activity."

Senator Guay: I realize, senator, that you are exemplifying only one particular organization, and my answer may apply to other organizations. In view of that, I should like to discuss this matter with the officials in my department and make sure I am in a position to give you the type of answer that you would expect, and, at the same time, not create a precedent.

Senator Grosart: Fine.

[*Later:*]

Senator Greene: Honourable senators, may I ask a supplementary question of the Minister of National Revenue?

Inasmuch as he has undertaken on Tuesday next to distinguish between a charitable corporation and a non-profit corporation, I wonder if he could look further into the matter. It is my understanding that "charitable corporation" is the language of the Income Tax Act and that "non-profit corporation" is the language of the Corporations Act.

Whether it applies federally at all, I do not know, but I wonder whether the minister would undertake to check into the provincial corporations acts to see how many of them have non-profit corporations—and that, of course, cannot affect the tax picture federally.

Senator Guay: That is a good point, indeed. I shall be pleased to look into that aspect of the matter and provide the house with an answer as soon as possible.

VETERANS AFFAIRS

PENSION RIGHTS—QUESTION

Senator Marshall: Honourable senators, I have a question for the Leader of the Government. In view of the fact that the possibility of dissolution seems to be remote, and in view of the fact that there has been an indication in the other place that much legislation might be brought forward for the benefit of Canadians, could the leader indicate if any consideration has been given to introducing amendments to the Pension Act as it applies to disabled war veterans—amendments which would correct anomalies concerning the basic right of pension?

There is an indication of unfairness in equating the veteran's basic right of pension to the averaging formula established for the five categories in the public service. Is any consideration being given to the introduction of legislation to correct those anomalies?

Senator Perrault: I am sure that all honourable senators appreciate Senator Marshall's concern for the welfare of veterans in this country, a concern which is shared by the Minister of Veterans Affairs, the Honourable Daniel MacDonald. I can say that there is great concern about the plight of these veterans, and the matter is under active study at this time. It may be that the minister will wish to make a statement on his own behalf within the next while.

Senator Marshall: May I ask a supplementary on the same topic? Another anomaly which exists discriminates against some widows of veterans. Should a veteran who receives a minimum pension of 48 per cent die, his wife will receive a substantial pension. However, if he had less than a 48 per cent pension, his widow would be cast aside without a pension. I wonder if the leader would indicate if that anomaly, that inequity and discrimination with respect to disabled veterans under the Pension Act, is being considered.

Senator Perrault: I want to assure honourable senators that this anomaly and the situation referred to earlier by Senator Marshall are under active study at this time. Honourable senators are aware, of course, that the minister responsible for veterans' affairs is himself a veteran who was badly injured in the war, and for that reason brings some personal human insights into the plight of our veterans in this country.

• (1430)

FISHERIES

DEPLETION OF STOCKS BY FOREIGN COUNTRIES—QUESTION

Senator Marshall: I wonder if I could move to another area, having to do with the fisheries. There has been concern expressed, even by the minister in the other place, about the fact that foreign nations are depleting the stocks, or showing much activity just outside the 200-mile limit, which will cause great harm to the potential of the fishing industry which Canadians could enjoy and which would build up the economy and the income of many fishermen. I wonder if the government leader could indicate if this has been discussed and if he is aware of any action being taken in respect of bilateral negotiations with these foreign nations, or at the ICNAF negotiations, to correct this unfairness.

Senator Perrault: Honourable senators, the matter has been discussed. I shall be prepared to make a statement to the Senate on this subject possibly by the middle of next week.

Senator Grosart: Will we still be here?

COMPTROLLER GENERAL OF CANADA

STATUS OF MR. HARRY ROGERS—QUESTION ANSWERED

Senator Perrault: Honourable senators, a question was asked yesterday by the Deputy Leader of the Opposition with respect to precedents which may exist for the procedure which the government has followed in connection with Mr. Harry Rogers, the Comptroller General designate and who has been appointed as an adviser to the President of the Treasury Board. I can report that on April 15 last, which is the most recent instance of a similar procedure, Mr. Donald Tansley was named Chairman of the Fisheries Prices Support Board and deputy minister designate. It was stated in the press

release that Mr. Tansley would assume these duties once legislation to establish a separate Department of Fisheries has been passed.

In May 1976, before legislation was placed before the house to change the Department of Manpower and Immigration and the Unemployment Insurance Commission into the Department of Employment and Immigration, it was announced in a press release that Mr. Alan Gotlieb, then deputy minister of manpower and immigration, would become chairman of the proposed Canada Employment and Immigration Commission at such time as the legislation was approved by Parliament.

"Designate", according to official interpretation, means "chosen for office but not yet installed." This is from Webster's Dictionary, and it seems to cover both of these situations and that of Mr. Rogers. The word in the press release, of course, is "unofficial". The legal designation of Mr. Rogers is "special adviser to the President of the Treasury Board". That is the legal and binding designation and the one which has any force of law. The word "designate" constitutes a communications terminology—a crisper way of saying a person will be appointed once legislation has gone through Parliament. "Designate" was used in the news release as a short form to cover the situation.

A question was asked yesterday by the Honourable Senator—

Senator Grosart: May I ask a supplementary with respect to that particular answer? Would the Leader of the Government not agree that there is a clear difference between the two definitions he gave us? The one from Webster's Dictionary, as I heard him, is "chosen for office but not yet installed," but that would hardly include such a definition as "chosen for an office that does not exist."

Webster's definition would seem to support the objection that was made. The leader's second definition, it seemed to me, was a paraphrase to bring this up to date. Would he not agree with that?

Senator Perrault: I can only suggest that the honourable senator's comments, especially in view of his extensive experience in communications and public relations, will be read with great care by members of the public relations branch of the responsible ministry. Perhaps they can draw some wisdom from the observations made by the Deputy Leader of the Opposition.

Senator Grosart: Do you think they might consider making me an adviser designate?

Senator Perrault: Based upon the number of recent appointments of members of the opposition to various posts, it is evident that the government is constantly seeking to appoint people of merit, regardless of party affiliation.

Senator Grosart: I have a further supplementary. Would the Leader of the Government explain why it appeared to be necessary to exclude this designate appointment of Mr. Rogers from the operation of the Public Service Employment Act? If he is not aware of the reason why I ask that question, perhaps I can read the appropriate part of the *Canada Gazette* where it is explained:

> Therefore, His Excellency the Governor General in Council, on the recommendation of the Public Service Commission, is pleased hereby:
>
> (a) pursuant to section 39 of the Public Service Employment Act, to approve the exclusion by the Public Service Commission of Mr. H. G. Rogers on his appointment to the position of Special Adviser to the President of the Treasury Board—

Why was it necessary to take this very roundabout way of excluding him from the existing provisions of the Public Service Employment Act?

Senator Perrault: I can assure honourable senators that there was a determination on the part of the government to acquire the very ablest person available to assume these important responsibilities, regardless of whether that person is from the private sector or the public sector.

However, inquiries will be undertaken, and if further information is provided it will be made available.

[*Later:*]

Senator Forsey: Honourable senators, I wonder if I might ask a supplementary arising out of the reply given to the Honourable the Deputy Leader of the Opposition.

I noticed that the Deputy Leader of the Opposition quoted from the order in council the words "the Governor General in Council, on the recommendation of the Public Service Commission". I was a little suprised to hear that. I thought it was only ministers who could make recommendations to the Governor General in Council. I was a little surprised to find that the Public Service Commission is making recommendations.

Senator Perrault: Honourable senators, I will certainly take the question of the Deputy Leader of the Opposition as notice, and provide a statement on the subject just as quickly as possible.

MIDDLE EAST

PARTICIPATION OF CANADA IN UNITED NATIONS PEACEKEEPING FORCE IN SOUTHERN LEBANON—QUESTION ANSWERED

Senator Perrault: Honourable senators, yesterday afternoon Senator Wagner asked the following question:

> In view of the most recent incidents in which members of the United Nations peacekeeping force in Lebanon have encountered resistance from Palestinian groups, as a result of which some have been killed, is it the intention of the government to revise its position toward Canadian participation in the UN operations and to seek assurances from the interested parties that active resistance to the presence of the blue berets will cease forthwith?

The answer is as follows:

> Canada has been very much concerned by the incident in which 2 French soldiers, 1 Senegalese soldier and a

PLO liaison officer accompanying the French were killed and several others were wounded. UN Secretary General Waldheim has already been in touch with the PLO. Chairman Arafat has expressed regret and has given assurances that such incidents will not recur. The Security Council met on Wednesday to discuss the situation. Canada supported a Resolution which deplored the attacks on the UN force that have occurred and demanded full respect for the UN force by all parties in Lebanon.

The Security Council authorized a 2000-man increase in the size of the UN Interim Force in Lebanon. Fiji, Iran and Ireland have each offered to provide a battalion to bring the Force up to 6000 troops. We expect Canada will have to expand its 91-man Signals Unit by a further 8 signallers to accommodate these additional battalions.

[*Translation*]

Senator Wagner: Honourable senators, I thank the government leader for this fast answer. I wonder if I could ask him a supplementary question.

Would it not be appropriate if the Leader of the Government on behalf of the Senate, were to extend to the ambassadors of France and Senegal in Canada the deepest sympathy of this house on the death of those members of the peacekeeping forces from two French-speaking countries?

• (1440)

[*English*]

Senator Perrault: Honourable senators, I see no objection to the proposition put forward by Senator Wagner. Certainly, his view and recommendation will be made available to the Department of External Affairs.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the debate on the motion of Senator Cook for the second reading of Bill C-10, to amend the Financial Administration Act.

Hon. Duff Roblin: Honourable senators, I much appreciated the opportunity yesterday afternoon to listen to two quite excellent speeches dealing with the principle of Bill C-10, which is before us now, when Honourable Senators Grosart and Forsey addressed the chamber. Perhaps their speeches were critical in a sense, but it seemed to me that they were cogent and constructive as well. It seemed for a moment that perhaps the matter could be left to rest at that point. However, when Senator Langlois responded in what seemed to me—and I hope this will not sound offensive—a rather unsympathetic manner in setting out, I suppose, what the ministerial position with respect to this bill is, it made me think it might be useful to try to develop further the principles which we are considering in this piece of legislation.

The origin of the bill, I think, is quite clear, and that is that there was sensed to be a need for some improvement in the parliamentary system of financial management. That seems to be common ground for all who have considered this piece of legislation. This need, I think, has developed from events of the recent past—the activities of the Public Accounts Committee of the other place, incomplete as perhaps they were, and unprovided with the necessary tools as I think perhaps they were, which were followed by a very substantial discussion of the issues in the media of various kinds, including an exposé on television and comments in the newspapers, added to which were the annual strictures which we have come to expect from the last two Auditors General. The whole process has given rise, I suggest, to a tide of resentment on the part of the public at what it conceives to be waste and mismanagement of money in respect of the activities of the government.

These warning signals were such that even the administration felt they could no longer be ignored. Reluctantly—and I think Senator Grosart demonstrated this very effectively yesterday—reluctantly, and dragging the full weight of the bureaucratic establishment behind them—and they have my sympathy in that respect—the government presented us with the measure we are now being asked to consider.

I hope it is appropriate to describe it as a pretty feeble effort. It is a feeble measure—and I think that is a fair description of it. It is a feeble measure when it is compared to the ills that it purports to cure. And what are these ills? Well, I think the Auditor General expressed the matter very succinctly and, to my mind, very accurately in his 1975 report in which he said that Parliament—and I underline that word—and indeed the government, has lost, or is close to losing effective control of the public purse. The Auditor General stated that, in his view, the need was for a measure to achieve a system of financial management and controls within the federal government and the restoration to Parliament—and I underline that phrase—of an appropriate degree of control of the public purse.

I suggest, honourable senators, that the combination of those two expressions, "Parliament" and "the government", are significant to us in this debate. The report refers to a loss of effective control, and loss of effective control not only by government but by Parliament as well. I want to draw the very clear and explicit distinction in this respect between Parliament as such and the government, or the cabinet, or the executive branch, or whatever one wants to call it. I want to suggest that it is not sufficient to satisfy the requirements of the executive of government in respect of control of the public purse. It is essential, as well, to satisfy Parliament that it has control of the public purse.

Senator Forsey: Hear, hear.

Senator Roblin: Those two approaches to the problem, I suggest, are entirely different and distinct. The danger has been in recent times that we think of government and Parliament as being the same thing, and that is not the case at all.

Senator Forsey: Hear, hear.

Senator Roblin: The concern, in my view, is about Parliament. Today Parliament does not control the executive. In fact, it is the other way around—the executive controls Parliament. Indeed, some people have gone so far as to say that the

Prime Minister, who in effect is an elected dictator, controls both, and there is a measure of truth in that rather uncomfortable thought.

So, control of the purse is, I suggest to this house, the whole essence of parliamentary interest in financial affairs. If any evidence is needed—and I suspect very little would be required in a chamber of this kind—to support this point of view, I take comfort in reading my old friend *Beauchesne*, who has a happy knack of putting in very few words some of the essential principles on which our democratic and parliamentary institutions are based. Perhaps I might be allowed to read section 233 in the Fourth Edition of *Beauchesne*, as follows:

> It is one of the old standing principles of our constitution that the House of Commons should control the finances of the country. That is the right, privilege and duty of the House. It has been achieved by means of struggle lasting through centuries, beginning from the fourteenth century down to the seventeenth century, when it was fully confirmed, and since then it has never been disputed.
>
> The cardinal principle on which the whole of our financial system is based is that of parliamentary control, and by this is understood not the control of Parliament in its constitutional sense, but control by the Commons alone. Upon this fundamental principle, laid down at the very outset of English parliamentary history and secured by three hundred years of mingled conflict with the Crown, and peaceful growth, is grounded the whole law of finance and, consequently, the whole of the British Constitution.

● (1450)

And I merely summarize the last paragraph in that same section by saying that in it *Beauchesne* refers to the fact that the Dominion of Canada has a Constitution similar in principle to that of the United Kingdom. So if any historical precedent is required for the view that I am expressing here about the importance of control of the purse in relation to the function of Parliament, I would suggest that it is in this section of *Beauchesne*.

Those of us who have an historical frame of mind can carry our thoughts back to the so-called glorious revolution of 1688, which was the culmination of the struggle between Parliament and the Crown for control of the purse, and the great events of those days which, I am afraid, have become pretty dim in the minds of most of us. Perhaps it would not be out of the way to refer to William E. Gladstone, surely the apotheosis of the liberal constitution personality, who, when he was Chancellor of the Exchequer in the United Kingdom in the 1860s—I believe this was mentioned by Senator Forsey yesterday—brought in the concept of the Comptroller General as a servant of Parliament in that series of reforms that he made and that established his reputation as a leading English financial statesman.

So we have this situation to which I have referred, this great history of which we are heirs, the tradition that is ours, and how sad it is to reflect upon the fact that parliamentary control in these days has come a long way down from its former prominent position. Control of the purse in the hands of Parliament is a function which unfortunately has been degraded in the passage of time.

We see today the estimates scamped as they go through the parliamentary system. We see the Public Accounts Committee struggling against the odds in trying to get a grip on the spending authority and the spending responsibility that is theirs. And these things have not arisen because of lack of interest; they have not arisen because of neglect or ineptitude on the part of those who have the responsibility for these matters in Parliament. They have arisen because we are drowning in a sea of dollars. We are drowning in a sea of governmental programs and spending functions that were never dreamed of in the old days, and consequently it is becoming more and more difficult for Parliament to discharge, as it used to, its function in the control of the public purse. The growth of the public sector has in these recent times assumed monstrous proportions, and it is difficult—it might be said to be impossible, without some changes—for members of the Commons and members of the Senate to cope with their responsibilities in this connection.

Honourable senators, I suggest that we need some new tools to re-establish that parliamentary control which is the backbone of our system and the backbone of our tradition—tools that will help us to sort through this enormous mass of material which is being dumped on our desks every day; tools that will help us to outline the problem areas; tools that will help us to identify weaknesses; tools that will assist us in crystalizing the issues and that will give us the information and intelligence we need in order to act in the way in which the Constitution demands.

We need to reinforce, I suggest to this chamber, the independent servants of Parliament so that they can give Parliament the information it needs to discharge its function. These servants have to be available to Parliament; they have to report to Parliament; they have to be responsible to Parliament. I am suggesting to this house that we need a Comptroller General who can come to the aid of the Auditor General and help us to roll back this curtain of bureaucratic haze and ministerial privilege which now prevents us from getting at the real problems that beset the administration of our national finances.

But in the light of that analysis of our constitutional position as history records it, and the position in which we find ourselves today, what does this bill give us? I think Senator Forsey gave us a very good analysis, and I can do little better than follow some of the points he made here that I think are worthy of repetition. It certainly gives us a new deputy minister, but that seems to be the end of the matter. There are no specific functions attached to this man's duties, or what he is to do. In fact, there are no new duties whatsoever involved in the creation of this new post. How do I know that? Because the Auditor General testified to that effect in his evidence in the other place. There is, in fact, under this bill nothing more

than a re-arrangement of the furniture in the Treasury Board which falls so signally short of dealing with the problem which is facing us.

Who is going to take orders from this new Comptroller General? Nobody. How do I know that? Because the minister himself said so in the other place. What can this new man do? He can only do what the minister tells him to do. His terms of reference are obscure. I am not going to deal with the necessity of putting terms of reference in the bill, because I think that has been dealt with more than adequately by the previous speakers. To whom does this man report? Why, only to the minister who appointed him. And what happens to his reports? That, honourable senators, is something that we may never know, because I predict that if this bill goes through unchanged our Comptroller General, in whom we have such high hopes, will find himself smothered in the embrace of ministerial responsibility and cloaked in the invisible cloak of executive privilege. The Commons will never get at those reports.

How important, then, is this factor of public disclosure of the report of the Comptroller General to which I am now alluding? I suggest to this chamber that it is vital to parliamentary control, and I think I can give an illustration of why I think it is. Let us take the case of the Auditor General today. He does report to Parliament; he does describe himself as a servant of Parliament; and he does secure a very wide circle of publicity for the things he says. Yet it is only when public opinion is mobilized by Parliament or by the media, or whatever, that we can get government to move on the report of the Auditor General, and we know—it was demonstrated in the speeches yesterday—how grudging, how half-hearted and how slow that motion is.

If this is what happens to the recommendations of the Auditor General, what do you think is going to happen to the recommendations of the Comptroller General, if we proceed as we are advised to do in this bill? This gentleman is a creature of ministerial prerogative. He is reporting to a ministerial master, and he is holding his post under ministerial pleasure. It is crystal clear, I suggest, that to be fully effective the Comptroller General must not be merely an official of the executive; he must be a servant of Parliament and he should report to Parliament just as the Auditor General does.

I hear the cry "duplication!" That is a favourite word in some quarters these days. Perhaps we could stand a little bit of duplication in this particular area, but I do not think that duplication is a problem. I think it would be no more duplication to have both officers reporting to Parliament than it now will be under this bill to have both officers reporting to the executive, because both of them do that now—or will do so when this bill is passed. Duplication is not a problem. There is no sound reason, in my opinion, that stands in the way of making sure that this important financial officer reports where the world can see what he does and Parliament can act on it.

● (1500)

We have, I suggest, a rather unusual opportunity in this house in the case of this debate. We have an opportunity to provide our Parliament with a new source of selective, pertinent and important information—information that will tell us something about the efficiency of our government and something about the spending of public funds. It will help Parliament to perform more effectively its primary function, which is to control the public purse. Thus, I put it to you, honourable senators, that this rather small bill impinges on a vital constitutional principle and gives the Senate an opportunity to make an important innovation in securing those measures for the control of the public purse which we need so badly in the Canadian Parliament today.

I hope, honourable senators, that we will recognize this opportunity and that we will know how to act upon it.

Hon. J. J. Greene: Honourable senators, I am persuaded by the cogent, powerful and eloquent arguments from the other side as to their basic fear of the bill, namely, the loss of control of the public purse by Parliament. With respect, I fear that we are riding the wrong horse. We have entered a plough-horse in the Queen's Plate, and that is not likely to be a winner.

I think Senator Roblin, who has had great responsibilities of state, will agree that the executive, in this day of massive government spending and control over all our lives, needs all of the help it can get in managing its financial household. This bill requests for it that kind of help.

I quite agree that that does not mean Parliament should, therefore, relieve itself of its responsibility. It would be most tragic, if we used this bill for that purpose. I respectfully suggest to the committee that will study this bill that it is a measure to set up an executive officer to help the executive to do its work, and that we should consider our own house.

We do not go to the Department of Justice for advice on our legal procedures. We have officers of Parliament—as a matter of fact, one for the House of Commons and one for the Senate—to advise us as to the legality of various functions. If we were to go to the Department of Justice for legal advice, we would be using the same fellows who had already advised the government. That would be rather counterproductive.

Here, honourable gentlemen, whose fears are well founded and well presented, say, "Let us use the same bookkeeper the government uses to determine the financial responsibilities that ultimately belong to Parliament." I say, with all respect, that in this day of government spending I would far rather have my own bookkeeper, even if it costs a little more, than use the government's bookkeeper to determine my decisions in financial matters.

I have no ultimate or profound solution from the mountain, but I respectfully submit that the committee, while considering in detail the valid objections that have been taken, should also consider whether it would not be worth spending the same kind of money the executive will have to spend for the advice it wants on financial matters, and in that way have our own parliamentary and Senate financial adviser. If this were done we would be able to have independent advice.

If I might use an analogy, many private corporations, to my knowledge, have an executive committee which represents the

directors rather than the management. It has its own legal advisers and financial advisers. I have always taken the stand that the directors themselves should have their own legal and financial advisers quite apart from the corporate legal and financial advisers, so that the directors can have opinion and advice which are independent of management, where such independence is necessary. If boards of directors never receive any advice but that given by the legal and financial people in management, then boards of directors would be rather useless in our corporate institutions. I suggest, with respect, that if we are but to receive, under the guise of this bill, the advice of the government's financial wizard, we can then be that much less useful.

I do not deny that in this complex age management needs all the sophisticated help it can get. I was almost petrified by Willy Brandt's swan song speech in which he said, in effect, "What we need is more sophisticated civil servants." That scared the living daylights out of me. Surely the ones we have now have pretty nearly "sophisticated" us into oblivion.

If management feels they have need of more sophisticated public servants, then for God's sake let them have them so they can run their own show. But, so that we can keep control of financial spending, which is the very essence of Parliament, let us have our own independent advisers, and let them have full power and full access to the books so that they can advise us. The cost of that, I suggest, in terms of the total cost of government today, in the essential interest of seeing that good accounting principles and practices are followed in federal spending, would be but peanuts.

• (1510)

Senator Grosart: May I ask the honourable senator a question? Did I understand him to say that we might, in this exercise that he suggests, spend the same kind of money that the executive spends? Would he not agree that that would bankrupt the country?

Senator Greene: I do not know what they are paying Mr. Rogers, nor do I know what we pay our legal counsel, but whatever we pay our legal counsel is money well spent by Canada.

Senator Grosart: I agree.

Senator Smith (Colchester): Honourable senators, I do not know if any other honourable senator wishes to speak on this bill this afternoon; if not, I should like to move that the debate be adjourned.

On motion of Senator Smith (Colchester), debate adjourned.

The Senate adjourned until Tuesday, May 9, 1978, at 8 p.m.

THE SENATE

Tuesday, May 9, 1978

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

Prayers.

THE LATE ALDO MORO

FORMER PRIME MINISTER OF ITALY—TRIBUTES

Hon. Raymond J. Perrault: Honourable senators, in the House of Commons this afternoon, the Right Honourable the Prime Minister, the Leader of the official opposition and the leaders of opposition parties expressed their horror and sadness over the brutal killing of the Honourable Aldo Moro, former Prime Minister of Italy.

The Prime Minister has sent to the Italian people a message expressing the anguish and sorrow of all Canadians at this senseless act of terrorism. This expression of sympathy and sorrow offered to Mr. Moro's family, the Italian government and the Italian people, is sincere and tangible testimony of the anguish and the outrage of the people of Canada. The Prime Minister said in his speech in the other place this afternoon:

[*Translation*]

> He was also one of the most famous sons of Italy, a nation, as we all know, to which we extend our thoughts and our friendship.
>
> Our countries are closely connected not only by the great number of Canadians of Italian origin, those who came here and helped build our country, but also by the basic values of democracy and freedom which we both preserved and upheld.

[*English*]

It was a senseless death—senseless because Aldo Moro was above all a man of the people. He was a democrat, a voice of sane reason in clamorous times. He was a politician who asked for moderation in the name of the people.

However, there may be some consolation and hope in the death of Signor Moro, as there has been in the death of many martyrs. The Government of Italy refused to be blackmailed. The fact that the people who said no to the demands of the terrorists were the friends and political colleagues of Aldo Moro must have made the decision an agony, but the world can rejoice that they did not bow to the evil and arrogant demands of people with no reverence for human life, and who regard human life as only a bargaining agent.

We can applaud the fact that there has been universal support for the Italian Government's resolve not to bow to terrorism. This support came from all parties. As a result, we, as Canadians, can salute the actions of the Italian Government, who did not allow national freedoms to be subverted by those whose political aims are so abhorrent to the people of Italy that they are forced to select the platform of assassination.

I know that all honourable senators join with me in expressing sympathy to the family of Aldo Moro. The ordeal they have undergone has been an exercise in extreme cruelty.

In their time of grief, I hope that they can take some solace from the fact that the murder of Aldo Moro has served the cause of democracy and freedom. His murder has evoked nothing but worldwide contempt, and our deepest sorrow goes out at this time to the Italian people, to the Government of Italy, and, above all, to Aldo Moro's family.

Hon. Allister Grosart: Honourable senators, on behalf of the official opposition I join in the expression of shock and horror by the Leader of the Government, by the leaders of our political parties in the other place and, indeed, by decent people all over the world.

The honourable victim of this terrible crime was a man of peace and compromise. He was one of the founders of modern Italy, a member of the Constituent Assembly of 1946, a member of the first Parliament of modern Italy in 1948, five times Prime Minister of Italy, and a man who in all the conflicts with which he was associated made it clear that he was a man of peace and compromise in human relationships.

We can only believe that it was his great qualities that made these assassins single him out for their purpose of notoriety. He was not murdered because he was rich. He represented no particular class or conscience among his people or the people of the world. He was murdered to serve the ends of those who would destroy every concept of decency and civilization for which mankind has struggled upward for hundreds of years.

This terrible crime emphasizes the dilemma which faces every democratic country in the world—the dilemma of how to respond to violence, how to respond to the threat of taking a human life merely to serve political ends, to seek concessions which have nothing to do whatsoever with the individual selected for sacrifice.

I am sure our sympathies go out not only to Mrs. Moro and her family but also to the President and the Prime Minister of Italy who themselves have endured a tremendous ordeal over these past eight weeks. As the Leader of the Government has said, it took courage to take the stand they took—it took more than courage.

In Canada we realize that this is not something far removed from us. We have had our own experiences. It is something which, as a democratic country, we have faced, and which we know we might face again. Our sympathies, therefore, are with those who had this terrible decision to make, and with those

who bear the burden of this great loss to democracy and to the world.

Hon. Peter Bosa: Honourable senators, I should like to associate myself with the remarks of the Leader of the Government in the Senate and of Senator Grosart concerning the tragic developments in Italy today.

In learning of the death of the Honourable Aldo Moro today, my first thoughts turned to his family and most specifically to his widow who, during the past two months, must have lived an incredible nightmare, that of awaiting day by day the dreaded news which everyone believed would be forthcoming, although, until it was made official today, there was still a glimmer of hope.

Aldo Moro was a profound believer in democracy. He was a skillful negotiator who dedicated the whole of his life to politics. He was the architect of many a coalition in the delicate and fragile balance of power of Italian politics.

The senselessness of his killing and the brutality with which it was carried out grieves not only the people of Italy but all those who believe in the principles of democracy. I extend to his family, and to the Government and people of Italy, my heartfelt and most profound condolences.

[*Translation*]

Hon. Pietro Rizzuto: Honourable senators, I too would like to join the Leader of the Government, the Deputy Leader of the Opposition and my colleague in offering my most sincere sympathies to Mrs. Moro and her family, as well as to the President, the Prime Minister, and the people of Italy.

I personally had the opportunity to meet Mr. Moro during his visit to Canada in 1974. I was able to see for myself the determination of that man to really work for the preservation of freedom and democracy, not only within his own country but everywhere people strive to uphold democracy and freedom.

Aldo Moro died today because he had worked all his life to ensure the freedom of his people and respect for the law in Italy. Indeed, the man who was slain today is the man who most wanted to fight for democracy and liberty. He was murdered because for his assassins he stood as a public figure who was able to find ways and means to stop all those who would impose their politics and ideas through violence, and he paid with his life.

I would not want to repeat what has already been said about him, so I will simply add that the death of Mr. Aldo Moro should give food for thought to those who are trying to force their ideas and politics on others through violent means. This can also serve as an example for all the nations who respect democracy and freedom and give them the will to fight those individuals who are becoming a threat to democracy and freedom all over the world.

● (2010)

[*English*]

Senator Perrault: Honourable senators, as a mark of our profound respect and sorrow, I move that the Senate do now adjourn.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, May 10, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

CURRENCY AND EXCHANGE ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-39, to amend the Currency and Exchange Act.

Bill read first time.

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

Senator Perrault, with leave of the Senate, moved that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of Agreement between the Government of Canada and the Government of New Brunswick, dated April 17, 1978, concerning the strengthening/improvement of certain primary highway links.

Copies of letters, dated April 10, 1978, from the Prime Minister of Canada to the Premiers of the Provinces relating to the future development of the Canadian economy.

Copies of a Statement related to the addition of sugar to the import control list, issued by the Department of Industry, Trade and Commerce pursuant to section 5 of the Export and Import Permits Act, Chapter E-17, as amended by section 3 of Chapter 29 (2nd Supplement), R.S.C., 1970.

PARLIAMENT

POSSIBILITY OF DISSOLUTION—QUESTION

Senator Grosart: Honourable senators, I wonder if I could ask the Leader of the Government if he has any up-to-date information on the announcement expected today about the exercise of a certain prerogative of the Prime Minister.

Senator Perrault: Honourable senators, the last word I had from the other place was to the effect that the universe was unfolding.

[*Later:*]

Senator Olson: Could the Leader of the Government give us an undertaking that he will provide the Senate with a list of the balance of government business that is intended to be brought before the two houses of Parliament? This follows somewhat on the answer to Senator Grosart's question. In the event that this session continues until near the end of June, could the leader provide us with a list of what additional business the government intends to bring forward to be completed by somewhere near the end of June? Also, could he include in that list the number of allotted days in the other chamber, and what they will be used for? Some of those days are allocated to the main estimates, others to subject matter decided on by the opposition. If we could have that list we could lay out for ourselves at least some kind of program for use of the balance of the time between now and near the end of June.

Senator Perrault: Honourable senators, it is expected that within the next twenty-four hours a decision will be taken on the possibility of dissolution. The Prime Minister has committed himself to making a statement on that subject. He will, as you know, hold a press conference tomorrow afternoon, and there is a possibility that a statement will be made at that time, although no final decision has been made.

However, I think that before the end of the week we shall know how much time is left for this Parliament to deal with the matters affecting the nation. As soon as that basic decision has been made about dissolution, I will be able to announce the government plans; that is, if we carry on.

I can assure honourable senators that there are many measures under consideration in draft form, and I would expect that we shall be fully occupied prior to the summer recess if a decision is taken tomorrow not to have an election.

I want once again to give the assurance that the fundamental decision to be taken about an election will be taken in the light of the needs of the country rather than on the basis of the needs of any one political party.

● (1410)

CANADA-UNITED STATES RELATIONS

GARRISON DAM PROJECT—QUESTION

Senator Roblin: Honourable senators, may I ask the Leader of the Government if he can give us, at leisure, the latest information with respect to negotiations between the Government of Canada and the Government of the United States with respect to the Garrison Dam project in the State of North Dakota, and any relevant material with respect to the relations

between the Government of Canada and the International Joint Commission?

Senator Perrault: Honourable senators, the question is an important one, and it may be of value to have a statement presented to the Senate on the earliest possible occasion. An inquiry will go forward this afternoon on this subject.

NATIONAL REVENUE

RECIPROCAL AGREEMENTS BETWEEN CANADA AND THE UNITED STATES RE TAX EXEMPTIONS ON DONATIONS TO CHARITABLE INSTITUTIONS—QUESTION

Senator Grosart: Honourable senators, I have a question for the Minister of National Revenue. What is the status of any reciprocal agreement or arrangement which may exist between Canada and the United States with respect to tax exemptions on donations to registered charitable institutions, particularly in situations where the donation is made by a taxpayer, corporate or personal, in one country to a registered charity in the other, including the situation where such a donation is made either by a taxpayer in one country or through a subsidiary in the other country?

Senator Guay: Honourable senators, I believe I could give the house an immediate answer to that question. However, I would rather take it as notice and give a more positive answer later.

REGISTERED CHARITIES—QUESTION ANSWERED

Senator Guay: Honourable senators, I should like to take this occasion to answer Senator Grosart's question of last Thursday concerning an organization dedicated to cancer research using some of its resources to send a representative to Ottawa to urge on the government a fundamental change in its present method of funding cancer research.

It is the view of the officials of my department that this type of activity, regardless of the cause to which a charity is dedicated, could be considered as analogous to the presentation of an unsolicited brief to a government containing recommendations for action which would enable the charity to achieve its charitable purposes.

I will send the honourable senator a copy of the answer immediately.

Senator Grosart: Do I understand the answer to mean that in the opinion of the officials of the Department of National Revenue, in such a case the activity would be regarded as a political activity within the prohibitive area?

Senator Guay: No, I did not say that. In order that you may understand the situation properly, it is my intention to send you a written copy of the answer now.

I will repeat my answer. It is the view of the officials of my department that this type of activity, regardless of the cause to which a charity is dedicated, could be considered as analogous to the presentation of an unsolicited brief to a government containing recommendations for action which would enable the charity to achieve its charitable purposes.

Senator Grosart: It still does not answer the question.

FISHERIES

DESIGNATION AS SUBJECT MATTER OF STANDING COMMITTEE—QUESTION

Senator Marshall: Honourable senators, I have a question for the Leader of the Government. In view of the increased international and national importance attached to Canada's fisheries from an economic and trade point of view, and since fisheries does not appear as a subject matter for a Senate committee, I wonder if the leader has discussed with the chairman of the Rules Committee the prospect of assigning the subject matter of fisheries to a standing committee?

Senator Perrault: Honourable senators, Senator Marshall has advanced an interesting idea. I have not been able to discuss specifically the details of such a proposal, but undoubtedly the idea should be given consideration. Certainly, it is the view of the government that fisheries is becoming an increasingly important consideration. This is evidenced by the action we have taken in recent years regarding the 200-mile economic zone, and the joint endeavours in which we have participated to assure the enhancement and continuation of the fisheries resource. In this regard it should be noted that there are important discussions under way this week with American officials about the recent action by the courts in the United States and their effect on the salmon fisheries on the west coast.

COMPTROLLER GENERAL OF CANADA

STATUS OF MR. HARRY ROGERS—QUESTION ANSWERED

Senator Perrault: Honourable senators, last Thursday, May 4, the Honourable Senator Grosart asked a supplementary question about the appointment of Mr. Rogers as Comptroller General of Canada. He asked, to use his exact words, why it appeared to be necessary to exclude this designate appointment of Mr. Rogers from the operation of the Public Service Employment Act.

The answer to this question is that this is an order in council appointment and therefore does not come under the terms of the act.

As well, the Honourable Senator Forsey questioned the words "the Governor General in Council on the recommendation of the Public Service Commission," saying he was surprised to find that the Public Service Commission is making recommendations. Under section 39 of the Public Service Employment Act, the Public Service Commission has the right to exclude a position from the provisions of the act. There is no provision for the Public Service Commission to recommend an appointment.

• (1420)

NATIONAL REVENUE

INFORMATION CIRCULAR—REGISTERED CHARITIES—QUESTIONS ANSWERED

Senator Godfrey: Honourable senators, I should like to direct a question to the Minister of National Revenue. In answer to a question of mine, the minister replied last Thursday as follows:

> The answer is that one known case was heard in the Saskatchewan Court of Appeal in 1951; it concerned the Patriotic Acre Fund. The fund's objects were to promote legislation benefiting farmers, and it was held to be political and therefore not charitable.

I telephoned the minister's executive assistant yesterday and pointed out to him that my question dealt with charities, and I emphasize the word "charities," being denied or losing registration under the Income Tax Act because they devoted some, and I emphasize the word "some," of their resources to certain political activities outlined in the information circular.

I further pointed out to him that the case the minister referred to, which I had read, had nothing to do with the Income Tax Act or with a charity engaging in political activities. That case held that the organization involved was formed for political purposes and was therefore not charitable. In fact, none of its objects was charitable, so that the case is in no way relevant to the case of a charity devoting some of its resources to political activities. I asked him to draw this to the attention of the minister.

My question to the minister is: Do you now agree with me that the case brought to your attention by your officials, and referred to by you in your answer, had nothing to do with the kind of court case I was inquiring about?

Senator Guay: Honourable senators, yes, that will be the case, because the *Patriotic Acre Fund* case to which I referred earlier, and other similar cases, of which I could cite another, such as *Re Knight*, which is Case No. 119371, 2 D.L.R. 285, a decision of Chief Justice Rose of the Ontario Supreme Court, do not, of course, deal with the question of eligibility for registration as a charity under the Income Tax Act, as such, since it was only from 1967 that charitable organizations were required to be registered, and it is from that time that the determination of the legal nature of a charity became a prior condition to be satisfied. These cases, and the principle which they affirm, however, are and would be directly relevant in determining whether political activities constitute a basis for denying registration, or whether such activities should result in the loss of an organization's registration.

There are no Canadian cases dealing with the actual denial of registration or loss of registration under the provisions of the Income Tax Act, partly for the reason I have just stated—the legal requirement for registration is quite recent.

Senator Godfrey: I should like to direct a supplementary question to the minister with respect to the same subject. In paragraph 2 of Information Circular 78-3, it states that it is:

> . . . well established that an organization, whose primary purpose is clearly charitable but has a secondary or ancillary purpose which is stated to be political, does not fail to be recognized as charitable, in common law, because of its ancillary or secondary purpose. If such an organization applies for registration as a "charitable organization" as described in paragraph 149.1(1)(*b*) of the Income Tax Act, registration normally will be granted subject to the comments in 3(*a*) below.

That is the end of the quotation from the minister's own information circular.

In view of that statement would the minister not agree that the test to be applied as to whether or not the charitable organization is devoting all its resources to charitable activities is whether any political activities are for a secondary or ancillary purpose and to promote the primary charitable purpose of the organization? If that is so, would not the minister agree that an activity, which if engaged in by an organization not organized for charitable purposes, would be considered a political activity and is, when it is used to promote the primary charitable purpose of a charitable organization, part of the charitable activities of the organization and, therefore, all the resources of the organization under those circumstances are being devoted to charitable purposes?

Obviously, I do not expect an answer to that long and complicated question at this point, but I would ask the minister to have his officials consider the question.

Senator Guay: Contrary to what you believe, I have an answer to your question; it is a two-page answer. But, in view of the fact that I have withdrawn the bulletin as such and indicated that I will bring forth another one which will clarify the whole situation, I am sure you will agree with me that we ought to wait for that clarification and take it from there.

Senator Grosart: We would hope it would clarify the situation and not further muddle it.

UNEMPLOYMENT INSURANCE

REPORTED OVERPAYMENT OF BENEFITS—QUESTION

Senator Smith (Colchester): Honourable senators, I should like to ask the Leader of the Government a question. It relates to what seems to have been a very substantial overpayment of unemployment insurance benefits to recipients in the various parts of the country, including Nova Scotia, if one is to believe what one reads in the newspapers.

Is it correct that these overpayments of unemployment insurance benefits have been made, and, if so, is it correct that the overpayments were caused by an error either by the computer involved or the programmer of that computer?

Senator Perrault: Honourable senators, Senator Smith (Colchester) is correct when he states that there has been an overpayment of unemployment insurance benefits in excess of $4 million. I understand the mistake was caused by a computer programmer in the responsible department. However, the mistake has been rectified, and the difficult process of asking for

refunds from these recipients is under way. This, as you state, involves people in various parts of the country.

I think it is reassuring, however, to know that the system involved did detect mistakes in the system itself. The methods of surveillance are such that this error was found and steps are being taken to rectify the error. As I said, it is reassuring that this is the case.

Senator Smith (Colchester): I thank the Leader of the Government for his answer, but I have one or two supplementary questions. Would it not have been more reassuring had the error been detected before these large sums of moneys were paid to the recipients, as it will be difficult for them to repay these overpayments?

Further to that, has any consideration been given, since this problem was caused by the government's own machinery or employees, to accepting the fact that the fault was the governments and that therefore the government should bear the cost?

Senator Perrault: Honourable senators, the government is proceeding in the fairest way possible, bearing in mind that in the ultimate these funds are taxpayer's funds. They do not belong to the government. The Canadian taxpayer has an interest in making sure all government plans operate as efficiently as possible.

● (1430)

This government, from time to time, makes mistakes, as do all governments. I recall the construction of a heavy water plant in Nova Scotia. At the time Senator Smith (Colchester) was Premier of that great province, and that heavy water plant is still in debt to the taxpayers of Nova Scotia and Canada to the extent of an enormous amount of money, which has never been recovered.

If Senator Smith is suggesting one standard for the federal government and another standard for the government which he led when he was Premier of Nova Scotia, there is an inconsistency in his position. No government likes to make mistakes. This government freely admits its mistake and wants to reassure the Canadian people and members of both chambers that diligent efforts are under way to make sure the mistake is rectified.

Senator Smith (Colchester): I thank the leader for his gratuitous and irrelevant and incorrect reference to an event which is long past and which was indeed the fault of the Government of Canada and its agencies—and I will tell him why, too—and not the fault of the Government of Nova Scotia. I will say further that if the Government of Canada had done its duty when it should have done its duty, when it knew it had made a mistake, there would have been a great deal of money saved for the taxpayers of Canada as well as the taxpayers of Nova Scotia. If the Leader of the Government wants to discuss that any further, I am ready to take him on any day of the week, or night, for that matter.

Perhaps he could devote his attention to the question I asked, which is whether the Government of Canada has given any consideration to assuming the responsibility, on behalf of the taxpayers of Canada, for the mistake which was made, and thus consider relieving the innocent recipients of the great hardship which would be caused so many of them if they are compelled to repay.

[Senator Perrault.]

Senator Perrault: I shall take that portion of the question as notice. Further information will be sought. It can remain for another day to debate the matter of the costs of heavy water development in this country, but I happen to recall the scenario at that time and the urgent efforts made by the Province of Nova Scotia to locate that plant there. That subject would form a very interesting debate. My basic point is that no government likes to make mistakes. This government is concerned with making sure that no undue hardship will be visited upon people who were paid substantially in excess of their entitlement.

Surely, if we establish the precedent that regardless of circumstances the taxpayers of Canada must pick up the tab in the event of a serious mistake or overpayment in various programs, all sorts of consequences would follow. I, for one, would not be prepared to support that kind of basic policy decision.

Senator Smith (Colchester): Perhaps instead of the taxpayers paying it, the members of the Privy Council might consider relieving the hardship imposed on the poor innocent taxpayers who are required to repay this money—money which was put in their possession wrongfully by these gentlemen.

Just to consider the matter of the heavy water plant a little longer, since the honourable gentleman wants to gnaw at it, or dig at it like a sore tooth—and, mind you, it is his sore tooth, not mine—I could tell him that if the Government of Canada had avoided putting certain very difficult restrictions upon the conditions related to that heavy water plant after it had told us that it would be located in Nova Scotia, things would have been very different.

An Hon. Senator: Question.

Senator Smith (Colchester): Why did you not call for the question when the honourable gentleman opposite started this irrelevant and immaterial debate?

An Hon. Senator: Order.

Senator Smith (Colchester): Haven't I got as much right to ask a question as he had to answer? I don't have to be any more relevant than he was.

Senator Walker: Now we are all happy.

Senator Perrault: Go ahead, senator.

Senator Smith (Colchester): As a further supplementary question, which is strictly relevant, is the Leader of the Government aware whether or not the government, or the appropriate minister thereof, has received any representations from the Government of Nova Scotia in relation to the repayment, or otherwise, of these sums as they relate to Nova Scotians?

Senator Perrault: Honourable senators, I do not have that information available at my desk. An inquiry will go forward forthwith.

CANADIAN WHEAT BOARD

SUGGESTED RESTRUCTURING—QUESTION

Senator Olson: Honourable senators, I should like to direct a question to the government leader respecting the announcement made by Premier Lougheed of Alberta either yesterday or the day before about a major restructuring of the Canadian Wheat Board. Could the leader give an undertaking to bring us the federal government's official response to that suggestion? I can tell him that a number of farmers in western Canada are apprehensive about a major restructuring of the Canadian Wheat Board at this time, transferring a great deal of the responsibility to the provinces, when, in fact, the Wheat Board has, at least recently and I think for a long time, earned a reputation of having given them good performance in the marketing area.

Senator Perrault: Honourable senator, that commitment will most assuredly be given and information will be brought here as soon as possible.

THE SENATE

PROPOSALS FOR REFORM—QUESTION

Senator Forsey: Honourable senators, I wonder if I might ask the Leader of the Government whether he or his colleagues have been made aware of the proposals for Senate reform, adopted unanimously, I understand, a few days ago, by the Legislature of Nova Scotia.

The proposal, as I understand it, is a most interesting one; it is that the Senate should be elected instead of appointed, and that every province should have the same representation as every other. I am wondering whether the government in preparing its constitutional proposals is aware of this and will give this proposal the attention—in my judgment exceedingly small—which it deserves.

Senator Perrault: Honourable senators, there have been a number of proposals, exotic and otherwise, which have originated from a number of sources regarding Senate reform, some of them advanced by people with absolutely no knowledge whatever of the Senate or of the parliamentary system. But it is certainly the right of any Canadian to advance reform ideas with respect to any institution in this country. I think, however, that at some point it would be of great value for the Senate to establish a committee of its own to evaluate all proposals regarding Senate reform and to set forth some of the Senate's own options on the subject of the future of the Senate. Such a committee would provide an opportunity for honourable senators, who happen to know this institution better than any other group of Canadians, to set forth their own views on the subject of change and reform, and perhaps witnesses could be heard. This is an idea that can be pursued over the coming months.

It is very important that the Senate examine how it can become even more effective, just as the other place must do and should do. I believe that every institution, to remain relevant and viable and useful, must be willing to assess and re-assess its position from time to time. The Senate has never shirked its responsibility.

I have read with interest a number of proposals on so-called Senate reform. In my view, some of them would plunge the parliamentary system into utter chaos, I am sorry to say.

Senator Smith (Colchester): Honourable senators, I wonder if I might ask a supplementary question of the Leader of the Government? It is simply this: Would he be willing to find out whether or not that resolution referred to by Senator Forsey has been officially, or otherwise, forwarded to the notice of the Government of Canada or to any minister thereof?

Senator Perrault: Honourable senators, I shall certainly undertake that responsibility, and I think that along with a number of other proposals it should be studied by the government and disposed of in the appropriate way—whatever way that may be.

An Hon. Senator: In the wastebasket.

Senator Grosart: Is it the intention of the Leader of the Government to pursue this very interesting initiative before dissolution?

Senator Perrault: Honourable senators, that must depend on when dissolution might occur. I could not, for example, give a promise that within the next 12 hours we could initiate that kind of study.

● (1440)

Senator Roblin: Honourable senators, I should like to ask the Leader of the Government if he has any information about the intention of the Government of Canada itself to publish some recommendations for the reform of Parliament, and, if so, what date could he suggest that information might come to us?

Senator Perrault: Honourable senators, there is a study under way, just as I understand that similar studies are under way by members of the other political parties. A statement regarding constitutional reform, reform of various institutions in this country, and reform of Parliament, is the prerogative of the Prime Minister, and he will determine when any announcement or policy pronouncement will be made and the form in which it will be made. I cannot give any time schedule.

I have read with interest, however, some statements on the Constitution suggesting a House of Provinces, for example, by a spokesman for the loyal opposition in Parliament. So I understand that members of that party also have the subject under study.

Senator Marshall: Honourable senators, I have a question of privilege apropos the initiative taken by the Leader of the Government with regard to Senate reform. I received across my desk today, as no doubt did all honourable senators, a letter from QCTV Ltd. of Edmonton, Alberta, addressed to All Federal Members of Parliament and All Alberta Provincial Members of the Legislative Assembly. The letter reads as follows:

Much has been said recently about "Television in the House of Commons." Is it effective? Do people benefit from it: Should it be continued?

After several months of delivering the House of Commons Proceedings to the Edmonton public on a tape-delayed basis, QCTV Cablevision decided to ask its subscribers how they feel about the matter.

Enclosed with that letter was a lovely pamphlet entitled "Television in the House of Commons." I believe it is apropos at this time to advise QCTV and the people out there that the picture on the survey is that of the Senate of Canada.

Senator Perrault: Obviously, QCTV really knows where the action is.

Senator Walker: Honourable senators, I want to say one thing. Whatever we may say about the Leader of the Government, he has through valiant efforts delivered some very good members of the Senate. I want to thank him for that.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from Thursday, May 4, the debate on the motion of Senator Cook for the second reading of Bill C-10, to amend the Financial Administration Act.

Hon. George I. Smith: Honourable senators, as I join in this debate I would like to congratulate Senator Cook on the speech he made when he introduced this bill on second reading. It was characteristic of the frank and straightforward attitude which he so often displays.

My colleagues, Senator Grosart and Senator Roblin, together with Senator Forsey, made very clear and cogent arguments which demonstrated very presuasively the inadequacies of this bill. I had one or two comments to make about the remarks of Senator Greene, but in his absence I shall confine myself to saying that he was his usual eloquent self.

The Auditor General, in relation to this bill, gave evidence before a committee of the other place to which the bill was referred. He said a number of interesting things, honourable senators, which I recommend reading. One that caught my eye is contained in Issue No. 8 of the Proceedings of the Standing Committee on Miscellaneous Estimates of the House of Commons. At page 8 he said, in part, as follows:

In my previous occupation I made a living by asking two questions. The first question was, why? The second question was, why not?

Honourable senators, I propose to ask those questions today about some of the things related to this bill, and to try to supply some answers. The first question, I suppose, is: Why do we want a Comptroller General? We have already been told by previous speakers where to find the answer to that—in the Auditor General's Report. We might also look at his evidence before the committee of the other place, to which I have just referred.

Let us take a brief look in those places just to refresh our memories—we have heard it before—and to see what we find. In paragraph 2.3 of his report for the year ending March 31, 1976, the Auditor General says, in part:

—financial management and control in the Government of Canada is grossly inadequate.

And in paragraph 2.1:

—financial management and control . . . is significantly below acceptable standards—

And in paragraph 3.26:

I believe that Parliament—

I emphasize the word "Parliament".

—and the people of Canada—

I emphasize that phrase as well:

—have the right to sound information on planned and actual expenditures and that the Government cannot afford the risk of being misled by the lack of adequate and objective information.

I need hardly mention the well-known statement of the Auditor General, in paragraph 2.1 of his 1975-76 report, that Parliament—again I emphasize that word—and indeed the government, has lost control, or nearly lost control, of the expenditure of public money; or his words:

Small wonder that Parliament—

Again I stress "Parliament":

—has lost control of government spending. The MPs scarcely had a fighting chance to get adequate information on the spending they have to approve.

I submit that that is worth thinking about, and thinking about very carefully.

Let us turn to the evidence of the Auditor General before the Miscellaneous Estimates Committee, which I shall refer to hereafter simply as "the committee." Looking at the eighth issue of its proceedings, dated March 17, 1978, we find that the Auditor General, speaking of the responsibilities of the Treasury Board, said, in part:

They have always been there. They have been discharged very badly—

I repeat:

[Those responsibilities] have always been there. They have been discharged very badly—

That was not something said off in a corner somewhere. That was said before the committee of the other place in full session.

Honourable senators, I do not recall reading or hearing a more damning indictment of the financial management of the government and the Treasury Board than what is contained in these quotations and similar comments of the Auditor General—and, I might say, similar comments before the Public Accounts Committee of the other place. I submit that they more than sufficiently answer the question: Why should we have a Comptroller General?

But, honourable senators, I submit that they do more than that. They demonstrate that the Treasury Board has not for some years deserved the confidence of Parliament or the public; nor is there any convincing reason to believe it deserves any more confidence now.

● (1450)

With respect to the idea of the position of Comptroller General, it is well known that the then Secretary of the Treasury Board—who is not the one who is there now—when asked on March 18, 1976 before the Public Accounts Committee of the other place if he did not feel there should be a chief financial officer, replied:

> No, sir. I believe a government governs and the government is responsible for doing so and is accountable to the country and it must discharge that responsibility.

There are other excellent quotations which form the basis of the very best of reasons for believing that the view of the Treasury Board generally at that time was: "We want no Comptroller General." Indeed, it is clear that that was the view of the present President of the Treasury Board, because he said so himself, though he apparently changed his mind after he concluded that the Comptroller General would not be reporting to Parliament. I emphasize that. Until he became satisfied that the Comptroller General would not be reporting to Parliament, the President of the Treasury Board was against the idea of having a Comptroller General, and he said so before the committee of the other place. I repeat, he was against having a Comptroller General when it was considered that that official would be reporting to Parliament. This point of view, I submit, is not very well calculated to inspire Parliament to believe that he wanted Parliament to know what the Comptroller General would do, or might find.

If any honourable senator has any doubts about this, let him turn to page 6 of Issue No. 7 of the committee's proceedings where, among other things, the President of the Treasury Board said—and I do not propose to read all that he said on that occasion, since he was giving evidence for a substantial period of time—with relation to the recommendations of the Auditor General:

> Indeed, I shared some concerns about the precise intent and precise structure that was intended, and the accountability aspect of the structure. I had several meetings with the Auditor General—five or six, if I recall—in which we came to a clear understanding that some of the implication or interpretation of what we thought—

"We" meaning himself and his associates.

> —that he had in mind was in fact not what he had had in mind, and whether that was our misinterpretation of the words he used is a matter of history now.
>
> There were some phrases used—

And there surely were.

> —and Mr. Macdonell and I both agreed on the understanding of what they really meant. We had thought he had been talking about an additional office that would be reporting to Parliament, and in that sense we could see no purpose in duplicating what would necessarily be a duplication, in our minds, of the Auditor General himself. When it became apparent that this was not what he intended and—

That is, that there would not be a report to Parliament.

> —that there had just been a difference in interpretation, I examined the whole issue in much more depth—

That is, he began to take it seriously.

> —and I came to the conclusion that this was, in fact, a positive, constructive move to take. I discussed it with my colleagues and the decision was made to make the appointment.

I say that the decision was made to make the appointment on the basis that Parliament did not prescribe the Comptroller General's duties, and did not even receive his report.

Honourable senators, I submit it is perfectly clear from that statement that the President of the Treasury Board does not want the Comptroller General to report to Parliament. Again I ask the question: Why? The minister's answer is to the effect that it would be a duplication of the report of the Auditor General himself. That is what I just read to you from the evidence of the minister. But, what kind of reason is that? Surely the minister did not have such a poor opinion of the Auditor General as to believe that that gentleman would want some official appointed to duplicate his own work, and his own report to Parliament—you have only to mention that to realize what an absurdity it is—and I fail to see, with all respect, how anybody could reasonably think that that is what the Auditor General meant.

Even if the President of the Treasury Board did think that that is what the Auditor General meant, why, I ask again, was he so determined to prevent Parliament from getting the Comptroller General's report, so that Parliament could judge for itself whether it was a duplication? Or was it, as seems to me more likely, that the minister could not bear the thought of another officer of Parliament digging into the activities of the Treasury Board, about which the Auditor General has been so uncomplimentary?

I cannot help but notice that the minister said it took five or six meetings with the Auditor General to clear up the misunderstanding as to what that very able and precise gentleman meant. Honourable senators, it must have been some misunderstanding! I am surprised indeed that it would take the Auditor General five or six meetings to explain what he meant, since, while reading his reports, I have always thought he is very clear and explicit as to what he means.

An Hon. Senator: Hear, hear.

Senator Smith (Colchester): It seems to me more likely that it was an effort on the part of somebody to try to persuade the Auditor General that a financial officer responsible only to the minister would be better than no financial officer at all.

Another reason given was that it might interfere with ministerial responsibility, and I propose to deal with that in a few minutes. I realize, of course, that the bill cannot be amended

at this stage. However, I suggest that it should be referred to committee, and that the committee to which it is referred should exercise its right to recommend amendments by putting forward at the very least an amendment which would require the Comptroller General's report to be placed before Parliament within a reasonable time, say 15 or 30 days, after it is made available to the President of the Treasury Board. Such a provision would give effect to the minister's insistence that the Comptroller General report to him. It would also place the information in that report before Parliament with reasonable promptitude, thus enabling Parliament to carry out its duties more effectively.

Honourable senators, I ask: How is Parliament going to insist on a minister's discharging his ministerial responsibility if Parliament does not have full and complete information? And what is "responsibility"? The fifth edition of the *Concise Oxford Dictionary* defines "responsible" as meaning "liable to be called to account, answerable". In respect of the term "responsible government," it uses the definition "morally accountable for actions." Similar definitions will be found in other accepted dictionaries.

I ask again how the government or a minister can be called to account properly by a Parliament from which the necessary information is withheld. Obviously, this is an impossibility. Equally obviously, if Parliament had before it the report of the Comptroller General, it would have more information and could better call the government or the minister to account for their conduct of public affairs. It could make the minister or the government, or both, respond in the sense of the dictionary definitions—"morally accountable for actions," "called to account," "answerable". Surely, that cannot reasonably be denied.

● (1500)

I should like now, if I may, honourable senators, to turn to the question of the contents of the bill. One has only to look at it to realize it contains no description whatever of the duties of the Comptroller General, or of how he is to carry out his task. This fundamentally important bill deals with the appointment of the Comptroller General and the assignment of his duties in a matter of six and one-half lines of type which are only half the width of the page. It is true that these six and one-half lines provide authority for the appointment of the Comptroller General and for his rank as a deputy minister. However, they also cast him entirely into the hands and upon the mercy of the Treasury Board which, of course, is composed of ministers of the crown, including its President—and we have just heard what the Auditor General thinks of some of their activities. Not only do these six and one-half lines provide for the Comptroller General to hold office only during pleasure—that is, the pleasure of the government which, in all probability, simply means the pleasure of the Treasury Board itself, and perhaps means only the pleasure of the President of the Treasury Board—but they ensure beyond all doubt that he does not do anything that the Treasury Board would not like. His duties, according to the bill, are to be those and only those which may be assigned to him by the Treasury Board. They may also be reassigned or taken away.

Here, honourable senators, we are dealing with the appointment and the duties of an official whose job will be of the most fundamental importance to the financial control of the public purse. Indeed, the Auditor General describes it—and perhaps I will come in due course to a direct quotation—as the most important job of financial control either in the public or in the private sector of this country.

What do we do? If this bill goes through the way it is, all we do is appoint him and say, "You may hold office during pleasure. The people we make your bosses will prescribe what you do and, of course, what you will not do."

The Auditor General, to emphasize the importance he attaches to this job, has gone on to say that it is ten times more important than his own. Presumably this is because, if the Comptroller General does what the Auditor General thinks he should do, he will control the actual use of public money, while the Auditor General simply performs an audit and an examination of what has been done, but does so after the money has been spent.

Surely, honourable senators, it is not consistent with the importance of such a task for Parliament to abdicate to the Treasury Board its right to see that this very important official does some very important things for the benefit of Parliament and, particularly, for the benefit of the people of Canada.

Some Hon. Senators: Hear, hear.

Senator Smith (Colchester): Let me again ask the Auditor General's question: Why not? Why are these duties not defined in the bill? So far as I can tell from reading the comments of the President of the Treasury Board, the only reason he gives for failing to include the definition of the official's duties in the bill is that the words used in the bill are the same as those used with reference to the position of Secretary of the Treasury Board, and that the duties of other deputy ministers are not spelled out in greater detail. These, I submit, are reasons—if they are reasons rather than excuses—that really have nothing whatever to do with the merits of the question. They are reasons directed only towards the desire for uniformity; the desire to cast everything in precisely the same mould, no matter how different those things may be one from another.

Honourable senators, I repeat the submission that these are not really reasons at all, but only evidence of a blind, unreasoning desire for complete uniformity where uniformity has no particular place.

The omission of these duties from the bill is certainly not because the government and the minister are not prepared to say what they intend the Comptroller General should do, and certainly not because the Auditor General failed to point out to them what his duties should be. Indeed, before the committee I mentioned, the President detailed in almost a page and a half what he called, in reference to the Comptroller General, "These are responsibilities that we see". This list will be found on pages 14 and 15 of Issue No. 7 of that committee's

proceedings. I ask honourable senators, if the President of the Treasury Board is prepared to say now what he expects the duties of this gentleman to be, why the most fundamentally important of them cannot be included in the bill? Again there can only be one real reason, and that is because he and his associates do not want them to be included in it.

I ask the question: Why should matters of such fundamental importance be left to the pleasure of the Treasury Board to prescribe, alter or withdraw from the jurisdiction of the Comptroller General?

Now I ask the question: Why not? Why should Parliament not be able to ensure that in these fields at least the Treasury Board must comply with the directions of the Parliament of Canada and must, therefore, allow the Comptroller General to do so? Before that can happen, these directions must be in the bill.

One of the reasons given was that to put the definition of these duties in the bill would be to do something which is different from that which is done with reference to other deputy ministers, and it might interfere with ministerial responsibility. I suggest that this officer will not be a deputy minister or a deputy head at all; he will be the Comptroller General of Canada and the words "deputy head" or "deputy minister" are not used to describe his duties or his appointment, but only to fix his rank in the bureaucratic hierarchy. If you look at the words in the bill you will see that that is all it is meant to do. If it meant he was a deputy minister, it would say so, but it only says he shall have the rank or the status, or some words to that effect, of a deputy head of a department. I submit there are very few people who would argue that the legislative commands of Parliament do not carry more weight than regulations or orders made by the Treasury Board.

The task of the Comptroller General is not going to be an easy one. Surely, the more weight and authority that can be given to his position, the better able he will be to carry out his duties properly.

Honourable senators, I find it difficult not to treat with scorn the argument that it would not be good to give him such power by legislation because other deputy ministers do not have it. He is not a deputy minister, but even if he were, he would not be a deputy minister like the others; he would be the Comptroller General of Canada, the person occupying, to use the words of the Auditor General, the most important financial control position in the public and private sectors of Canada.

● (1510)

This area of definition in the bill of at least the main powers of the Comptroller General is one where I submit the committee to which the bill is referred might very well present a second amendment, this one outlining the more important of the Comptroller General's duties so that it will carry all the weight of Parliament, and so that it cannot be interfered with by the government, the Treasury Board or anybody else.

What all this argument has to do with ministerial responsibility I find it very difficult to envisage. This apparently is one of the reasons offered for not setting out in a definitive way some of the major duties, as I have just suggested. Surely, if it has anything to do with ministerial responsibility at all, it would make it easier for Parliament to call a minister or the government to account for how ministerial responsibility has been exercised.

It is interesting to see how this question of ministerial responsibility was put before the Auditor General by somebody. It must have been by the Treasury Board, the Governor in Council, individual ministers of the Crown, or some very senior officials. In any event, at page 8 of Issue No. 8 of the proceedings of the Miscellaneous Estimates Committee, the Auditor General said:

> But when I asked the same question . . . I got two answers all right. Relating to why not—

That is the question: Why not?

> —was the answer ministerial responsibility.

Then he said, as Senator Grosart pointed out the other day:

> I bumped my head into that one.

To return to the Auditor General and his comments, he said:

> All I am telling the Committee, sir, with respect to the answer that was given to me, is that it is not done that way. Again, I would declare my own bias. Anything that can strengthen control of the public purse, I am automatically for. I recognize and I did try to say that I find nothing offensive at all in this—

That is, the argument that these things should be put in the bill.

> —but I have to concede the point that it is certainly exceptional and people that admittedly know a lot more about parliamentary procedure and about how you do things legislatively in Parliament say that you just do not spell out the detailed duties and responsibilities of an administrative official because the Minister—in this case it would be presumably the committee of ministers known as the Treasury Board—are the people that are responsible to Parliament for the administration of the duties aside from the act.
>
> And they, in carrying out this responsibility, feel that they must have the authority to do what they wish to do—

And listen to this.

> —to change anybody's duties now.

So, honourable senators, I think we come to the real answer to the question of why the duties of the Comptroller General are not spelled out in this bill. The Treasury Board feel they must have the authority to do what they wish to change anybody's duties now. Is that the sort of position that we, Parliament, want to abdicate to anybody, much less to the organization about which the Auditor General has said the things, and many other things, that I have read to you or referred to earlier today? That, I submit, is precisely what Parliament ought not to allow them to do. It ought not to allow the Treasury Board to have the authority to do what they wish to change anybody's duties now.

Just to refresh our memories about what the Auditor General recognized about the problem of Parliament, let me repeat a few of his words on this point:

> —Parliament—and indeed the government—has lost, or is close to losing, effective control of the public purse.

This is the board, honourable senators, under whom the financial management and control system of departments and agencies of the Government of Canada became "significantly below acceptable standards of quality and effectiveness"; this is the board under whom "financial management and control in the Government of Canada is grossly inadequate"; this is the board under whom "financial management and control of crown corporations became and remained weak and ineffective"; this is the board under whom the "co-ordination and guidance by central government agencies and financial management and control practices in crown corporations became virtually non-existent." These are the people in respect of whose efforts the Auditor General said in his 1976-77 report:

> Small wonder that Parliament has lost control of government spending. The MPs scarcely had a fighting chance to get adequate information on the spending they have to approve.

Is it any wonder, honourable senators, that some of us do not have sufficient confidence in this organization to give it absolutely unlimited control over the Comptroller General of Canada and his duties and his tenure of office?

Let us consider for a moment some of the recommendations as to the duties of the Comptroller General made by the Auditor General in his 1976 report, at page 16:

> The Comptroller General will report directly to the President of the Treasury Board . . . The Comptroller General will be responsible to the Treasury Board for the quality and integrity of the financial control systems and administrative policies and practices in use throughout the federal civil service.

He will have the responsibility for:

> The design, development, implementation and monitoring of adequate systems and procedures to ensure that:
>
> (1) The form of the estimates provides a sound basis for the government's budgetary control system;
>
> (2) public moneys and assets are under his effective custody and control at all times;

● (1520)

> (3) accounting procedures and financial reports throughout government (including the public accounts) should conform to acceptable accounting principles and standards;
>
> (4) expenditures of public moneys are made with due regard for economy and efficiency;
>
> (5) satisfactory procedures measure the effectiveness of programs where they could reasonably be expected to apply; and
>
> (6) he should be maintaining the central accounts of Canada, a job which is presently being carried out by the Department of Supply and Services.

And I ask again: Why should we not put these responsibilities in the bill so that not only Parliament but all parts of the public service know what his duties are, so that he carries wherever he goes the authority of the stipulation of Parliament that he should have these responsibilities and, of course, the authority to carry them out? I submit, for the consideration of the committee to which this bill will be referred, that at the very least they should consider putting forward an amendment for the Senate to consider which will include a statement of the duties of the Comptroller General.

In case anyone wants the exact words of the Auditor General referring to the position of the Comptroller General, he said:

> It is the most important and responsible financial position in both the public and private sectors of Canada.

I have heard no one express any dissent from the description of the position as:

> —the most important and responsible financial position in both the public and private sectors of Canada.

As we all know, this is a position which will deal with the control of the finances of this country. Can we properly say that Parliament should refrain from defining the duties of such a position? Can we properly say that Parliament is discharging its duty to the country and to itself if it leaves the power to define these duties to anyone other than itself? Surely, honourable senators, we ought to make certain that Parliament does use its right to stipulate what the essential basis of this official's duties shall be, and that no one, except Parliament, has the right to change it.

On motion of Senator Macdonald, debate adjourned.

PROVINCE OF QUEBEC

CONTRIBUTION MADE BY ENGLISH-SPEAKING MINORITY—INQUIRY STANDS

On the Inquiry of Senator Macnaughton:

> That he will call the attention of the Senate to the contribution made by the English-speaking minority to the Province of Quebec.

Senator Petten: This inquiry stands until Tuesday, May 23.

Senator Asselin: That will be too late.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, May 11, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

CANADIAN NATIONAL RAILWAYS CAPITAL REVISION ACT RAILWAY ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-17, to amend the Canadian National Railways Capital Revision Act and the Railway Act and to amend and repeal certain other statutes in consequence thereof.

Bill read first time.

Senator Perrault moved that the bill be placed on the Orders of the Day for second reading on Tuesday next.

Motion agreed to.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, May 16, 1978, at 8 o'clock in the evening.

Senator Grosart: We will be here?

Senator Langlois: I hope so.

Honourable senators, before the question is put I should like to give you a brief rundown on what we can expect for next week.

When we return next week we shall continue with the items already on the order paper and proceed with second reading of Bill C-17 which has come to us today from the other place. It is expected that Bill C-4, to amend the Aeronautics Act, will reach the Senate next week, and perhaps also Bill C-48, to amend the Customs Tariff.

With respect to committees, the Joint Committee on Regulations and other Statutory Instruments is scheduled to meet on Tuesday at 9.30 a.m. and on Thursday at 11 a.m. The Standing Senate Committee on Banking, Trade and Commerce will meet on both Wednesday and Thursday at 9.30 a.m. on the subject matter of Bill C-13; and, of course, the Standing Senate Committee on National Finance will meet to consider Bill C-10, should that bill be referred.

Motion agreed to.

COMPTROLLER GENERAL OF CANADA

STATUS OF MR. HARRY ROGERS—QUESTION

Senator Grosart: Honourable senators, I have a question for the Leader of the Government. It is really a supplementary question arising out of a former question I asked and the answer given by the Leader of the Government in the chamber yesterday.

The Leader of the Government said, referring to my question:

> He asked, to use his exact words, why it appeared to be necessary to exclude this designate appointment of Mr. Rogers from the operation of the Public Service Employment Act.

The answer given by the Leader of the Government was as follows:

> The answer to this question is that this is an order in council appointment and therefore does not come under the terms of the act.

I find the answer very difficult to understand, because the question was why it was necessary to exclude Mr. Rogers, the so-called designate Comptroller General, from the operation of the Public Service Employment Act, and the answer is that because it is an order in council he does not come under the terms of the act. The question therefore arises: why, if he does not come under the terms of the act, would it be necessary to exclude him from the act?

If I may have leave, perhaps I could read the order in council, because I think it will be essential to an understanding of the question and the answer. It is an order in council under the Public Service Employment Act, entitled "Special Appointment Regulations, No. 15. P.C. 1978-475 17 February, 1978," and it reads:

> Whereas the Public Service Commission has decided that it is not practicable nor in the best interests of the Public Service to apply the Public Service Employment Act to Mr. H. G. Rogers on his appointment to the position of Special Adviser to the President of the Treasury Board, on matters of financial and administrative controls.
>
> Therefore, His Excellency the Governor-General in Council, on the recommendation of the Public Service Commission, is pleased hereby:
>
> (*a*) pursuant to section 39 of the Public Service Employment Act, to approve the exclusion by the Public Service Commission of Mr. H. G. Rogers on his appointment to the position of Special Adviser to the President of the Treasury Board on matters of financial and administrative controls; and

(*b*) pursuant to subsection 35(1) of the Public Service Employment Act to make the annexed Regulations respecting the employment of Mr. H. G. Rogers.

There is then a heading, "Regulations Respecting the Employment of Mr. H. G. Rogers":

Short Title

1. These Regulations may be cited as the *Special Appointment Regulations, No. 15.*

General

2. The Governor in Council may appoint Mr. H. G. Rogers to the position of Special Adviser to the President of the Treasury Board on matters of financial and administrative controls.

To repeat my question, I asked why, if this, being an order in council appointment, does not come under the terms of the act, was it necessary to have an order in council to exclude Mr. Rogers from the operation of the act?

Senator Perrault: Honourable senators, I do not have before me the body of material which guided me in my statement on this subject yesterday. It seems to me that the answer is implicit in the order in council document which has been cited by the Acting Leader of the Opposition. The decision involved a judgment by the government. Mr. Rogers' position involves, in effect, an appointment by the Prime Minister. There is nothing unique about the procedure. It has been followed in many past instances. However, I shall certainly undertake to obtain further information so that the Acting Leader of the Opposition may be fully satisfied on the points he has raised.

Senator Grosart: As a further supplementary, may I ask whether the Leader of the Government would also answer a question which arises out of the statement made by Senator Forsey following my earlier question? Is it so that the Public Service Commission advises his Excellency the Governor General?

● (1410)

Senator Perrault: Honourable senators, yesterday in my reply to the Honourable Senator Grosart I stated:

> As well, the Honourable Senator Forsey questioned the words "the Governor General in Council on the recommendation of the Public Service Commission," saying he was surprised to find that the Public Service Commission is making recommendations. Under section 39 of the Public Service Employment Act, the Public Service Commission has the right to exclude a position from the provisions of the act.

Senator Grosart: That does not say that it has the right to advise the Governor in Council.

Senator Langlois: No, it is not advising.

Senator Grosart: It is recommending.

[Senator Grosart.]

Senator Perrault: And, as I said yesterday, there is no provision for the Public Service Commission to recommend an appointment, so I really cannot understand what point troubles the Acting Leader of the Opposition. This is a procedure which has been followed by this and, I understand, previous governments. I cannot really understand the troubling point.

An Hon. Senator: The Diefenbaker government.

Senator Grosart: I am not questioning the propriety of it at all at this time. My question is merely why, if the appointment does not come under the Public Service Act, he should be excluded from the operation of that act? It is a simple question.

Senator Perrault: I think that basically it is a governmental decision and if reasons are being sought by the Honourable Senator Grosart, further inquiries will go forward. It is perfectly in order for Senator Grosart to pose a question of this nature, but it really lies in the area of government policy.

Senator Forsey: Honourable senators, I wonder if I might ask a question connected with the reply of the Leader of the Government yesterday to my question on the subject of the words "the Governor General in Council on the recommendation of the Public Service Commission," because, if my memory serves, those are the words which were used in the order in council. And the point I was raising was that ordinarily in an order in council you will find that the order is issued by His Excellency in Council on the recommendation of a minister. I am surprised to find the Leader of the Government saying that the Public Service Commission has—how did he put it?

> There is no provision for the Public Service Commission to recommend an appointment.

What is the meaning of those words? It seems to me an irregularity, unless there is some provision somewhere for it, and the Leader of the Government says there is no provision for it.

Perhaps my recollection of what the order actually says is imperfect, but if so, I should like to have the thing clarified, because it seems very curious that the Public Service Commission, which certainly under the act has the power to exclude positions, as we all know, should at the same time be advising, should be making recommendations to the Governor General in Council, which I had always supposed was the prerogative, if I may use that word, of ministers and not of an administrative body.

Senator Perrault: I wish to reiterate the assurance I have given to the Acting Leader of the Opposition that further information will be sought to clarify the situation. To this time, the material which has been provided me has been given to the chamber. Further information will be sought.

GENERAL ELECTION

STATEMENT BY PRIME MINISTER

Senator Perrault: Honourable senators, I am able now to inform the house that the Right Honourable the Prime Minis-

ter has just announced in the House of Commons that there will be no election at the present time. The Prime Minister has stated that Parliament will be asked to remain in session to solve the problems which affect the country, so I believe that we can all look forward to a rather full, busy and productive few weeks ahead.

An Hon. Senator: A busy summer.

Senator Choquette: All waiting for favourable polls, I take it.

Senator Perrault: There was nothing in the statement by the Right Honourable the Prime Minister about polls, whatever they are.

Senator Grosart: In view of the wording of the announcement, I wonder if the Prime Minister actually said that there would be no election, or if he merely said that he would not advise His Excellency to dissolve Parliament.

Senator Perrault: Honourable senators, I appreciate the opportunity to clarify it. This is a rather brief, hastily drawn note which has been passed to me from the other place. The precise wording of the Prime Minister's statement will appear in today's *Hansard* of the House of Commons. I also understand that later this afternoon the Right Honourable the Prime Minister will be scheduling a news conference, when further details will be given.

Senator Grosart: I raise the question because I rather doubt that the Right Honourable the Prime Minister, being so precise as he usually is in such matters, would say or be presumed to have said that there would be no election.

Senator Perrault: Honourable senators, I can give the assurance that the government has every intention to call an election at some point in the future.

CANADA-UNITED STATES RELATIONS

GARRISON DAM PROJECT—QUESTION ANSWERED

Senator Perrault: Honourable senators, yesterday Senator Roblin asked the following question:

> Honourable senators, may I ask the Leader of the Government if he can give us, at leisure, the latest information with respect to negotiations between the Government of Canada and the Government of the United States with respect to the Garrison Dam project in the State of North Dakota, and any relevant material with respect to the relations between the Government of Canada and the International Joint Commission?

Honourable senators, I can now advise that on February 1, the U.S. Department of the Interior issued a revised draft plan in response to a domestic court settlement.

Canadian experts examined this revised plan and, on April 3, we delivered to the State Department a letter stating that Canada still had concerns over the potential trans-boundary impacts, particularly regarding water quality and the potential transfer of harmful fish and other biological species from the Missouri River into the Red River system; that we still considered the 1977 IJC Report on Garrison to be the basis on which these impacts should be considered; and that we wished to have further information and consultations on the American plan.

The Americans replied that the Administration, as a whole, is still reviewing the Department of the Interior's draft plan, that their review includes consideration of the IJC Report, and that they will be pleased to consult with us when they have had a chance to further examine the whole matter.

FISHERIES

DEPLETION OF STOCKS BY FOREIGN COUNTRIES

Senator Marshall: Honourable senators, I should like to ask the Leader of the Government in the Senate a question which relates to one I raised on May 4, as reported at page 745 of the *Debates of the Senate*. The question has to do with the depleting of stocks by foreign fishing fleets on the fringes of the 200-mile limit. The leader indicated that he would make a statement to the Senate on the subject by possibly the middle of this week. Is the leader prepared to make that statement now?

Senator Perrault: Honourable senators, that statement is not yet ready for presentation to the Senate. The inquiry has gone forward and I understand that a reply is in a state of preparation.

I understand that today is an allotted day in the other place and that the opposition is concerned with matters affecting the Honourable Roméo LeBlanc, the Minister of Fisheries and the Environment. Perhaps this has caused a slight delay in the preparation of the material requested by Senator Marshall.

REVENUE CANADA

REMOVAL OF OFFICES FROM SAINT JOHN, NEW BRUNSWICK—QUESTION

Senator Riley: Honourable senators, I should like to direct a question to the Leader of the Government.

Just before the end of the last session I asked the leader a question with respect to the possible transfer of 60 members of the Department of National Revenue from Saint John, New Brunswick, to St. John's, Newfoundland. It has been a long time and I still have not received an answer to that question.

• (1420)

Senator Perrault: Honourable senators, I feel sure that that question has been answered. If it has not been answered I shall undertake an immediate inquiry. Certainly, if a reply has not been forthcoming it has been an inordinately long period of time.

INDIAN AFFAIRS

JOINT COMMITTEE OF THE GOVERNMENT OF CANADA AND NATIONAL INDIAN BROTHERHOOD—QUESTION

Senator Smith (Colchester): Honourable senators, I should like to direct a question to the Leader of the Government relating to Indian Affairs.

Was there until recently, or is there now, a joint committee composed of members of the government and representatives of a native organization which, I believe, is referred to as the National Indian Brotherhood? If so, does that committee still exist? If it does not exist, when did it cease to exist, and why?

Senator Perrault: Honourable senators, because of the detailed nature of the question I must take it as notice. A reply will be forthcoming.

Senator Smith (Colchester): In view of that, I wonder if I might add another part to the question, perhaps supplementary to the main question.

If indeed such a joint committee has ceased to exist, was there, at or about the same time, a cutback in funds available for various Indian purposes, and, if so, to what extent?

NATIONAL REVENUE

REGISTERED CHARITIES—QUESTION ANSWERED

Senator Guay: Honourable senators, I should like to add two lines to an answer I gave Senator Grosart yesterday—an answer with which he did not agree—as follows:

> Neither such a brief nor the representations in question would be considered to be political activity.

RECIPROCAL AGREEMENTS BETWEEN CANADA AND THE UNITED STATES RE TAX EXEMPTIONS ON DONATIONS TO CHARITABLE INSTITUTIONS—QUESTION ANSWERED

Senator Guay: Honourable senators, in response to Senator Grosart's question concerning the status of any reciprocal agreement or arrangement between Canada and the United States respecting donations to charitable institutions, there exists an agreement between Canada and the United States of America which is referred to as the Canada-U.S. Tax Convention. This agreement was brought into the Canadian statutes by the Canada-United States of America Tax Convention Act, 1943, which received royal assent on July 24, 1943. I might inform the honourable senator that the convention and protocol with the United States of America are currently being renegotiated.

Article XIII D(2) of that convention stipulates that a Canadian taxpayer, corporate or personal, having income from sources in the United States of America upon which he is subject to tax in Canada, may make a donation to a recognized charity in the United States of America which is deductible from his income from U.S. sources within the same limitations as the deduction for gifts to registered charities in Canada. Article XIII D(1) of the convention provides the same right to a taxpayer residing in the United States.

The determination of whether an organization is to be recognized as a charity or not is made by the country wherein the organization is situated in accordance with its own laws.

A Canadian taxpayer cannot, within the terms of the convention, make a deductible gift to a charity in the other country through a "subsidiary" in the other country.

There is only one exception, and that is in the case of commuters, persons living near the border.

Senator Grosart: I thank the Minister of National Revenue for his answer. Perhaps it is appropriate to congratulate him on his apparent promotion to the front bench. I notice, however, that he has been moved closer to the exit.

I wonder if I might ask the minister a supplementary question arising out of his answer. Would he inquire as to whether there are any special arrangements applicable only to universities and donations to universities of a nature that might be regarded as being similar to charitable donations?

Senator Guay: Yes, senator, I am looking into that aspect of it at the moment in view of the renegotiation that is taking place.

REVOCATION OF POWER OF ATTORNEY TO TAX REFUND DISCOUNTERS—QUESTION

Senator Smith (Colchester): Honourable senators, I wonder if I might direct a question to the Minister of National Revenue with reference to tax refund discounters. Is it correct, as has been reported in some communications media, that his department has adopted the policy of returning to the taxpayer, upon the taxpayer's request, any power of attorney or document authorizing refunds to be made to discounters?

Senator Guay: That statement has been released by one of the officials of my department without any consultation with me. I am looking into this matter at the moment.

Senator Grosart: Par for the course, I guess.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

On the Order:

> Resuming the debate on the motion of the Honourable Senator Cook, seconded by the Honourable Senator Paterson, for the second reading of the Bill C-10, intituled: "An Act to amend the Financial Administration Act".—(*Honourable Senator Macdonald*).

Senator Macdonald: Honourable senators, I wish to yield to the Honourable Senator Asselin.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

[*Translation*]

Hon. Martial Asselin: As the bill now before us is of considerable importance, as it contains extremely serious principles that must be discussed, and as I also wanted the bill to

be passed as quickly as possible by the Senate, I thought I should speak to it this afternoon. Now, however, the Prime Minister having announced that he is not interested in going to the people in the near future, in holding an election, I feel we should take all the time available to study this bill in depth. So, with your consent, I move adjournment of the debate until Tuesday next.

On motion of Senator Asselin, debate adjourned.

[*English*]

CURRENCY AND EXCHANGE ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. Jean Marchand moved the second reading of Bill C-39, to amend the Currency and Exchange Act.

He said: Honourable senators, I have just a short speech to deliver this afternoon. I was looking through it last night trying to see how I could put some emotion into it, but I really could not find any way of doing go. That is why I am just going to read it the way I wrote it in my room, and I hope you will be satisfied with that.

The specific purpose of this bill is to enable the Governor in Council to authorize the Royal Canadian Mint to strike and issue gold coins, to determine the par value and to set the maximum number of coins that may be minted in any one year.

In view of the resounding marketing success of the 1976 Olympic commemorative gold coin program, the Royal Canadian Mint was authorized in 1977 to issue a special 22-karat gold coin at a par value of $100 to commemorate Her Majesty's Silver Jubilee. Although it was not introduced until mid-1977, this program also proved to be a considerable success since, in only four months, more than 176,000 gold coins, worth a total of $24.6 million, were sold.

● (1430)

This, honourable senators, is only one indication that there already exists a worldwide market for these numismatic coins for which the Royal Canadian Mint is highly renowned. At present it is estimated that the global annual market for numismatic coins is approximately $1 billion, and in 1977 the mint sold more than $31 million worth of such coins. The government believes that the mint should continue its efforts to obtain a substantial share of this global market for Canada.

However, the benefits that can flow from such a program go far beyond a mere profit consideration for the Royal Canadian Mint and, consequently, the Government of Canada. Specifically, the following are only a few of the advantages of marketing a $100 gold coin based on an annual production of 200,000 units: the creation of 50 additional jobs at the Royal Canadian Mint, not counting the jobs created outside the mint with respect to the manufacturing of related products, such as blanks and cases, and with respect to marketing and distribution; additional revenue from gold refining by the Royal Canadian Mint; additional revenue of approximately $5 million to the government, plus an additional contribution of more than $500,000 to the provincial governments in the form of sales taxes; improvement in the balance of payments through the sale of some $15 million worth of coins abroad; and more profitable use of mint production facilities.

In addition, the marketing of gold coins could have an important long-term impact on the gold mining industry in Canada. For example, the minting of 200,000 $100 coins, or 100,000 ounces of gold, represents the total annual production of several mining companies in Canada with upwards of 500 employees each, a payroll of $6 million, and expenditures of between $5 million and $10 million a year. For each one of these jobs it may be assumed that five additional jobs will be created in related industries and services. Need I say more about the significance of such a program to the gold mining industry in Canada?

I presume, honourable senators, you will understand why it has been difficult for me to put any kind of emotion into this subject.

An Hon. Senator: Well, you are talking about money!

On motion of Senator Grosart, debate adjourned.

The Senate adjourned until Tuesday, May 16, 1978, at 8 p.m.

THE SENATE

Tuesday, May 16, 1978

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

Prayers.

THE SENATE

MISLEADING USE OF PICTURE OF CHAMBER ON COMMERCIAL PUBLICATION—QUESTION OF PRIVILEGE

Senator Forsey: Honourable senators, I rise on a question of privilege, not my own privilege as a member of the Senate, but the privilege of the house in general.

I hold in my hand a handsome volume, both covers showing a picture, in full colours, of this chamber. The title is *Parliamentary Procedure Simplified—A Complete Guide to Rules of Order*. When I read this, remembering the number of times I had been ticked off in this house for breach of the rules by experts like Senator Grosart and Senator Molson, I thought this is exactly what I need—this is almost the answer to prayer.

You can imagine my sensations when I opened it and discovered that it contains not one syllable even vaguely related to Canada, and not one comma even vaguely related to any Parliament whatever, let alone this Parliament or this house. It is exclusively American.

It is full of references to when the author, a gentleman doubtless famous to others, but not known to me, Mr. F. L. Gordon, describes himself as having served as the adviser to the women's caucus in Houston, Texas, or when he refers—and this startled me considerably—to Dave Lillard, the 1975 Speaker of the Senate. I am sure Her Honour didn't realize she had been superseded, and by a male chauvinist at that. It turns out that Mr. Dave Lillard was Speaker of the Senate of the State University of Memphis, Tennessee.

This is comic in its way, but on the other hand, it seems to me a rather serious matter that Coles, the publishers publishing this in Toronto, should circulate this with the picture of this Senate chamber on both covers, very prominently displayed. It was apparently enough to deceive even the elect, because it was bought by the Parliamentary Library. This is their copy. It was bought by the Parliamentary Library on the assumption that it really did have something to do with procedure, at least in the Senate, if not in the House of Commons as well. I have written the Minister of Consumer and Corporate Affairs drawing his attention to the fact that this appears to be a flagrant case of misleading advertising. I thought it only right also to raise it in the Senate as a matter of privilege. I think the firm concerned should be ticked off thoroughly for publishing this totally misleading cover, which might lead anybody to suppose that it had something to do with this chamber and the members of this chamber.

Senator Langlois: It will be a best-seller in no time at all.

DOCUMENTS TABLED

Senator Langlois tabled:

Copies of letters between the Prime Minister of Canada and the Honourable Peter Lougheed, Premier of Alberta, concerning Canada's future export grain marketing strategies.

Report of the Royal Commission on Corporate Concentration, dated March 1978, appointed by Order in Council P.C. 1975-879, dated April 22, 1975, pursuant to Part I of the Inquiries Act (Robert Broughton Bryce, Esquire, a Commissioner). Two additional Commissioners (Pierre Nadeau, Esquire, and R. W. V. Dickerson, Esquire) appointed by Order in Council P.C. 1975-999, dated May 1, 1975.

[*Translation*]

THE SENATE

LEGISLATIVE PROGRAM—QUESTIONS

Hon. Jacques Flynn: Honourable senators, after being away for two weeks—incidentally, I did not think that I would find you here this evening because I was convinced that I would not have to come back to the Senate before October or the end of September—I was really expecting that the government leader would be present to somewhat clarify the situation. I hope that it is not the fear of seeing me back that kept him away this evening. I would ask his deputy whether he has any valid reason for being away.

Senator Langlois: Honourable senators, first I should like to say that it is a pleasure for me to welcome the Leader of the Opposition. We are all very pleased to see him, in good health and in good spirits for once.

Now, the government leader is out of town tonight on official business. I am glad to replace him.

Yet, in order to reply to the question of the Honourable Leader of the Opposition, I must tell him that this situation is beyond our control and it is the result of a decision which rested solely with the Prime Minister of Canada and which was not entirely unforeseen; as a matter of fact, the prediction has been made by my honourable friend's leader and we may have been inclined to put too much faith in his ability to foresee the future. In fact, Mr. Clark had himself announced the election with much fanfare and, according to news reports, he was ready to launch his campaign. He seemed so sincere

that we believed him. I repeat that the decision was beyond our control. The Prime Minister of Canada alone has the privilege to choose the date of such an event and we must accept his decision.

Senator Flynn: At any rate, I thank my good friend, Senator Langlois, for rushing to the rescue but I think that it would be fairer to set aside my supplementary for the government leader, who forced us to approve a bill that has now become useless, or to pass an imperfect piece of legislation under the pretext that we were facing an imminent dissolution. I hope that when he comes back the government leader will apologize, not so much personally but on behalf of the government, for having misled the Senate and for having made us work with great speed for the wrong reasons. I hope that he will apologize and that he will take this as a notice.

Senator Langlois: In answer to that supplementary question, if it was one, I will point out to the honourable senator that no one has been forced to pass the bill. If the honourable senator thinks it was the case, it is certainly because he lacks fortitude.

Senator Flynn: I did not lack fortitude but some people on your side certainly did and this, honourable senator—

Senator Langlois: Is that another supplementary question?

Senator Flynn: No, no, but I am answering your question. You say that we lacked fortitude, I say no. I say that it was mainly by your side that we were deceived, that we were misled, and—

Senator Langlois: By your own leader.

Senator Flynn: No, not by my leader; my leader has nothing to do—

Senator Marchand: With the date of the election?

Senator Flynn: My leader has nothing to do with the date of the election, nothing at all—my dear friend, Senator Marchand, whom I am always pleased to see and whom I can always egg on into little fights. But Senator Langlois said it was the prerogative of the Prime Minister. So it is not the prerogative of the Leader of the Opposition in the House of Commons. Come on! I could go over everything that has been said here in the Senate for the past month urging us to pass once again useless legislation like the bill to prevent postal workers from striking during the election. Can Senator Langlois tell me—

Senator Langlois: That legislation is not applicable.

Senator Flynn: It certainly is in effect. I moved an amendment.

Senator Langlois: Honourable senators, I think the honourable senator is going a little too far. He is entirely out of order. He is making an argument for a future election.

Senator Flynn: This concerns legislation already in effect.

Senator Langlois: I rise on a point of order very simply because you are raising a point of debate, which is not allowed at this time according to our rules since this is the question period.

Senator Flynn: I wanted to ask you about the bill concerning a strike of postal workers. I wanted to ask you how it would apply now.

Senator Langlois: It will apply when an election is called. This has already been said.

Senator Flynn: The government leader is not going to tell me that the bill is not in effect. It was given royal assent although I had suggested at the time that it should come into effect only on proclamation.

Senator Langlois: This is because, once again, my honourable friend misread the bill, which will only become effective when an election is called.

Senator Flynn: This is not true at all.

Senator Langlois: It applies only during an election campaign. You raised that point during consideration of that bill and you were wrong but you do not want to admit it.

Senator Flynn: That is not true at all.

• (2010)

[*English*]

FISHERIES

INTERIM AGREEMENT WITH UNITED STATES—QUESTION

Senator Austin: Honourable senators, I wonder if I might be permitted to ask a question of the Acting Leader of the Government with respect to interim annual agreements regarding fishing rights.

I understand from reports that the Minister of Fisheries and the Environment has said, as recently as yesterday, that Congress would be given until May 26 to bring into force the interim fishing agreement for 1978.

I wonder why the government has chosen May 26 as the date. What is the importance of that particular date, and what might the government do if Congress does not act by May 26?

Senator Langlois: Honourable senators, this is a very complicated question. Since the decision was not mine, and I have not been informed officially of the answer by the Minister of Fisheries and the Environment, I shall take the question as notice.

DEPLETION OF STOCKS BY FOREIGN COUNTRIES—QUESTION

Senator Marshall: Honourable senators, the Leader of the Government indicated on two occasions that one of the most precarious situations is the fact that foreign nations are depleting stocks outside, just on the fringe, of the 200-mile economic zone. The leader indicated on two occasions that he would be making a statement to the Senate with respect to this matter. Since that statement has not been presented, I wonder whether the acting leader is able to cast some light on the situation as it exists at the present time?

Senator Langlois: Honourable senators, I shall take that as notice as well, and will endeavour to provide an answer as soon as possible.

FOREIGN AFFAIRS

EVACUATION OF CANADIAN CITIZENS FROM ZAIRE—QUESTION

Senator Bird: Honourable senators, I should like to ask the Acting Leader of the Government what steps are being taken by the government to evacuate CIDA personnel and other Canadian citizens from Zaire, and whether the government will be taking the same steps the Americans, Belgians and French seem to be taking with respect to their nationals.

Senator Langlois: Honourable senators, I shall take that question as notice.

NATIONAL REVENUE

RECIPROCAL AGREEMENTS BETWEEN CANADA AND THE UNITED STATES RE TAX EXEMPTIONS ON DONATIONS TO CHARITABLE INSTITUTIONS—SUPPLEMENTARY QUESTION

Senator Grosart: Honourable senators, I have a question which, I presume, will be answered in due course by the Minister of National Revenue. Before asking it perhaps I might say to the Acting Leader of the Government that I am sure it feels more like old times now than was the case over the past two weeks when the leadership on this side was less vigorous and effective.

Senator Langlois: Is this another question? You seem to be answering it.

Senator Grosart: It was a question. I am sure I know the answer, that being that he does feel it is more like old times, and we all, I think, agree with that.

As the minister is not here—and, I am sure, for very good reasons—the question I would like to put on the record—

An Hon. Senator: He is here.

Senator Grosart: I beg his pardon. I was looking at the place he occupied before his recent distinguished promotion.

Senator Marshall: He is getting closer to the door.

Senator Asselin: He has been upgraded.

Senator Grosart: On May 10 I asked the minister the following question:

> What is the status of any reciprocal agreement or arrangement which may exist between Canada and the United States with respect to tax exemptions on donations to registered charitable institutions, particularly in situations where the donation is made by a taxpayer, corporate or personal, in one country to a registered charity in the other, including the situation where such a donation is made either by a taxpayer in one country or through a subsidiary in the other country?

The minister favoured me with an answer. After indicating the status of the Canada-U.S. Tax Convention, which was implemented by Parliament in 1943, he said:

> Article XIII D(2) of that convention stipulates that a Canadian taxpayer, corporate or personal, having income from sources in the United States of America upon which he is subject to tax in Canada, may make a donation to a recognized charity in the United States of America which is deductible from his income from U.S. sources within the same limitations as the deduction for gifts to registered charities in Canada. Article XIII D(1) of the convention provides the same right to a taxpayer residing in the United States.

In answer to the second part of my question, the minister said further:

> A Canadian taxpayer cannot, within the terms of the convention, make a deductible gift to a charity in the other country through a "subsidiary" in the other country.

Because I do not feel my original question was fully answered, I shall now ask a supplementary. As well, some of those who are much concerned with this matter assure me that it is not a satisfactory answer to the question.

My question made no distinction whatsoever between source of income. It referred to any income. The answer speaks only to income from a certain source.

The statement that a Canadian taxpayer cannot, within the terms of the convention, make a deductible gift to a charity in the other country through a "subsidiary" in the other country, I suggest, is the subject of question. One need only take the case of a company such as General Motors in that regard. I am sure it is much too broad a statement to be of any use to those who might be concerned.

My supplementary, therefore, to take a specific example, is as follows: If U.S. taxpayer A, personal or corporate, donates to a registered charity in Canada, or vice versa—if Canadian taxpayer A donates to a charitable organization in the United States—are there reciprocal agreements or arrangements by which such donations are deductible by the taxpayer in his own country in respect of income earned in the United States and/or Canada and/or elsewhere?

I ask the question because, as we are all aware, there are Canadian charities seeking donations from institutions in the United States. Certainly, the answer does not clarify the situation. I am told that some who are concerned with this have not, as I have not, been able to get a satisfactory, definitive and precise answer from the department.

I am fully aware that the minister has been having his problems with his department. He has indicated some of them here. However, I hope he will be able to provide us with a complete answer to this question.

We also know that there are situations where Canadian taxpayers would wish to donate on a charitable basis, for example, to Canadian studies in an American university. I suggest, with respect, that the answer given does not cover this situation, and I shall ask the minister to have his officials prepare, in due course, a full and complete statement on the status of such agreement or arrangements vis-à-vis such deductions.

• (2020)

Senator Guay: Honourable senators, I said the other day, when I answered Senator Grosart, that I was answering his

question in part. If he reads the *Debates of the Senate* he will find that this is the statement I made. However, I am very pleased indeed to provide him this evening with a reply to the supplementary question which he posed to me in the Senate, also on May 11, which is similar to what he is asking this evening arising out of my answer in respect of the provisions of Article XIII D(2) of the Canada-U.S. Tax Convention.

Senator Grosart asked if there are any special arrangements applicable only to universities and donations to universities of a nature that might be regarded as similar to a charitable donation. I am sure he will recall that.

There is no provision in the Canada-U.S. Tax Convention relative only to universities, but since universities normally qualify as charities the provisions of Article XIII D(2) of that convention, which I explained last Thursday in my reply, would be applicable.

However, provision is made under subparagraph 110(1)(a)(vi) of the Income Tax Act for a deduction in respect of gifts to universities outside Canada which are prescribed to be universities the student body of which ordinarily include students from Canada. Such universities are prescribed by order in council upon the recommendation of officials of my department, and are listed in Schedule I of the income tax regulations. Any institution outside Canada which, upon application to my department, is found to meet the requirements of being a bona fide degree-granting university at which students from Canada have attended in recent years may be recommended for such status.

Senator Grosart, I am sending you a letter in regard to what I have just said so that you may be in a position to read it this evening. If you feel that I am not giving an appropriate answer to the points you have just raised, I shall be pleased to read *Hansard* and make sure that I give you an appropriate answer at the next sitting of this house.

[*Translation*]

OLYMPIC STADIUM—EXEMPTION FROM CUSTOMS DUTIES—QUESTION

Senator Denis: Honourable senators, I have a question for the honourable Minister of National Revenue. I presume it falls within his jurisdiction. If not, I would ask him to consult other members of cabinet.

As you are aware, the Olympic Stadium is not completed and does not have the appearance it should have, namely a sightseeing attraction for tourists and also an achievement for all Canadians and particularly for Canadians in Montreal to be proud of. Everybody knows that as a result of serious work slowdowns, strikes, weather considerations and what have you, it has been learned that completion of the roof would cost upward of $2 million in customs duties. They say that the cost of the roof itself is rather substantial. I wonder if it would not be in the interest of the Canadian government to have this roof imported duty free, if possible, since that would be to the advantage of the population, not only of Montreal but of all Canada.

Senator Guay: Honourable senators, I should like to say at the outset that the responsibility of my department is to apply the law, to explain it, and at the same time to collect duties and taxes owed to the federal government. Moreover, it is a fact that when the plans for the Olympic Stadium were made public in Canada, we advised the government that it would cost about $2.5 million, as you are aware, and as of today I believe we have not yet claimed this sum from the Quebec government, but the officers of my department are working on it at the moment.

[*English*]

The responsibility of my department is to collect taxes, and, unless the taxes as such are changed, I have no alternative but to demand the amount from the Government of Quebec through the officials of my department, which is the regular procedure.

In regard to the remainder of the plans in question, this would also have to come in and the same thing would apply. So I would say that if there is any consideration to be given to exempting, if I may use that word, or to saying to the Quebec government, "No, you do not have to pay that tax," then we would have to have the approbation of the other house and appropriate legislation before anything could be done.

In the meantime, I have no alternative but to demand payment of the tax.

[*Translation*]

Senator Denis: Honourable senators, as a supplementary, that is why I said that it was the duty of the Minister of National Revenue to collect taxes. And I added that it was not only up to him, but to the federal cabinet, to see that the Olympic Stadium is exempted from duty. Mind you, not the whole stadium, for duty has already been paid for the existing facilities, but only the roof that has yet to be installed. It should be done as a gesture of generosity towards some unlucky people, for a stadium which is expensive but well worth the price. I wonder whether the cabinet would be willing to reconsider the matter.

Senator Guay: Honourable senators, I shall make it my duty to submit to the cabinet the request you just made. At the same time I am sure the cabinet will give all the necessary consideration to your request. Meanwhile, I can say to you that I have no alternative other than to let my department officials carry on with the work under way.

Senator Forsey: Honourable senators, is there not in the Financial Administration Act a provision allowing the cabinet to waive payment of such or such duty, such or such tax, such or such levy? I thought there was something of that kind. I am not a lawyer, I may be wrong, but I think there is a provision which would allow the cabinet to do something.

Senator Guay: Honourable senators, whether you are right or not, I agree with you that I should make representations to the cabinet and inform them of your remarks and requests so that they consider them along the lines you are proposing.

[*English*]

VETERANS AFFAIRS

ALLEGED DISCRIMINATION AGAINST WIDOWS OF VETERANS—QUESTION

Senator Marshall: Honourable senators, I should like to direct a question to the Acting Leader of the Government. May I preface my question by indicating my commendation to the Minister of Veterans Affairs for acceding to the request and following the recommendation of the Standing Committee on Veterans Affairs of the House of Commons to equate the basic rate of pension to the five lowest categories in the public service. While I am sure that everybody would commend the Minister of Veterans Affairs, there still is a serious inequity which indicates that widows of some veterans are discriminated against in that they do not receive the widows pension because of the 48 per cent disability pension rule. I wonder if the acting leader could indicate if any consideration is being given in the other place to overcome this inequity at this late stage, some 60 years after the end of the First World War, to provide the equation and realistic treatment of widows of veterans?

• (2030)

Senator Langlois: Honourable senators, being myself a veteran of the last war, I am in sympathy with the concern expressed by my honourable friend. Although I have heard that consideration was being given to a recommendation in that direction by the Minister of Veterans Affairs, I have received no confirmation to date. If there is any support needed in this direction, the honourable senator can count on me to give it.

CANADIAN BROADCASTING CORPORATION

POLITICAL POLLS—QUESTION

Senator Roblin: Honourable senators, may I ask the Acting Leader of the Government to clarify, at his leisure, a matter of policy with respect to the Canadian Broadcasting Corporation? I am sure that the acting leader is aware that the CBC has announced that it has conducted a poll to investigate the political preferences of the people of Newfoundland.

My question is to the point as to whether this poll was conducted within the established policies of the Canadian Broadcasting Corporation. If we could have a statement with regard to the background of this move on their part, I would be grateful.

I should also like to know who authorized this particular poll, how much it cost, and whether any similar polls have been conducted by the Canadian Broadcasting Corporation.

Senator Langlois: Honourable senators, I have not heard of such a poll being considered at this stage. However, I will make inquiries and will try to provide the information for my honourable colleague.

PROVINCE OF BRITISH COLUMBIA

PROPOSED TREATMENT FOR HEROIN USERS—QUESTION

Senator Austin: Honourable senators, I have a question for the Acting Leader of the Government, which I presume he will take as notice. There is a great deal of concern in British Columbia, particularly among those who are engaged in criminal law issues related to drug users and treatment, that the federal government is participating with the provincial government in proposing a scheme which would permit heroin users to be held in custody and receive compulsory treatment without a court hearing or medical certification.

I should like to ask the acting leader to assure the Senate that the federal government is not participating in a plan which would allow some public servant, or indeed a minister, to hold any Canadian citizen or any resident of Canada in custody for any purpose without the approval of a court.

Senator Langlois: Honourable senators, I do not know of any such arrangement made between the Government of British Columbia and the Government of Canada, but I will make inquiries and will try to answer the question.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from Thursday, May 11, the debate on the motion of Senator Cook for the second reading of Bill C-10, to amend the Financial Administration Act.

• (2040)

[*Translation*]

Hon. Martial Asselin: Honourable senators, I will be brief because several speakers have already talked about the provisions of Bill C-10 concerning the appointment of the Comptroller General of Canada.

It comes as no surprise that this bill is under consideration at this time of the session, especially when one thinks of the criticisms and harsh comments the Auditor General made against the present government about the way public spending is controlled. Obviously the government could hardly go to the electorate without answering the suggestions and recommendations made by the Auditor General concerning, I repeat, the controls over the financial administration of the country.

But since the elections are once again far remote, we in the opposition have decided to take our time and study this bill thoroughly because it is important. As Senator Flynn said, I think that before the end of the present session the opposition will not be railroaded into adopting the bill quickly under the pretext that elections are imminent and are to be called any minute.

This having been said, the government has presented a bill containing one paragraph only. Senator Cook explained that clearly. I think he had no difficulty. All one had to do was to read the bill carefully, and I quote:

> The Governor in Council may appoint an officer called the Comptroller General of Canada to hold office during

pleasure and to perform such duties and functions as may be assigned to him by the Treasury Board, and the Comptroller General of Canada shall rank as and have all the powers of a deputy head of a department.

That is the clause through which the position of comptroller general is being created. It is not surprising that the speakers who preceded me, Senator Grosart, and even the leader of the unofficial opposition, Senator Forsey, as well as my friend Senator Roblin, and Senator Smith, should have brought up important points concerning the creation of that position, the department to which that civil servant should be answerable and the ways in which he should report to it.

In my humble opinion, when we speak of a comptroller we mean someone who has authority, who checks, inspects, supervises, examines. I feel that the responsibilities of a comptroller, whether he works for the federal government, the public service or private enterprise, are to control, inspect, surpervise and examine.

Moreover, if we are to set the post of comptroller as I perceive it, then his authority must be exercised free of constraints, ties, or close supervision on the part of the authority he has to control; as I say, the comptroller must control. In this case, as we know, the comptroller will be a deputy head. He is indeed called a "deputy head of a department". He will have all the powers of a deputy head, but as Senator Cook explained, he will come under Treasury and his boss will be the President of the Treasury Board. He will take all his instructions from him, from the Honourable Robert Andras, who now presides over the Treasury Board. He is the head of the Treasury Board.

So if the President of the Treasury Board is to direct all the action and the functions of the comptroller general, that means the comptroller is and will be accountable to him. He will not be above criticism and restrictions in carrying out his duties. That is why my colleagues on this side of the chamber have proposed another formula which would define more clearly the overall duties of Comptroller General of Canada.

It has been said with reason that the Comptroller General of Canada will have to receive his authority from Parliament itself. I am entirely in favour of this line of thought. In fact, Parliament is our institution which enables us to control the funds of the executive, to control how taxpayers' money is spent. The function of Parliament is to control those expenditures. This is how, in our British parliamentary institutions, the function of a Parliament is defined.

If we want to have a completely objective man, free of any tie with the authority he has to control himself, I think the Comptroller General should receive his directions, his authority from Parliament itself, before which he should bring every year a report on his activities which will be considered by a committee of the house, just like the Auditor General of Canada. Thus, the first suggestion I am making is, of course, that some amendments will probably be introduced but we should consider the possibility of giving a new vocation, a new function to the Comptroller General since he should receive his authority, his directions, from Parliament itself.

Senator Forsey: Hear, hear!

Senator Asselin: That is what we are going to ask since, as I say, the responsibilities of the Comptroller General were so little defined that when we read the records of the committee which considered this bill we are surprised to see with what insistence members from both sides of the house asked the President of the Treasury Board to define clearly the responsibilities of the Comptroller General.

What would be his responsibilities? Would he be on an equal footing with the Auditor General of Canada? Would he be on the latter's staff? When one hears statements like that made by the Parliamentary Secretary to the President of the Treasury Board who says that the Auditor General of Canada will be empowered to audit all the Comptroller General's books and accounts and all Treasury Board data and statistics, one wonders whether the Comptroller General of Canada will not one of these days come under the jurisdiction of the Auditor General of Canada. In my opinion, this would be a terrible mistake. I repeat, it would be a serious mistake to link the Comptroller General with the functions or responsibilities of the Auditor General of Canada, since their respective functions must be entirely separate and distinct.

Senator Forsey: Hear, hear!

Senator Asselin: Because of this important question and many others, honourable senators, I entirely agree with Senator Smith (Colchester) and the other speakers who addressed themselves to the matter of referring this bill to a committee.

Obviously, we must review this bill. We must clearly define the functions and responsibilities of the Comptroller General, which members of the other place have failed to do, to insure that his work will be efficiently done. His post must be related to something, not only in regard to Parliament but in regard to the Canadian people, since it has been created in order to correct a situation which has been described to us by the Auditor General of Canada.

I think that if we want to give Canadians the impression that we have created a valuable office, which will really give the responsibility for financial management to some sort of an auditor, or call him a comptroller if you wish, who will be accountable to Parliament we will, in my opinion, have to review this bill entirely in committee.

Honourable senators, I think that we will have the opportunity in committee to move some amendments which, in my opinion, will improve this bill. I feel that this will help the Comptroller General of Canada to better perform his duties not only towards Parliament but towards all Canadians.

On motion of Senator Flynn, debate adjourned.

● (2050)

[*English*]

CANADIAN NATIONAL RAILWAYS CAPITAL REVISION ACT RAILWAY ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. Leopold Langlois moved the second reading of Bill C-17, to amend the Canadian National Railways Capital Revision Act and the Railway Act and to amend and repeal certain other statutes in consequence thereof.

He said: Honourable senators, it gives me great pleasure to speak tonight on the second reading of Bill C-17, to amend the Canadian National Railways Capital Revision Act and the Railway Act and to amend and repeal certain other statutes.

This bill creates a capital structure for Canada's largest crown corporation, which is appropriate to a mature corporation. It will establish a sensible relationship between debt and equity; it will consolidate the investment of the Government of Canada in the CNR, and will remove the need for regular votes of money to assist the CNR.

Current legislative and other arrangements governing the financing of the CNR, which have remained largely unchanged for the last 25 years, provide that each year the government purchases CNR preferred non-cumulative shares in an amount equal to 3 per cent of the gross revenues of the national system. In 1978 this would have required the inclusion in the government's main estimates of an amount of some $80 million. However, this government's proposal would eliminate this requirement, and indeed the main estimates for 1978-79 have been prepared without this provision. This is a very important feature, given the pressures on and the determination of the government to keep public expenditures down.

Existing arrangements also provide that the government appropriate funds to meet company deficits. Indeed, an amount of $22 million was included in last fall's supplementary estimates for this purpose. However, agreement has been reached among all concerned that, as part of this recapitalization proposal, authority would be obtained to restrict the purchase of preferred stock in account of calendar year 1977 by an equivalent amount. This, in effect, would save $22 million in cash flow from the treasury, and this is also an important consideration given the current difficulties being experienced in overall cash management. The provisions of this bill would enable the company to attain an adequate profit level in the future, and thus eliminate the need to appropriate funds to meet deficits.

Financing arrangements in place also provide that the CNR would obtain its other capital requirements either from loans from the Minister of Finance or from the private sector. In recent years the company has been encouraged not to look to the Minister of Finance for these needs. It has been co-operative in this regard, and has been successful in the capital markets. However, the result of this long-standing obligation for the company to rely on loans for the bulk of its capital requirements has resulted in a debt ratio of about 60 per cent, compared with the rail industry average in North America of approximately 35 per cent, and about 35 per cent for Canadian Pacific in particular.

The proposed conversion of $808 million of debt into equity would result in a debt ratio of 42 per cent, and thus provide a more realistic basis for the government and the public to assess the economic efficiency of the company, and the performance of its officers in relation to those of its competitors. This would also provide an important morale boost to the CNR management, who, I am sure you will agree, are dedicated individuals making considerable progress in improving the efficiency and profitability of their operations. Canadian National reported a net income of $28 million in its 1977 annual report.

The interest which will be foregone on converted debt would be more than offset by the elimination of the requirement for the government to purchase the CNR preferred shares. Another important feature of the proposal from the government's point of view is that the CNR will be required to pay annually to the federal treasury a dividend equal to 20 per cent of its profits, or such higher amount that the Governor in Council may direct. For the first time in over 20 years the Canadian people will be receiving a monetary return on their equity in the company.

It is estimated that over the next five years these changes represent an overall reduction of the government cash flow of about $235 million—that is, $470 million on the cancellation of preferred stock purchases by the government; $25 million on the cancellation of obligations under the 1941 and 1942 CNR Financing and Guarantee Acts; and $65 million on a minimum 20 per cent dividend on CNR projected net incomes in the next five years; minus the interest payments foregone on the $808 million portion of the CNR debt, which is converted to equity, namely, $325 million of foregone interest payments.

A further feature of the proposal would see the consolidation of the remaining CNR debt held by the government and its repayment being rescheduled in a manner that would facilitate cash management for the government's accounts by the Department of Finance.

Finally, there is the proposed merging into common shares of the present preferred shares and the government's investment in the Canadian government railways. There will also be a reduction of equity in recognition of depreciation attributable to years prior to the adoption of depreciation accounting. This "cleaning-up" action, coupled with the more realistic debt to equity ratio and the enhanced ability of the CNR to register and retain profits in the future, will place the company on a more readily understood financial basis and reduce the possibility of its having to come to the government for funds.

● (2100)

Indeed, that is the long-term advantage of the proposed recapitalization. Canadian National will be in a position to finance all its capital and operating requirements without

reference to the Government of Canada. In the short term—that is, for the current and the next fiscal year, as the Prime Minister mentioned in the other place on December 19, 1977—we would avoid a cash outflow of some $100 million and in so doing eliminate $80 million from this year's estimates alone. In the medium term—that is, over the next five years—it is estimated these changes represent an overall reduction of the government cash flow of about $235 million. These are all important advantages from the point of view of the Government of Canada.

During the past two years the financial structures of the crown corporations reporting to the Minister of Transport—for example, the St. Lawrence Seaway Authority, Air Canada and Northern Transportation Company Ltd.—have been examined and restructured where necessary. Passage of this bill will bring the financial structure of the CNR closer to that enjoyed by other crown corporations.

In summary, Bill C-17 creates a capital structure for the CNR, which is believed appropriate for a mature corporation. It will provide the means for CNR to run its operations on a commercial basis while raising the necessary funds for its capital projects in the marketplace. At least the Canadian people can expect to receive a return on their equity in Canada's largest crown corporation. The CNR management will be responsible and accountable to manage a financially viable self-supporting institution. The government is confident of the ultimate effectiveness of Bill C-17 to achieve its objectives with due regard to competition.

Honourable senators, the main thrust of this legislation is to make CNR more accountable for its own financing and end the need for government dependency.

Before going on I would like to explain, by means of a brief review of the various clauses of the bill, how these objectives I have just outlined would be reached. First of all, there is clause 1, respecting the revision of sections 6 to 10 inclusive of the Canadian National Railways Capital Revision Act, which would require the cancellation of the $808 million of debt owing to the government by increasing by a like amount the capital stock held by the government. This conversion—this is not a debt forgiveness—would result in a debt-equity ratio of 42 per cent, as I indicated previously.

Under clause 2, interest on the coverted debt due after December 31, 1977, would be cancelled, but this would be more than offset by the following factors:

(a) The government would cease to purchase 3 per cent preferred shares of CN which has been a major source of CN capital financing and has in recent years been an amount of some $80 million in the government's main estimates.

(b) The government would cease to fund CN deficits; an amount of $22 million was included in this fall's supplementary estimates for that purpose, as I previously stated.

(c) CN would agree to pay to the federal treasury a dividend equal to 20 per cent of its profits or such higher amount that the Governor in Council may direct. This would mean that for the first time in the history of the CNR, the government would be receiving a return on its equity in the company.

(d) The remaining CN debt would be consolidated and its repayment rescheduled in a manner that would facilitate cash management for the government's account by the Department of Finance.

(e) The present preferred shares would be merged into common shares along with the government's investment in the Canadian government railways and to account for the reduction in equity attributable to the recognition of depreciation prior to the adoption of depreciation accounting. This latter point would eliminate from the equity portion of the CNR balance sheet titles which have no counterpart in the private sector and which raise unnecessary questions from the private sector lenders.

(f) Over the next five years the need to include in main estimates some $470 million for preferred share purchases would be eliminated and the receipt of dividends upwards to $250 million by the government would more than replace the interest on CNR debt that would otherwise be received.

(g) Another long-term advantage of the proposed recapitalization would be to place CNR in a position to finance all its capital requirements without reference to the Treasury.

Under Clause 2 authority would also be given to the CNR to retain profits for the 1977 fiscal year after payment of certain statutory obligations such as interest on debt owed to the government.

Clause 3 repeals section 37(4) of the Canadian National Railways Act which would permit the CNR to fund their income deficits.

Now I come to Clause 4 of the bill which in the first place revises subsection 38(1) of the Canadian National Railways Act by providing that the auditors be appointed annually by the Governor in Council and that the auditors shall report annually to Parliament in respect of their audits.

Another subsection is added, which will appear in the amended act as subsection 38(1.1), and which provides that the annual reports of the board of directors and auditors, respectively, shall be submitted to Parliament through the Minister of Transport and shall stand permanently referred to any committee of Parliament—that is, of both houses.

Clause 5 repeals subsection 72(5) of the Railway Act, which provides that "the securities may be made payable at such times and in such manner and at such place or places in Canada or elsewhere, and may bear such rate of interest, not exceeding six per cent per annum, as the directors think proper." This ceiling on the interest rate is removed and the board of directors will have the liberty and authority to set the interest rate on these securities.

• (2110)

In conclusion, honourable senators, clauses 6 and 7 of the bill repeal the Canadian National Railways Financing and

Guarantee Acts 1941 and 1942, which repeal removes the necessity for the government to provide temporary loans to the CNR for the funding of outstanding securities.

This concludes my brief review of the bill, which I hope has been explanatory. At any rate, I am in a position to supply further information, if it is desired.

At this stage, honourable senators, I should state that it is my intention, should this bill receive second reading, to move that it be referred to the Standing Senate Committee on Transport and Communications.

On motion of Senator Roblin, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, May 17, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Capital Budget of Central Mortgage and Housing Corporation for the year ending December 31, 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, as approved by Order in Council P.C. 1978-1534, dated May 4, 1978.

Report of the Canadian National Railways Securities Trust for the year ended December 31, 1977, pursuant to section 17 of the Canadian National Railways Capital Revision Act, Chapter 311, R.S.C., 1952.

THE CONSTITUTION

GOVERNMENT WHITE PAPER ON REFORM—QUESTION

Senator Flynn: Honourable senators, I should like to ask the government leader if and when we can expect the government white paper, or whatever form it takes, on constitutional reform? I ask this question because the government leader has suggested that a special committee of the Senate be struck and charged with the responsibility of studying recommendations regarding the Senate. It would be useful for that special committee to know the thinking of the government on this particular matter.

Senator Perrault: Honourable senators, the white paper on the Constitution and other matters will be forthcoming shortly. However, at this time a date has not been set. I think it may be forthcoming within the next few weeks. I shall endeavour to ascertain the date and communicate that information to honourable senators.

Many senators believe that there may be some value in striking such a committee after the contents of the white paper have been made known, and I find that I am basically in agreement with the sentiments of the Leader of the Opposition in this regard.

THE SENATE

LEGISLATIVE PROGRAM—QUESTION ANSWERED

Senator Perrault: Honourable senators, I read with interest last evening's proceedings—

Senator Asselin: What about my speech?

Senator Perrault: —and I saw that it was another lively sitting of the Senate. I very much regret my absence. I note that the Leader of the Opposition asked whether my absence from the chamber was as a result of my fear of seeing him on his return from his triumphant tour of the glittering capitals of Europe.

First of all, I should like to assure him that his presence does not strike fear in my heart. Secondly, had I known he was going to arrive at a given time at Uplands Airport I might well have endeavoured to organize a delegation to greet him. It is always a joy for me to see the Leader of the Opposition. His good humor, his good nature, his charm, his non-partisan qualities and the non-political spirit which he brings to this place is an inspiration to all of us.

• (1410)

Senator Flynn: By comparison.

Senator Perrault: The Leader of the Opposition has implied that I possess a certain power, which I assure honourable senators I do not, and that is to force the Senate to approve legislation. If there is one chamber in this entire country which exercises a spirit of independence—

Some Hon. Senators: Oh, oh.

Senator Perrault: Well, honourable senators, that is very true. Our committee work is the finest committee work done in any legislative assembly in this country.

Hon. Senators: Hear, hear.

Senator Flynn: When we can have the committees meet.

Senator Perrault: The fact that the Senate has amended bills over 167 times so far this session says something about the spirit of independence which exists here.

Senator Flynn: I will want to check that.

Senator Perrault: It would be much fairer to say that rumours about an election were rife until last week—inspired, in great measure, by the statements of opposition party leaders. Efforts to, in effect, "look into the crystal ball" were not successful. There was dissolution speculation from all sides.

Knowing something of the possibility of an election, and having regard for the people of Canada above all—

Senator Flynn: Oh no. Come on!

Senator Perrault: —the Senate worked as expeditiously as possible to see that legislation passed in the other place received royal assent. It goes without saying that I have neither the power nor, indeed, the desire to force honourable senators to vote for legislation they do not support. Like all

senators, I endeavour on occasion to exercise persuasive powers. That is the limit of my ability.

Senator Grosart: You are a modest man.

Senator Flynn: Your persuasive power comes from another source.

CANADIAN WHEAT BOARD

SUGGESTED RESTRUCTURING—QUESTION ANSWERED

Senator Perrault: Honourable senators, a question was asked by Senator Olson on May 10 last regarding an announcement made by Premier Lougheed of Alberta about a major restructuring of the Canadian Wheat Board.

By way of reply, it can be said that it remains unclear what a Board of Governors of the Canadian Wheat Board, as proposed by the Alberta government, could do that cannot be done by the existing Canadian Wheat Board Advisory Committee. The Advisory Committee has been given increasing responsibility in recent years, and it is envisaged that this process will continue as the committee gains experience.

The members of the Advisory Committee are now elected by the producers. The Government of Canada believes that this is a superior system to one based upon direct appointees by either provincial or federal governments, and it is more consistent with the board's role as a producers' marketing agency.

FISHERIES

DEPLETION OF STOCKS BY FOREIGN COUNTRIES—QUESTION ANSWERED

Senator Perrault: Honourable senators, Senator Marshall asked a question on May 4 regarding the depletion of stocks by foreign countries. In essence, he voiced his concern about the fact that foreign nations, to quote his words, are "depleting the stocks, or showing much activity just outside the 200-mile limit, which will cause great harm to the potential of the fishing industry—"

The Minister of Fisheries has expressed concern that foreign nations may be disregarding some internationally agreed upon regulations outside our 200-mile zone on the Atlantic coast. At the present time the International Commission for the Northwest Atlantic Fisheries, ICNAF, sets total allowable catches and quotas for the areas beyond Canadian fisheries jurisdiction. However, at a recent meeting of fisheries experts from member countries of ICNAF in Ottawa, a great deal of progress was made towards establishing a new organization to deal with fisheries co-operation in the Northwest Atlantic, and towards acceptance of the concept of special consideration for Canada in the management of stocks outside the 200-mile limit.

In the meantime, we are continuing our surveillance efforts in the area beyond the 200-mile limit and will be raising any questions on suspected overfishing with foreign nations at the forthcoming annual meeting of the International Commission for the Northwest Atlantic Fisheries.

[Senator Perrault.]

COMPTROLLER GENERAL OF CANADA

STATUS OF MR. HARRY ROGERS—SUPPLEMENTARY QUESTION ANSWERED

Senator Perrault: Honourable senators, on May 11 last Senator Grosart asked a supplementary question regarding the appointment of Mr. Harry Rogers as Special Adviser to the President of the Treasury Board.

I have been furnished with an additional list of 16 officers who were appointed under section 35 of the Public Service Employment Act after their exclusion from the act under section 39. I have provided Senator Grosart with a copy of that list, which is rather long and detailed. Section 39 of the act authorizes the commission with the approval of the Governor in Council to exclude a position or person in whole or in part from the operation of the act.

Subsection 35(1) of the act authorizes the Governor in Council, on the recommendation of the commission, to make regulations prescribing how positions or persons wholly or partly excluded under section 39 shall be dealt with. Where it is in the best interests of the public service to appoint a person without competition to a position that has been established by the Treasury Board, the position is excluded from the operation of the act under section 39, and the Governor in Council authorizes the appointment to the position by regulations made under section 35 of the act.

It may be noted that by special appointment, Regulation No. 17, Donald D. Tansley was authorized to be appointed Associate Deputy Minister of Fisheries for a term of six months. These regulations have not yet been published in the *Gazette*.

Senator Grosart: Perhaps the Leader of the Government would permit me, before he proceeds, to thank him for his very full answer to my question. It took quite a long time coming. I have to thank him for giving me these precedents for this action, almost all of which appear to be bad precedents.

Senator Perrault: Honourable senators, I was pleased to be able to provide the information regardless of whether or not the Deputy Leader of the Opposition approves of the precedents.

FOREIGN AFFAIRS

EVACUATION OF CANADIAN CITIZENS FROM ZAIRE—QUESTION ANSWERED

Senator Perrault: Honourable senators, I have replies to quite a number of questions here today, and I shall not endeavour to put then all on the record at this time.

A question was put by Honourable Senator Bird yesterday, asking what steps are being taken by the government to evacuate CIDA personnel and other Canadian citizens from Zaire and whether the government will be taking the same steps that the Americans, Belgians and French seem to be taking with respect to their nationals. This question was addressed to the Acting Leader of the Government.

Although information about the progress of the attack is sketchy, due to poor communications facilities in the area, reports indicate that Kolwezi and Mutshatsa have been captured. The department has no record of any Canadians being in either of these locations.

● (1420)

We are aware of 17 Canadian missionaries who are registered with our embassy in Kinshasa, and who are living in seven widely dispersed locations, which are from 100 to 500 miles distant from the present danger area. We are following the situation closely with a view to doing everything we can to ensure their safety, should fighting spread to the areas where they are located.

As most of the mission facilities at which they are serving are organized on a multinational basis, we are co-ordinating our plans with those of other countries who have missionaries in the same locations.

FISHERIES

INTERIM AGREEMENT WITH THE UNITED STATES—QUESTION ANSWERED

Senator Perrault: Honourable senators, last evening Senator Austin asked a question with regard to the interim annual agreements concerning fishing rights and the date of May 26. He said:

> I wonder why the government has chosen May 26 as the date. What is the importance of that particular date, and what might the government do if Congress does not act by May 26?

In reply, I should like to point out that the chief negotiators, Marcel Cadieux and Lloyd Cutler, agreed to meet again on May 26 to review the progress made in resolving outstanding issues and to answer Canadian requests for a reply at that time.

Senator Austin will recognize the need to have a deadline so that the uncertainty that is surrounding fishing in both countries can be removed one way or the other. It is unwise to speculate at this time on what action may be taken by the federal government, if the United States response is not satisfactory. We are now waiting that response.

UNEMPLOYMENT INSURANCE

REPORTED OVERPAYMENT OF BENEFITS—QUESTION ANSWERED

Senator Perrault: Honourable senators, on May 10 Senator Smith (Colchester) asked a question about the recent overpayment of unemployment insurance benefits in Nova Scotia. I am now advised that these overpayments will be treated no differently from those stemming from any other commission or claimant error, or a claimant not meeting conditions of entitlement. However, I can assure honourable senators that the government always considers the financial circumstances of the claimant in recovering overpayments. The obligation is stated specifically in section 49 of the Unemployment Insurance Act, and I quote:

> Where a person has received benefit under this Act . . . for any period in respect of which he is disqualified or any benefit to which he is not entitled, he is liable to repay an amount paid by the Commission in respect thereof.

The information which I have received from the office of the Minister of Employment and Immigration for Canada states:

> We regret this error and the inconvenience it will cause, however, we simply do not have the authority to ignore the overpayments. As with all overpayments which must be collected, we will approach each of these situations individually and with humanity.

Honourable Senator Smith (Colchester) asked a supplementary question as to whether or not any representations had been received from the Government of Nova Scotia in relation to the repayment or otherwise of these sums as they relate to Nova Scotians, and I am advised that to the best knowledge available the answer is no.

Senator Smith (Colchester): Honourable senators, I wonder if I might direct a supplementary question to the Leader of the Government relating to these overpayments of unemployment insurance.

First, may I thank him for his answer and for his kindness in furnishing me with the written explanation, which I believe was directed to him by the department or its minister. Included in that explanation is a copy of certain sections of the Unemployment Insurance Act, which, as I understood the reply of the leader, make it compulsory to collect any such overpayments. Obviously, I have not had the time to study those sections carefully, owing to the fact that I just received the document a few minutes ago, but as I read them there is no compulsion in those sections to make collection.

There is a statement that a person who receives the overpayment is liable to repay, but that is not a compulsion on the minister or on anyone else to collect it.

I also note that in this documentation there is a provision allowing the writing off of overpayments in cases of undue financial hardship. I believe that is the term used. Consequently, since there is no compulsion on the government to effect collection, at least in this statute, and since there is a provision for writing off in cases of undue financial hardship, I should think my original question is still relevant: Has the government considered the possibility of writing off these individual overpayments?

Senator Perrault: Honourable senators, in view of the statute which makes it mandatory for the government to collect overpayments, it would be impossible under the law to grant a blanket amnesty, in a sense, to those who had been paid excessive amounts. But I want to assure honourable senators that the government shall be guided in its policy by the obvious need to approach, as I stated in my reply, each situation individually and with a great sense of humanity. It could well be that the word "humanity" will be interpreted in a most generous fashion. Beyond that, I can give no commitment.

Senator Choquette: Honourable senators, might I add this, that it was never made clear, in all these discussions about overpayment, that the theory of unjust enrichment in law gives a complete right to the government to collect the said overpayment. It is just the same as if someone were to receive furniture belonging to someone else. He cannot benefit by it. In theory it is called unjust enrichment. Those who have received this money are guilty of unjust enrichment if they do not pay it back. But the government has a complete right, inalienable right, to collect that money. It is just that it is, I would say, in consideration of the generosity of the government, if it is not collected. That was never made clear.

Senator Smith (Colchester): Honourable senators, perhaps I could direct a further question to the Leader of the Government with relation to his statement that the statute, parts of which he was kind enough to send me, makes it compulsory or obligatory—I have forgotten his words, but that was the effect of it—that the government should collect any such overpayment. I just want to ask him if he would be kind enough—not now but when he has an opportunity to have the research made for him—to point out to me which one of these sections, copies of which he has been kind enough to send me, contains that provision.

Senator Perrault: Honourable senators, I will be pleased to undertake that task of research for the honourable senator. It may be said, of course, that all governments act as trustees for those taxpayers who have entrusted them with the power of government. In this case of unemployment insurance overpayment, this is not the government's money; it is money belonging to the taxpayers of Canada. Whether a government is municipal, provincial or federal, it must act in accordance with the statutes. If there is an opportunity to bring humanity and flexibility to decisions which are made, then that, of course, should be done.

I am sure that similar statutory considerations and other concerns motivated the actions of the Honourable Senator Smith when he acted in his capacity as Premier of Nova Scotia. As I have said, the federal government has provided every assurance that the spirit of humanity will be brought to the difficult task in some cases of collecting these overpayments, bearing in mind, however, its statutory obligations.

In cases where there is dire financial hardship, I will certainly undertake to determine whether or not implementation of the policy will mean that in some cases repayment will be postponed for a period of time or cancelled altogether.

Senator Smith (Colchester): I thank the Leader of the Government for his assurance, and also for his assurance that he will undertake the research that I mentioned. However, I should like to make one correction, if I may be permitted to do so. In his comment with relation to that research, I should say that it is not research for me. I have read this and I cannot find any such thing as the honourable gentleman asserts is in it. It is a piece of research to support his assertion that I am interested in finding.

[Senator Perrault.]

NATIONAL FINANCE

SALES TAX PROPOSAL RELATING TO PROVINCE OF QUEBEC—QUESTION

Senator Smith (Colchester): Honourable senators, perhaps I might be permitted to direct a question to the Leader of the Government on another subject. It relates to the proposal of the government to make direct payments to federal taxpayers in the Province of Quebec, based on the premise, as I understand it, that the Governments of Canada and Quebec have not agreed upon a course of action which will allow taxpayers to benefit from the federal contribution toward the reduction in provincial sales tax, out of which this arose.

I should like to ask whether this option of direct payment to federal taxpayers within the province was discussed with all provinces before the latest budget, when the representatives of the government say—and I have no doubt they say correctly—they discussed the question of reduction of provincial sales tax and federal contributions thereto with each of the provincial governments.

● (1430)

Senator Perrault: Honourable senators, a number of options were discussed with respect to providing a stimulus for the Canadian economy. These options were discussed some time ago in meetings involving first ministers, as I am sure the honourable senator is aware.

As far as the honourable senator's main question is concerned, as to whether this specific alternative was offered to all of the other provinces, I am not in a position to say. I shall, however, endeavour to obtain from the office of the Minister of Finance pertinent information that can be presented to this house. I can say that there was substantial agreement with all the provinces, except Quebec, just prior to the time the budget was presented. These proposals to stimulate the economy through joint federal-provincial action on the sales tax won a great measure of support from all provinces. The Minister of Finance was in direct contact with all the provincial finance ministers and discussions were held with all of them, although I understand that a somewhat noncommittal response was obtained from the Minister of Finance of Quebec prior to the presentation of this budget proposal. There was, however, unanimous support for the general policy on the part of the other provinces.

Latterly, this government, faced with the position taken by the Government of Quebec, has moved in a direction calculated to make sure that insofar as it is possible there is equitable treatment for all provinces, and that there will be a beneficial taxation effect in all provinces as a result of this federal-provincial program. The statement with respect to Quebec made a few days ago by the Minister of Finance was an endeavour to redress the balance in relation to the other provinces.

Honourable senators, this is a complicated and controversial matter, and I do not want to go beyond what I have said at this time. I shall present a further statement for the consideration of honourable senators at the earliest possible opportunity.

FISHERIES

DESIGNATION AS SUBJECT MATTER OF STANDING COMMITTEE—QUESTION

Senator Marshall: Honourable senators, the government leader will recall that a couple of weeks ago I asked a question with regard to having fisheries made the subject of a standing Senate committee, in view of the value of our fisheries and marine resources. The government leader indicated that he would be looking into the matter, and I wonder if he could give us a report on the progress that has been made in that regard.

Senator Perrault: Honourable senators, I was hoping that we would have had a reply ready for presentation to the Senate by this time. It will be presented, of course, just as soon as it becomes available to me. The Minister of Fisheries and the Environment has been very much involved, as honourable senators are aware, in a considerable range of negotiations with the United States, and this has taken a good deal of his time recently. But that information will be provided as soon as possible.

Senator Marshall: Perhaps the government leader misunderstood my question. I am referring to the fact that fisheries is not the subject matter of a standing committee of the Senate. In view of the importance of fisheries to Canada, I should like to know what progress has been made with regard to setting up such a committee to deal with fisheries and marine resources.

Senator Perrault: I can report no progress on that as yet, honourable senator. It may usefully be made a matter for discussion with the Leader of the Opposition. There are limitations, of course, on the number of committees which can effectively operate in the Senate. We have to consider, first of all, the question of staff. Then there is also the question of the membership of such a committee, since some of the senators have onerous responsibilities in connection with existing committees. While the idea, I think, has a great deal of merit, whether or not it can be implemented before the end of this Parliament is something that could be discussed with the Leader of the Opposition.

Senator Flynn: When?

Senator Grosart: By way of supplementary, I would suggest that the Leader of the Government may have misunderstood the question. The objection I understood the senator was making was that fisheries, as a subject, important as it is, is not assigned to any existing committee. Surely that is a matter that can be corrected at once.

Senator Flynn: I hope the Leader of the Government will not think of giving this responsibility to the Standing Senate Committee on Agriculture headed by Senator Argue.

Senator van Roggen: I would second that.

Senator Perrault: We have never experienced any difficulty in the past in assigning legislation relating to fisheries to a standing committee of the Senate. Certainly, in a sense, it represents an important resource, and we have Senate rules covering referral of matters relating to natural resources. The Standing Senate Committee on Banking, Trade and Commerce is the committee to which legislation regarding fisheries is usually referred.

As I understand it, then, what the honourable senator is suggesting is that the word "fisheries" be added to the list of matters to be referred to an appropriate standing committee under our rules.

Senator Flynn: Perhaps the Chairman of the Rules Committee would look into this. He is always available.

FOREIGN AFFAIRS

INTERVENTION BY FOREIGN NATIONS IN ZAIRE AND ERITREA—QUESTION

Senator McDonald: Honourable senators, I should like to ask a question of the Leader of the Government with respect to the war that is now going on in Zaire. Has the Canadian government any knowledge with respect to what troops or so-called advisers of foreign nations are taking part in that war, and has the Canadian government made any representations through the United Nations or any other world organization concerning foreign intervention in that war?

I also ask the same question with respect to the war in Eritrea.

I pose these questions because it seems to me that the Western World lacks leadership today with respect to these conflicts in Africa, and I believe that my own country is not showing the leadership it should. I should like to know what troops and advisers are involved, and what action, if any, has been taken by the Canadian government.

Senator Perrault: Honourable senators, I must take this question as notice because it is somewhat detailed.

NATIONAL REVENUE

NUMBER OF QUEBEC TAXPAYERS—QUESTION

Senator Smith (Colchester): Honourable senators, I should like to direct a question to the Minister of National Revenue. Has his department readily available, or reasonably available, the total number of persons in the Province of Quebec for the taxation year 1977 who paid income tax or were liable to pay income tax to Canada?

Senator Guay: Honourable senators, the processing of income tax returns for 1977 has not been finalized, but there are approximately three million taxpayers from Quebec who have made a return this year. I cannot go any further than that at the moment.

Senator Smith (Colchester): I do not suppose the honourable minister has available the number of adults in Quebec who would be likely to benefit from a reduction of sales tax.

Senator Guay: I will request the officials in my department to make some type of assessment to that end, and I will try to provide an answer as soon as possible. As you probably realize, this will require quite a bit of work. However, if it is required, I will certainly attempt to give an answer as soon as possible.

Senator Smith (Colchester): I thank the honourable minister.

● (1440)

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Cook for the second reading of Bill C-10, to amend the Financial Administration Act.

[*Translation*]

Hon. Jacques Flynn: Honourable senators, I moved the adjournment of the debate on this bill to have the time to acquaint myself with what has happened since the bill was introduced in this house, particularly on second reading. I am now convinced that all or almost all that could have been said about this bill was said very eloquently, very efficiently and very convincingly. So I will add very little, and I assure you that I will be very brief.

The office of Comptroller General is being created as a result of a recommendation by the Auditor General, and unless I am mistaken, the Auditor General made that suggestion because he thought his work was only to report to Parliament on possible flaws in the financial administration of Canada. He wanted to have someone at the start and during the operations to make sure the existing procedures were being complied with, or in their absence, to suggest some. That is how I understand the role of the Comptroller General as envisaged by the Auditor General.

It so happens, from what I was able to read of the committee sessions in the other place, that the government accepted the idea with much reluctance and hesitation. It appeared very clear to me from what the Honourable Mr. Andras said that it took him a lot of time at first to understand what the Auditor General was proposing, and once he thought he understood there was even more confusion in his mind because he spoke at a certain point of duplication between the functions of the Comptroller General and those of the Auditor General. Once again, there is absolutely no duplication—the Auditor General reports to Parliament on what happened while the Comptroller General tries to prevent mistakes the Auditor General might subsequently be talking about.

In any event, the hesitation and reluctance on the part of the President of the Treasury Board are reflected in the bill that is now before us and it seems to be only window dressing. They say they are going to create the office of Comptroller General of Canada to hold office during pleasure and to perform such duties and functions as may be assigned to him by the Treasury Board.

What does that mean? The Auditor General suggests the the government, and consequently the main control agency of the financial administration, the Treasury Board, have a comptroller. And they say, "Yes, we are prepared to accept a comptroller but as long as he does what we tell him to do." A comptroller under control. That is the situation. This is what we have here.

[Senator Guay.]

Senator Lamontagne: The responsible government theory.

Senator Flynn: It is perhaps the responsible government theory, but not responsible to Parliament. I want to emphasize this to Senator Lamontagne. The government should not be responsible only to the people, but first of all to Parliament, because otherwise the people could hardly check whether the government is acting in accordance with the applicable legislation.

Therefore, if his responsibilities are not defined, what we have here is a comptroller under control. Some ask, "Why define his responsibilities"? Those of other deputy ministers are not. I say that this is completely inaccurate. In all the cases where there is only one deputy minister, his responsibilities are those of the department. They are included in the statute which concerns the minister himself. There can be no doubt about the responsibilities of a deputy minister when there is only one. When there is more than one, the legislation provides for it. This is the case, for example, of the department headed by our colleague, Senator Guay, the Department of National Revenue, which has two deputy ministers, one responsible for taxation and the other for customs and excise. In this case, section 3 of chapter N-15 of the revised statutes defines the respective responsibilities of both deputy ministers. Let no one suggest, therefore, that the responsibilities of a deputy minister are never defined. This is completely false. Moreover, I say that this bill is only window dressing on the part of a government which does not believe in the need to appoint a Comptroller General, but which agreed to the suggestion simply because the Auditor General urged it to do so and because it wants to save face in the eyes of the public. It therefore agrees to appoint a Comptroller General under the condition that it can control him. This is the government's condition for agreeing to this idea.

Therefore, I say that this bill will remain insignificant, vague, superfluous and useless unless we can provide a minimum of responsibilities, duties and powers for the comptroller general in committee. If the committee is not ready to accept this, I suggest that it might be as well to let the bill die in committee or to have the courage to reject it on third reading. In my opinion, it is essential to provide a minimum of responsibilities. I am not saying that we should not also give the Treasury Board authority to entrust the Comptroller General with a minimum of additional duties. I do not want the bill to be restrictive, but I would like it to include at least the minimum. I consider this essential. Otherwise, if we are asked to agree to this type of legislation, Parliament will become a laughing-stock. I hope that in committee, we shall get some support from the government side in an attempt to give some meaning to this bill, since it has none at the present time.

● (1450)

[*English*]

Hon. Paul Desruisseaux: Honourable senators, it is not my intention to speak at length on this bill. Other senators have registered their criticisms against it, and I believe I should register my views now. With your permission, I will do so in the French language.

[*Translation*]

In my humble opinion Bill C-10 is not the best legislation we have ever studied here in the Senate. In itself its purpose seems valid, constructive and necessary. Considering the complexity of its accounts, Canada must gradually reinforce its audit system. This audit system must meet the highest standards. Of course it should also meet the highest requirements of Canadians and have their full confidence. If we refer to the duties and responsibilities stemming from the terms of reference of the incumbent of that new position, as listed in the appendix on page 725 of Senate *Hansard* and explained to us by the sponsor of the bill, Senator Cook, I think that this bill which comes to us after approval by the House of Commons would, as it is submitted, provide for important amendments to the audit system and the additional controls that have become necessary and will improve the confidence in the efficiency and the operational value of our system.

In its present form, Bill C-10 contains several defects and leaves some doubt as to the flexibility and the authority required for maximum efficiency.

Unfortunately, the bill as proposed lends itself to all kinds of criticisms, assumptions and limitations with respect to the Comptroller General's terms of reference in assuming the duties and responsibilities given to him on certain occasions by the Treasury Board. So it is important to revise that clause.

The extent of the authority or independence given to him under Bill C-10 is far too modest to be efficient. Even in his revocable position it would be too easy to reduce him to silence. I think we should examine all the consequences and the impact of this bill to ensure efficiency and independence in our audit and control system.

It would be unfortunate to pass the bill before us in its present form.

The Auditor General of Canada and some key men in his department should, on behalf of the government, be responsible themselves for such appointments and, I might add, for the assignment of the duties and responsibilities of the Comptroller General.

Like most honourable senators, I agree with the constructive aspect of the bill which creates the position of Comptroller General in Canada. Unfortunately, it seems to me that, in the best of general interest, the way the duties and functions of the incumbent of that position are established should be revised and reconsidered, his authority better defined, better guaranteed and more firmly based.

This is where an appropriate Senate committee could make excellent recommendations and amendments with a view to ensuring a more efficient audit system.

[*English*]

Hon. Eric Cook: Honourable senators—

The Hon. the Speaker: I wish to inform the Senate that if the Honourable Senator Cook speaks now, his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator Cook: Honourable senators, I should like to thank all those who have taken part in what has been—for me, at any rate—a most spirited and helpful debate, but it seems that there may be some confusion as to the thrust and effect of this bill. Nevertheless, there were some excellent observations made by all speakers. Therefore, while I will not detain you for long, I think I should endeavour to supply reasons and answers where possible to do so.

It may assist the Senate if I review the present situation as it relates to the public accounts. As practically every speaker made some reference to the position of Auditor General, perhaps the proper place to begin is to discuss his position and functions.

The existing Auditor General Act was passed by Parliament in 1977, and section 3(1) reads:

> The Governor in Council shall, by commission under the Great Seal, appoint a qualified auditor to be the officer called the Auditor General of Canada to hold office during good behaviour for a term of ten years, but the Auditor General may be removed by the Governor in Council on address of the Senate and House of Commons.

Section 7(1) reads:

> The Auditor General shall report annually to the House of Commons
>
> (a) on the work of his office; and
>
> (b) on whether, in carrying on the work of his office, he received all the information and explanations he required.

I would draw the attention of the Senate particularly to the wording of subsection (b), which I will read again.

> (b) on whether, in carrying on the work of his office, he received all the information and explanations he required.

Then Section 7(2) reads:

> Each report of the Auditor General under subsection (1) shall call attention to anything that he considers to be of significance and of a nature that should be brought to the attention of the House of Commons, including any cases in which he has observed that
>
> (a) accounts have not been faithfully and properly maintained or public money has not been fully accounted for or paid, where so required by law, into the Consolidated Revenue Fund;
>
> (b) essential records have not been maintained or the rules and procedures applied have been insufficient to safeguard and control public property, to secure an effective check on the assessment, collection and proper allocation of the revenue and to ensure that expenditures have been made only as authorized;
>
> (c) money has been expended other than for purposes for which it was appropriated by Parliament;

● (1500)

> (d) money has been expended without due regard to economy or efficiency; or

> (e) satisfactory procedures have not been established to measure and report the effectiveness of programs, where such procedures could appropriately and reasonably be implemented.

I would ask honourable senators, when considering the bill before us, to please keep in mind the provisions of sections 3 and 7 of the Auditor General Act, which was assented to, as I have already said, in the year 1977.

It is important to keep in mind that Bill C-10 does not in any manner, shape or form affect the Auditor General. This bill does not purport to create a second Auditor General, or some other or different or new kind of Auditor General. You will recall that Senator Langlois made this point very clear during his excellent contribution to the debate.

There can be only one Auditor General, the servant of Parliament who reports to the House of Commons, and who cannot be removed except by the Governor in Council on address of the Senate and House of Commons. With all due respect to Senator Forsey, it doesn't matter in the least if he is known by a double-barrelled name, as in the United Kingdom, or by one name, as in Canada. There can only be one statutory official entrusted with the duty of giving an all-embracing and final report on the state of the national finances to Parliament.

In my opinion, if that statutory official is by law authorized and required to do more than audit the government accounts and to advise thereon, then that is not as good a system as the system we follow in Canada.

In passing, I note the Auditor General's position in the United Kingdom is described as "unique." I quote the definition given by Senator Forsey:

> The officer who is responsible for the auditing of all public accounts. His position is unique in that he is an Officer of Parliament yet, as head of the Exchequer and Audit Department, he controls a staff of Civil Servants.

If that is his correct description, then in my view the system is not as good as our Canadian system. In my opinion, the Auditor General himself should not be required to perform any other function, which function would have to be the subject matter of an audit by some other authority. The Auditor General should have one statutory duty, and only one.

The Auditor General is, and remains, totally outside the public service. He visits the offices of the members of the public service only to discharge his statutory duties. Therefore, as I have attempted to make plain, it is important to remember that this bill in no way alters, diminishes, controls or affects the Auditor General, his rights, his duties, his obligations, his authority and, finally, his report to the House of Commons.

The Auditor General is as independent of the public service as is any member of the judiciary. He is as independent as any other auditor general in any other country, and certainly in Canada we are fortunate in having men of the calibre of the present Auditor General and his predecessors in office.

To sum up, the Auditor General (i) is completely independent; (ii) has to report any neglect to supply him with any information and explanations; (iii) has responsibilities and duties which are full, clear and comprehensive; and (iv) must have the absolute and undisputed last word.

In view of this outline of the office of the Auditor General, it may reasonably be asked, "What is the need for this bill?"

The need for the bill is that the Auditor General is not satisfied with the state of the public accounts and has recommended, in order to help straighten things out and keep them straight in the future, that there be some central official inside the public service who will be entrusted with the task of bringing more order into the area of public finances, and who will be working, of course, in close harmony with the Auditor General.

This officer will be working inside the public service to bring order and regularity into the day-to-day operations of the government. Therefore, he must be given the necessary status to ensure that he will be listened to, and that he will command attention from all other top officials and heads of departments.

Honourable senators, to illustrate this clearly, you will appreciate that army headquarters would not send an officer of the rank of captain to call upon a colonel to advise the colonel that his men are not marching properly, dressing correctly, or drilling as they should. Following this example, it would be pointless for a junior civil servant to have to fault a deputy minister because his department had been guilty of following wrong procedures, resulting in extravagance and waste. For that reason, the new official must himself be a deputy minister. The Comptroller General, being himself a deputy minister, will at all times have free and full access to all other deputy ministers and heads of crown corporations.

The intent is that with the Auditor General continuing his good work on the outside, and the Comptroller General working with him on the inside, the result will be a great improvement in the operation and management of the public finances of Canada.

It seems to me it is not very important that the duties of the Comptroller General should be spelled out in the act itself. Furthermore, it is not necessary, or desirable, for him to report to Parliament. His report, in part, will be a great mass of detail, and Heaven knows we have too many reports already. He will report to the Treasury Board, but what is perhaps more important is that his reports, pursuant to the provisions of the Auditor General Act, must be made available to the Auditor General.

Therefore, the situation with respect to any report will continue as it now is. The Auditor General will issue one all-comprehensive, all-inclusive annual report, and all relevant subsidiary reports will be available to the Auditor General and form part of the material on which he will base his report.

It might be instructive and of assistance if at this point I remind honourable senators of what the Auditor General does affirm when reporting to the House of Commons. He reports as follows:

> My examinations included general reviews of the accounting procedures and such tests of accounting records and

other supporting evidence as were considered necessary in the circumstances.

The staff of the Audit Office was given full access to all vouchers, records and files relating to the accounts of all departments, Crown corporations and other agencies, and was provided with all the information and explanations required.

The bill will give the Auditor General the back-up support and assistance for which he has asked. If this proves to be satisfactory, the Auditor General, no doubt, in his reports to the House of Commons, will express his approval of the work of the Comptroller General of Canada. If, on the other hand, the Comptroller General does not perform in a manner satisfactory to the Auditor General, I feel confident that that, too, will be the subject of further and adverse comments.

I shall let the Auditor General speak for himself on this matter. I quote from his evidence given to the committee of the House of Commons on March 17, 1978, as follows:

In taking the highly unusual step for an Auditor General of recommending in quite specific terms the creation of this office, I also took the further step of spelling out what seemed to me to be the appropriate duties to be assigned to him. Now, this is not directly related to putting them in legislation but I can assure this Committee, and through this Committee I can assure Parliament, that, as time goes on and the Comptroller General takes office and commences to exercise his responsibilities, if at any time it would appear to me, as Auditor General—I am sure this would be the same I hope and expect from my successors—that these duties were not appropriate, that they were not adequate for him to carry out the mandate that has been recommended and he has been now established, and I will have no hesitation whatever in placing that firmly on the record. In other words, if we fail to reach agreement through the president of the Treasury Board or the Treasury Board itself on these matters, they will certainly be reported to Parliament so it does provide a safeguard, I think, of the type Mr. Andre was seeking.

● (1510)

I would point out that inasmuch as Bill C-10 is the direct result of representations made in reports of the Auditor General, so I feel convinced future governments will also respond to future reports of the Auditor General, and, if he requests the government so to do, the legislation will be amended and strengthened in any way he might suggest.

Some senators have expressed the fear that we are merely appointing another deputy minister, and that this will serve little or no purpose. It occurs to me that, even if the Auditor General had not requested the appointment, this appointment should be made. Indeed, it should have been made years ago.

I suggest to you, honourable senators, that there is not a chartered bank, insurance company, or trust company of any size which does not have amongst its executive personnel a comptroller general, whether by that or some other title. He may be called the chief inspector, senior vice-president (finance), or executive vice-president (corporate procedure), but his duties will be similar to those of a comptroller general. I think this is true of all businesses of any size in Canada, but I picked the banks, the insurance companies and the trust companies because they are governed by their own acts or Parliament, they report to and are inspected by governments, they deal largely with the money of people who are depositors, policyholders and the like, and, in addition, they have outside independent auditors.

If well run, fully regulated large concerns in the private sector use and require the services of an executive like a comptroller general, then I for one am fully satisfied that the Government of Canada needs, can use and will benefit from the services of a comptroller general.

Indeed, a short description of the bill is that it is a good housekeeping bill, because that is the real purpose and thrust of the recommendation of the Auditor General and of this measure. The creation of the post of Comptroller General will make it easier to have, from a financial standpoint, tidy, well run and economically operated government departments and crown corporations.

Honourable senators, I will conclude by adding that I get the impression that too many people expect too much from the appointment of a Comptroller General.

I was much impressed by Senator Roblin's excellent speech wherein he dealt with control of the public purse. However, while I think the Comptroller General can do much to foster the keeping of proper records, and the following of correct procedures, it must be remembered that so long as Parliament votes in excess of $40 billion a year, and requires the public service to disburse it, there is nothing a Comptroller General can do to reduce the total amount of public expenditure. He cannot override the will of Parliament, and as Parliament has full control over the amounts voted, it is not very sensible or logical for us to vote these huge sums of money and then blame the public service for doing what we require it to do. This is just about as sensible and logical as it is for a man to give his wife a dress allowance, and then complain because she spends it.

Honourable senators, the control of public spending starts with the voting of supply, and if Parliament continues to authorize spending money, as if money were going out of style, the appointment of one or more Comptrollers General will have little effect on the total amount spent.

However, what a good and strong Comptroller General can and will do is make a real contribution to the keeping of proper records and the following of correct procedures, both of which will help avoid waste and unnecessary loss and expense in the operations of the Government of Canada.

For these and other reasons advanced by other speakers I can assure Senator Grosart that I indeed have no reservations on the score of this being a good bill, and I respectfully suggest it be given second reading.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Cook moved that the bill be referred to the Standing Senate Committee on National Finance.

Motion agreed to.

CANADIAN NATIONAL RAILWAYS CAPITAL REVISION ACT RAILWAY ACT

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from yesterday the debate on the motion of Senator Langlois for the second reading of Bill C-17, to amend the Canadian National Railways Capital Revision Act and the Railway Act and to amend and repeal certain other statutes in consequence thereof.

Hon. Duff Roblin: Honourable senators, I suppose there is no way that I can disguise from you the fact that the subject matter of this bill will be regarded by most as rather dry and dusty, dealing, as it does, with arcane financial matters. So it is all the more important for me to express my obligation to the Honourable Senator Langlois for the succinct and effective way in which he presented the government's case with respect to this bill. I certainly think he put their best foot forward, and I congratulate him on that account.

I also appreciate the example of brevity which he gave in connection with the matter, and I regret that I cannot promise to follow him very closely in that respect. I found that my thoughts on this bill are somewhat more extensive than I had originally expected they might be. The bill, in fact, asks more questions than it answers, as far as I am concerned. But before I get into my analysis of this point of view, may I say I would like to pay my respects to those officers, past and present, who had the responsibility of guiding the Canadian National Railways through the years.

I count it a privilege that I was—and I hope I may say this—a friend of Donald Gordon; I know we were partners in the bagpipes together. I have a great respect for Norman MacMillan whom I also had the opportunity of meeting in a business capacity in a previous incarnation. The same may be said for Dr. Bandeen. And I had the opportunity to meet General Dextraze a few days ago. We can pay a tribute, and a well deserved one, to the high calibre of leadership which these men and their like have given to a very important public institution. And I am prepared to acknowledge the debt we owe to them and to all the people who work in the Canadian National Railways—the management and staff, past and present.

Whether it is regarded as a "profit centre"—which is the new expression, it seems—or whether in its old role as a potent instrument of national policy, this great organization has served the country well. I make that preface so that you will understand the attitude from which I approach the less sweeping matters of approval that I have in mind when I examine the bill itself.

What is the purpose of the bill? I think it can be said very briefly that it is to clean up the balance sheet of the Canadian National Railways, and it does so by several different means. First, there is the $808 million of debt which is to be converted to equity. This has the considerable advantage that no interest necessarily applies if it is to be converted into equity, and there is no obligation to repay.

Secondly, there is the conversion of some 4 per cent non-cumulative preferred shares to equity as well, which also eliminates the fixed dividend so far as they are concerned.

And, thirdly, there is provision for the write-off of something around $800 million-worth of undepreciated assets, a depreciation obligation which is unfunded at present, according to the testimony given by the railroad.

• (1520)

There are two other matters of interest in the bill. First, there is a provision that there should be a minimum dividend of 20 per cent of the after-tax profits, which would accrue to the benefit of the Government of Canada; and a salutary resolution to ensure that the annual report of the railway is delivered to the committees of Parliament.

I think that the justification that follows on these proposals could be summed up as follows: There is, first of all, a saving to the cash flow position of the federal treasury of some $235 million over five years. Second, it permits the debt-equity ratio of the company to be adjusted. It now stands at 61.5:38.5, and this is to be adjusted to 42:58. This conforms, generally speaking, to industry standards. Third, it is thought that these moves will facilitate access to the money markets, and, fourth, that it will lay the foundation for, if I may use the expression, the revitalized personnel—that hardly does them justice—of the Canadian National Railways to compete more vigorously, perhaps with the Canadian Pacific Railway, and, at any rate, to eliminate losses and to make money for the people of Canada.

That sounds pretty good. As a matter of fact, it sounds just as good in 1978 as it did in 1952. It would surprise no one who has studied the matter, and certainly, I think, few senators, if I were to say that substantially the same exercise took place with respect to the Canadian National Railways 26 years ago.

As I listened to the rationale that was presented last night by Senator Langlois, I was struck by how similar his argument was to the argument that was used in the presentation of Bill C-308 in June 1952, 26 years ago, when Parliament was asked to convert $736 million-worth of debt to equity, as we are being asked to do today and for roughly the same reasons.

That bill, these 26 years ago, brought about a massive reduction in the fixed debt situation of the company for the same basic purposes—to restore a reasonable debt-equity ratio, which would then appear at something like 36 to 64, much the same as that of the Canadian Pacific Railway, and for the same reasons that we heard last night, namely, to improve profitability. Listen to this quotation:

> —in this measure we have gone a great distance to grant the CNR relief from the fixed charges and to bring them to a position not on a parallel with that of Class I railways of the U.S., or with that of the CPR for that matter, but to bring them to a more comparable basis.

Again:

> The intention of this formula is to lessen charges, to give more incentive to railway management and railway employees and to encourage the railway to earn greater gross revenues. If that can be done, a position should be arrived at which would free the Canadian National Railway from these large deficit operations.

And again:

> The interest which will be foregone on converted debt will be more than offset by the elimination of the requirement for the Government to purchase CNR preferred shares.

I defy anyone to say whether those remarks were made in 1952 or 1978. They apply with equal aptitude in both situations. And if the reputation of the honourable senator who introduced the bill was not above any challenge whatsoever, I might even accuse him of plagiarism in the speech he gave last night in respect of the matter that is before us.

When that bill was passed there were some comments made by my old friend Donald Gordon, when he said as follows:

> Capital revision has taken away the curse of the past, but let us be frank enough to recognize that it has also taken away an alibi and convenient excuse. That is its real meaning for the future. We are now in a position where we have nothing to hide behind, and nothing to block the road to success. We have a fighting chance of paying our way in the world, and counting the bad years with the good we ought to be able on the average to pay all our operating expenses, our fixed interest charges and income taxes, and still have something left to return to our owners as a dividend on preferred stock.

Again from the same gentleman:

> I would like to record, even now, my complete confidence that our proposal deals with the last possibility of any further revision of this nature and that it is aimed at a final clearance of the effects of what has been called the legacy of the past. I am confident that, given this final clearance, the Canadian National will be able to demonstrate that it is an efficient and well run organization.

Oh, the gratuitous exercise of prophecy! I challenge anyone to say whether those remarks would come more properly from Dr. Bandeen or Mr. Gordon. I think either of them would have made the same speech.

It seems to me, honourable senators, that the more things change the more they are the same. It seems to me that the solution that was proposed in 1952, which is the same as the solution we have today, did not work very well. It may be said that we are back to square one and are repeating in this legislation before us today the same measures that we approved in 1952, and for the same basic reasons—to secure a better debt-equity ratio, and to underline and reinforce the profitability of the company.

I think this short excursion into history is a pretty good reason why we really should not accept this measure at its face value; that we really must question the full implications of what we are being asked to do, and examine the whole aura of events which surround this particular bill. That I should like to attempt.

I am examining this bill from two points of view: first, the immediate interest of the government and of the Canadian National; second, the wider implications that it has for transportation policy and the public interest.

First of all, why is this bill necessary? Well, it will save the government a lot of money. In particular, it will save them $80 million in 1978, which they would have to provide, or which they would have been willing, apparently, to provide, in taking up the 4 per cent preferred stock. The arrangement is that they provide the railway with an amount equal to 3 per cent of its gross income in the form of 4 per cent preferred stock. But we do not need this bill to do that, because the legal obligation to take up this 3 per cent of the gross revenue in preferred stock has expired. It expired many years ago in 1960 or 1962. It no longer exists. If the Government of Canada really thinks it is a good idea to stop providing this money in this way, it does not need any measure like this to do it. All it has to do is come to an exercise of will, because what it is doing now is providing purely voluntary support for the Canadian National Railways. So there is the first point—the saving of money and what it means in respect of the legislation.

The second point that we are being urged to consider is that it will improve the access of the Canadian National Railways to the financial markets of the world; that they will no longer be under tutelage from the government with respect to their source of long-term funds of borrowed money, and that they will be able to improve their access to the financial markets, if this bill passes.

Well, I should like to suggest to honourable senators that Canadian National has pretty good access now. In the last three years, for example, there have been four loans raised by the Canadian National Railways, two of them in Europe. In November 1976, they raised $85 million at 8⅜ per cent. In March 1977, they raised another $60 million in Europe, paying 8⅞ per cent. In June of last year they went to the United States, and raised $100 million at 8⅜ per cent. In February of this year they went back to the United States, and raised $120 million at 9¼ per cent.

I am happy to tell the chamber that in none of these borrowings, if my information is correct, as I believe it is, was there any formal federal guarantee. So that strikes me as pretty good access to public markets, without government help, assistance or guarantee.

● (1530)

The Canadian National Railways enjoy a double A rating. Only the Government of Canada is higher in this country with

a triple A rating. Why should not the CNR have an excellent access to the public financial markets these days, as things are? Every prudent lender is well aware of the fact that, whether it is explicit or implicit, CNR bonds are really bonds of the Government of Canada, because every lender knows that the Government of Canada is not about to let the CNR go broke, or fail to pay its interest, or renege on its principal. That was settled in 1922, when the CNR was formed.

So I suggest to honourable senators that the argument that this bill is necessary for access to the public markets is not quite as strong as it might appear at first glance. The access now is not too bad.

But then we have another argument. It is advanced by the government that something very unfortunate took place in 1952 which should now be put right. This is that 26 years ago those in charge ignored the fact that there was a substantial amount of depreciation hanging around in the CNR books that was unfunded, and they are now telling us that some $800 million, more or less, represents an unfunded burden of depreciation that was overlooked 26 years ago, and that we must get rid of this distortion on the books of the CNR if we are to do that organization justice.

Well, that is an awful lot of unfunded depreciation to swallow in one fell swoop, if it means, as it does in this instance, the writing off of $808 million-worth of fixed debts to the Government of Canada. I suggest that we should take a little look at just how strong that argument is.

Let us look at the depreciation accounts. I want to deal with three of the more important ones in the railroad business. One is the depreciation of rolling stock—and I will explain the practice in the CN and the CP so that honourable senators may form some idea of the implications of the point I am trying to make. Depreciation of rolling stock in Canadian Pacific commenced on January 1, 1940. In the Canadian National Railways it commenced at exactly the same time.

Depreciation on track—another very important capital item in the railway business—commenced in the Canadian Pacific Railway on January 1, 1956, and in the CNR at the same time.

In connection with structures—another important aspect with which depreciation is involved—depreciation began in the Canadian Pacific Railway on January 1, 1942, and did not commence in the Canadian National Railways until 1956, which was some fourteen years later and has to be taken into account.

But however we slice it, I suggest that if there is anything at all in the depreciation argument—and I will express the view in a few moments that there is nothing in it—then it is certainly nothing like the $808 million which is being advanced as one of the prime reasons why this piece of railway refinancing legislation should go through.

I say I doubt that the depreciation argument is very strong because I would be very surprised indeed if the men in 1952 really overlooked the fact that there was a problem with depreciation. I suggest to honourable senators that they knew about it, and I suggest that they were satisfied with the situation as it was—and there were some very good reasons why they should be. If the depreciation argument had been unearthed in 1952—taking the allegation of the government argument at its face value—then something else would have had to go, because if the same debt was forgiven and the unfunded depreciation was recognized, then the debt-equity ratio that they finally came up with would not be 30 to 70, or close to that, as it turned out to be, but probably close to zero to 100. That debt equity ratio is patently unsound.

So if they took it in depreciation, they would not have got it in loan forgiveness. It is one or the other, in my view; and I think they left the depreciation where it was, and they took the debt write-off instead, because it was to the advantage of the Canadian National Railways to do so. By working on the debt instead of the depreciation, they saved the interest cost and they avoided the necessity to repay the corpus of the debt.

That was a good bargain in 1952, and I suggest that it is no basis at all for the special recognition in 1978, which we are being asked to accord today.

All right, never mind; Bill C-17 is going to allow the Canadian National Railways to make money and to get off the taxpayer's back, and this should be considered well. The point that I want to put in this connection, however, is that with or without Bill C-17, if the forecast of the Canadian National Railways for the next five-year period is anything like being right, the Canadian National Railways is going to make money anyway, whether we reorganize the finances or whether we do not. I would like to give the house some figures in connection with what the railway said would happen under either of those two circumstances.

I will spare honourable senators my reading of the figures year by year, because they can be summarized quite easily. Without Bill C-17, without the recapitalization and all that goes with it, the railway would, as it estimated over this five-year period, make about $440 million. If we go through with this bill, if we recapitalize and if we write off all these debts, et cetera, and consider all the consequences of that action, the railway will make more money, considerably more money. It will make $890 million, or, let us say, twice as much. That is important, and I will come back to it because I think the question of profitability goes to the root of the argument with which we are being faced here.

I simply want to say at this stage of my discussion, honourable senators, that without Bill C-17 they will still make a lot of money in five years, $440 million, even with all their investment programs, et cetera. With Bill C-17 the plan is to make $890 million.

But there is another interesting sidelight to that particular comparison of the situations—that with and that without the bill. Without the bill, we would find that the debt-equity ratio would present an interesting picture. Without the bill, this year, 1978, the debt-equity ratio will be 61.5 to 38.5. If we do not have the bill, and proceed without it, an interesting thing happens, because the debt-equity ratio begins to fall, and we

find that in the five-year period to 1982 the debt-equity ratio is 55.1 to 44.9. If we have the bill, at the same period it will be 42.1 to 57.9. But even without the bill, the debt-equity ratio is going to come down, and there is a very strong possibility that the Canadian National Railways could earn their way back to a better debt-equity ratio without the bill.

I would like to leave that point where it is, because again I want to link it up before I resume my seat.

So I have examined these different counts: government savings, access to financial markets, debt-equity ratio, profitability. On all those points I think there is a strong argument for saying that the advantages of the bill are somewhat less clear-cut than they might appear to be at first glance.

I want to emphasize, or refer particularly to, the last item that I mentioned, namely, profitability, because it brings me to the core of my doubts as to the advisability of Bill C-17 at the present time. What makes us so sure in 1978 that the Canadian National Railway will not find itself in the future in the same situation that it discovered it was in after 1952? Why do we think it will be profitable? Well, let us give all credit—and there is a lot of credit due—to a bright, new, intelligent management style. There is a tighter, more effective and more efficient operation. I believe they are better trained and better motivated people, and we want to encourage them in what they do.

But the real difference, I suggest, between 1952 and 1978 is to be found elsewhere. In 1978 the government proposes to relieve the Canadian National Railways of at least one of the non-economic functions that they now perform—and I am referring particularly to the provision of passenger services.

● (1540)

Now—and this is different from 1952—the government is transferring the non-economic cost of the passenger service away from the CNR and to the new organization known as VIA. Anyway, the passenger traffic deficit, which the president estimates at $50 million a year, is being transferred from the railway to this new organization, and over the five-year term of the forecast I have been discussing, this $50 million loss will be reduced to $20 million, and, who knows, it may even disappear altogether.

I suggest there is a possibility that this one item alone of relief from uneconomic activity on the part of the government is the biggest single factor in the restoring of profitability to the Canadian National Railways. It is probably worth at least $100 million over the term of the five-year forecast that we have been discussing.

But this is not all. There is other relief in sight for the Canadian National Railways. For example, out of the general funds of the Government of Canada an amount of $600 million is being made available for the upgrading of the railway network in western Canada, to bring it back to some kind of serviceable state. That is worth something. During the next few years there are going to be hundreds of miles of branch lines abandoned in western Canada for the reason that they do not make money. That will mean something, I suggest, to the people who are making the calculations at Canadian National Railways. I would expect that along with the VIA situation these forecasts have already been included in their figures. I should be surprised if they are not, but I think they should be brought to their attention.

There are a couple of other very important matters of the same nature which, at the present time, have not been settled. The first of these has to do with the cost of running transportation systems in the province of Newfoundland. There is a royal commission, as senators know, examining that matter. Canadian National Railways are claiming a loss of $22 million a year due to the non-economic cost of that operation, and we know what the government's views about funding these non-economic costs are. That is an important consideration which is still in limbo.

Even more important is the question of the present non-economic Crowsnest rates for the movement of grain in western Canada. This has been before this house and before the country since time began, and it has been calculated by the Canadian National, in their latest information to Parliament, that there is a loss of $64 million per year on their share of the movement of grain in western Canada because of the non-economic nature of what they are trying to do. So here we are, in these two amounts, looking at $86 million.

Now, the Canadian National has made it perfectly clear—and the evidence to this effect is abundant—that they fully expect the Government of Canada to reimburse it for these non-economic costs. It wants them to be underwritten. I must say that the Minister of Transport has made it equally clear with respect to his policy—that user-pay policy which is the subject of another debate by itself, and about which Senator Smith (Colchester) will be glad to tell you, and in which I would probably join him—that the counterpart of the user-pay policy is that the taxpayer picks up the cost of these non-economic services that the railways are being asked to run. Therefore, I suggest that the odds are good that these deficits will be made up, because the government is pledged to do it. If that happens the economic position of the CNR will be transformed out of all recognition. It will make another five-year forecast necessary—indeed, I have one in front of me—incorporating these new government policies. Should they come to pass in this five-year period the profit will go from $890 million to something like $1.2 billion and more, if my estimates are within the ballpark.

In any case, with these new policies that the Government of Canada has espoused, one can logically conclude that the profits of the Canadian National Railways will be increased by tens of millions of dollars per year from that source alone, and the need for this refinancing measure, Bill C-17, is certainly placed in considerable doubt.

No matter what happens, however, there is another consideration in any financial restructuring of the Canadian National Railways which bears not so much upon the profit centre concept of the railway itself—although that has relevance—but on the wider position that the railway should assume in our society. I look for, and I hope I get, before this

debate is finished in the Senate, a clear statement of government policy with respect to the corporate objectives of the Canadian National Railways—corporate objectives perhaps revised in light of the failure of 1952.

An explanation of Canadian National's difficulties in 1952 and following years could perhaps lie in its capital expenditure policies. During the period from 1952 to 1976, Canadian National spent $4.8 billion on improvements, additions and replacements of its property. Of this, $2.8 billion was provided by depreciation and salvage, while $768 million came from government purchases of preferred stock, leaving over $1 billion to be financed by borrowing. This increase of the CNR long-term debt amounts to about one-and-a-third times the $800 million we are being asked to forgive now.

This raises the question of whether the measure before us is an admission that the capital expenditures represented by the amounts I have just quoted are unable to pay their way, and therefore are not justified economically. If that is the case, and if we write these things off, it has most serious implications for every privately owned firm that competes with the transportation or other undertakings of Canadian National. It means that the Canadian National can enjoy the benefits of spending money without bearing the burden of its cost, and the competitors of Canadian National will find the terms of competition radically altered to their disadvantage as a result of Canadian National's having expanded and improved its operation through capital spending on which no return need ever be earned.

I think it is this line of argument that brings us to the concern of the trucking industry, for example, and I say that the question of the capital investment policy of Canadian National is something which needs to be considered by the Government of Canada. I ask the house whether we would agree that Canadian National should limit itself to those activities which are essential to railroading, and that the thrust of Canadian National should be to making it a cracking good railroad, and not to making it a conglomerate with non-rail preoccupations cluttering up its attention. It is clear that since 1958 the rate of return realized on some of the capital investments of the railway has not lived up to expectations, and I wonder whether some of those, such as hotels, are now railway activities. I suppose the conventional view is that running a hotel is a railway activity. Well, perhaps it was at one time, but if you have a railway that does not carry people anywhere, and has gone out of the passenger business, you wonder what it is doing in the hotel business. You wonder, for example, whether the $25 to $30 million—I do not know how much it was—that was put into the CN tower represents the wisest use of the inevitably limited resources of that railroad, and whether it would not be better if they restricted themselves to running the railroad and stopped trying to emulate its great rival in becoming one of the conglomerates that we have in this country today. It seems to me that this business of capital forgiveness, of being allowed to write off the past, and of placing the people concerned in a new, strong, financial position, goes to the root of the fears of the trucking industry as they were presented in the other place. I am going to quote what they said:

> Perhaps the trucking industry's concern on this thing can best be summed up by something Dr. Bandeen said in his evidence . . . when, in answer to a question on the likely impact of the recapitalization on efficiency, he stated:
>
> > The mere change from debt to equity of our capital structure will have no immediate impact on the efficiency of the railway—

● (1550)

That is a statement that could be well pondered.

> —but what it does do is put us in a position to take maximum advantage of any opportunities that are offered anywhere in the country for commercial operation of transport.

The Canadian Trucking Association, commenting on these two statements, said:

> CN management should be encouraged to compete in the marketplace on an equitable basis with private enterprise where transportation services can be self-supporting. We do not believe this can happen where the Crown-owned railway is given an overwhelming financial advantage. To be more specific, we are concerned that given enough financial leeway, CN management will again be tempted to try and buy their way into a self-contained empire of inter-connecting services where they would otherwise have to compete with other carriers for much of the interline business they would control. CN might decide that with one final cast of the dice they could revolutionize domestic transportation on a multi-modal basis and in the process effectively bury the competition.

Needless to say, I do not subscribe to this rather apocalyptic view of what might happen, but I do say there is a need for a statement of government policy in connection with the investment direction that Canadian National will follow. We need to know what the role is going to be in this particular case with respect to road transportation. It is an important role, indeed, and we need to know what the effect of this debt adjustment will be on the ability of Canadian National to compete, and what happens to equity in connection with other modes of transportation.

What I require, before I can vote for this bill with good conscience, would be a statement of policy from the government covering these matters, because clearly it is their duty to do so, not that of the board of directors of Canadian National Railways. There should be a clear policy which, in my opinion, should include the statement that the business of the railroad is railroading; it is not the business of developing a conglomerate. The policy of the government should be that the railway would compete fairly, and not from a financial base which is so strong as to preclude the successful dispute by any other party.

I come to the point where I am prepared to sum up, and I appreciate the patience of those who have listened to me. Is the bill needed to handle the preferred stock question? The answer

is no. Is it needed to provide access to financial markets? That might be improved somewhat—I do not think we should ignore that—but certainly it is far from essential. Is the disposition of this unfunded depreciation a matter in which the railways should have our sympathetic interest? I sometimes have a little doubt about that. Is it necessary to ensure the profitability of the railway? I am sure it is not because the railway itself has told us that such is not the case. Is it needed as an incentive for management to do better? I know those men too well. They will do the best they can, at any time and under any circumstances.

Well, what is wrong with the bill? It seems to me that we should expect, as a minimum statement from the leaders of the government, that they clarify the national policy. I want clarification of the policy with respect to the subsidy that will arise from the Crowsnest freight rates. I think we need a statement as to what the answer will be in principle to the royal commission in Newfoundland concerning $22 million-worth of uneconomic assets there. We need to know far more about the impact of branch line abandonments than we do now. These are just three of the important public policy questions which the CNR cannot answer, but the government surely should be able to do so. The effect of the answers to these questions on the balance sheet will be dramatic.

We then want to know what the government in 1978 thinks ought to be the corporate objectives of the Canadian National Railways. Is it to be the railway? Is it to be the conglomerate? What rules and standards of policy will the government lay down for the use of capital resources? Because, even after this bill passes, according to the minister in the other place, the cabinet will still have to approve the capital budget of the Canadian National Railways.

When we have all these factors worked out and can meld them into the financial situation we are being asked to deal with today, and when we have the policy declarations I seek, then we will know how the balance sheet and the profit and loss statement of the Canadian National Railways will be affected, and I say it will be affected radically. That is why I say there is a good case for proposing that these other important policy matters should be settled before we decide what we should do with this bill.

What I really look for, in any debate on railways—and I suppose it betrays my background and betrays the experience of a life generally lived on the western plains—regarding the policy of the government and the policy of the Canadian National Railways, is some recognition that railroads are an instrument of national policy par excellence; and that this is an instrument, as transportation policy has been since the very beginning, by which our nation is served and enhanced. In railroading, in particular, we seek to find an equalization, an equalization so that manufacturers in industries in the eastern and western parts of our country have a fair shake in competing for business in Canada as a whole.

We want to see a railway system that provides better ways and means, and that modernizes the moving of western grain which is still the life blood of a very large portion of this country. We want to see a railway system which constructively promotes the integration and unity of our country. We must get away from the situation where we in western Canada look upon railway freight rates just as people in international trade look on non-tariff barriers to trade. For us, that is exactly what it is if we do not get a fair and equitable system of freight rates. They are barriers to trade, non-tariff barriers to trade, and we need to bring these barriers down. Let the government show us that this bill helps in these great causes which I have outlined to you this afternoon, and I, for one, shall rise up and call them blessed.

Senator Goldenberg: Would the honourable senator allow a question? I understood Senator Roblin to say in the course of his very excellent speech that the business of a railway is railroading, and that the Canadian National should stick to this. Why should that apply only to the publicly-owned railway and not to the Canadian Pacific Railway?

Senator Roblin: As I understand it, the Canadian Pacific has not, in recent years at any rate, come to the Government of Canada asking for money to bail them out of their deficits. It seems to me that they take a regular commercial risk. As free enterpriser, I feel that the Canadian National Railways should avoid the temptation to try to model itself on that other company, and become a conglomerate. I feel, when considering its relationship to the public purse and the general view of the Parliament of Canada about public enterprise, it would be well advised to do so.

Senator Goldenberg: If I might follow through, Senator Roblin says that Canadian Pacific, a privately-owned line, is not in the habit of coming to the government for financial assistance. Is it not a fact that it was Canadian Pacific that set the precedent for such government financial assistance?

Senator Roblin: Of course they did. They were pretty good at it too. I do not want to get into the position—and certainly it was not my position in what I had to say—as being thought, in any way, to be a spokesman or defender of the Canadian Pacific Railway. God knows they are able to look after themselves. They have shown that when dealing with the Parliament of Canada over the years. I am simply dealing with the Canadian National Railways, and what I think is good for them. Canadian Pacific can worry about their shareholders. We are the shareholders of the Canadian National Railways.

On motion of Senator Smith (Colchester), debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, May 18, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of contracts, pursuant to section 20(3) of the Royal Canadian Mounted Police Act, Chapter R-9, R.S.C., 1970, entered into between the Government of Canada and

1. The Town of Rimbey, in the Province of Alberta (*English Text*).

2. The Town of La Ronge, in the Province of Saskatchewan (*English Text*).

Report of the Canada Post Office for the fiscal year ended March 31, 1977, pursuant to section 80(2) of the Post Office Act, Chapter P-14, R.S.C., 1970.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, May 23, 1978, at 8 o'clock in the evening.

Honourable senators, before the question is put I wish to inform the Senate on the prospects for next week. In doing so I shall deal first with the meetings of committees.

The Standing Senate Committee on National Finance will meet on Tuesday at 2 p.m. to consider Bill C-10, to amend the Financial Administration Act.

On Wednesday the National Finance Committee will again meet on Bill C-10 at 9.30 a.m. The Banking, Trade and Commerce Committee has scheduled an *in camera* meeting at the same hour to consider its report on the subject matter of Bill C-13. Also on Wednesday the Special Senate Committee on Retirement Age Policies will meet at 1 p.m. On Thursday the Joint Committee on Regulations and other Statutory Instruments will meet at 1 p.m.

In the Senate we shall proceed with the items now on the order paper and any other items that come to us. I might add, as a last comment, that if we conclude the work now on the order paper next week and no other items come to us from the other place, we might consider adjourning for one week.

Motion agreed to.

COMPTROLLER GENERAL OF CANADA

PUBLICATION OF TREASURY BOARD RE APPOINTMENT—QUESTION

Senator Grosart: Honourable senators, I have a question for the Leader of the Government. It is an unusual type of question, because I will merely ask him to carry a message for me to the Treasury Board.

Senator Perrault: You are telegraphing your punch.

• (1410)

Senator Grosart: It arises out of some discussions we have had about the appropriateness of government spokesmen announcing the appointment of the Comptroller General before such an office exists. I believe the Leader of the Government agrees with me in principle that that was at least inept, if he would not go as far as I would to say that it was an affront to Parliament. I would ask him therefore if he would carry this message to Treasury Board, arising out of a publication of the Treasury Board headed "Federal Spending Plans," in which, of course, we are all interested. It then has a headline "Estimates Show Restraint"—about which there is some doubt—and then a headline, "Comptroller General Appointed." This was published something like a month ago. The message I would ask the leader to convey, with respect, to the Treasury Board and the officials is that Treasury Board proposes; Parliament disposes.

Senator Perrault: Honourable senators, as was pointed out earlier when this matter was under lively and active discussion, the announcement of the appointment of the Comptroller General in rather brief press release form was inaccurate only in the sense that the form of that public relations release suggested that the appointment had, in fact, been made before the position had been approved by both houses of Parliament. May I suggest that the headline on that account in the informative document quoted by Senator Grosart and issued by the President of the Treasury Board may be said to be a form of editorial and literary "licence"—a practice not unknown to the profession of journalism and public relations. While the actions of Parliament certainly cannot and should not be anticipated by government publicists and writers, I think honourable senators will agree it has not been a serious inaccuracy, if, indeed, there has been an inaccuracy.

And may I suggest that the mails are fully operative. If the Deputy Leader of the Opposition wishes to send a letter to the President of the Treasury Board to set forth his personal views on the subject, I am sure he will do so.

Senator Grosart: But I thought it would be much more effective if the Leader of the Government would consider, in

his wisdom, carrying the message. I do not like to ask him to carry messages, but this is an important one.

Senator Perrault: Well, I will be very pleased to make available to the President of the Treasury Board the transcript of the proceedings of this chamber.

Senator Smith (Colchester): Honourable senators, I wonder if I might ask the Leader of the Government a supplementary question arising out of that portion of his answer to the Deputy Leader of the Opposition which indicated that a publication of the kind which the deputy leader had in his hand and referred to was one which could reasonably be expected to indulge in literary licence. Does he recall that on a previous occasion when I asked him about that very document, he then told me that it was to replace a former publication of the Treasury Board, which was entitled something like "Where does your dollar go?" which he said was relied upon by a great many people in Canada as an accurate statement of all the facts therein set out?

Senator Perrault: Well, honourable senators, there is an earnest endeavour, as I have pointed out in the past, to inform the Canadian people, regardless of party, of government efforts in the area of restraint by this government. If this one headline appears to be technically incomplete, I am sure that the honourable senator would not cite that as a reason that the entire publication should be withdrawn. Indeed, it may be that within the story portion of the article referred to by the distinguished deputy leader there is clarification of the headline. I do not want to make any judgments on this matter at the present time, because I do not have a copy of the publication before me.

Senator Smith (Colchester): I am afraid I shall have to ask the honourable leader a further question. Does he realize that my question related to what he said with reference to this document being one which might be expected to contain matters of literary licence, and whether he was prepared to compare that with his answer to me formerly that it replaced a document relied upon by many people in Canada as an accurate statement of all things contained therein?

Senator Perrault: I do not accept the viewpoint that, in essence, that story is inaccurate. It, perhaps, may be a short form of describing the policy action of the government, an action which Parliament had under active consideration for some considerable period of time. I know that the honourable senator is aware that often there is a substantial difference between an official policy statement made by a minister of the Crown and the short press release which is issued as a follow-up. Surely, in the vast range of his experience the honourable senator can recall many examples of the fact that the short press release form of policy announcements often lacks in certain details.

Senator Smith (Colchester): I should like to say that the honourable gentleman has still not dealt with my question, which was related to his remarks and his description of the document as one which could be expected to carry literary licence or to indulge in literary licence. Is he prepared to relate his description of that document now to his former description of it as one which replaced this highly reliable publication, relied upon by Canadians generally as accurate statements of what was contained therein?

In other words, I am suggesting to the honourable gentleman that his answer today, that this document might be expected to contain matters of literary licence, is completely inconsistent with his answer to me before, which was intended to convey the idea that this document was equally as accurate as the one it replaced.

Senator Perrault: The document from which the deputy leader quoted is replete with unbounded accuracy. One headline has been cited because of an alleged technical inaccuracy. The headline was shortened, I suggest, because of space requirements. If the honourable senator no longer has a copy of this document, I shall obtain one and make it available to him.

Senator Smith (Colchester): I have a copy.

Senator Perrault: Because we are earnestly desirous on this side that he be well informed.

Senator Smith (Colchester): I do have a copy of the document. I also have a copy of the honourable gentleman's answer, and I know that that answer is completely inconsistent with his description of it today as one which contains literary licence. There is no use in his saying anything else, because it is inconsistent with his former answer.

Senator Grosart: In view of the fact that the Leader of the Government tends to make light of this specific statement, which in three words in big headlines is, "Comptroller General Appointed," I will say to him that I will refrain from going so far as to say that that statement is a lie, looking at Madam Speaker and having in mind what happened in the other place the other day.

NATIONAL REVENUE

EMPLOYMENT TAX CREDIT PROGRAM—QUESTION

Senator Marshall: Honourable senators, I should like to direct a question to the Minister of National Revenue, having to do with the employment tax credit program which was announced to start on March 8. While I realize that the responsibility is directly with the Minister of Employment and Immigration, I am sure the Minister of National Revenue will bear some responsibility in this program.

In view of the fact that concern has been expressed that many small businesses in isolated and remote areas are still not aware of the program, could the minister advise us what progress has been made and, by reporting to the Senate within the next few days, give us a breakdown, by province or by region, of the number of applications that have come in and the number that have been approved?

Senator Guay: Honourable senators, I will certainly be pleased to do the best I can and give you an answer as soon as possible.

• (1420)

RECIPROCAL AGREEMENTS BETWEEN CANADA AND THE UNITED STATES RE TAX EXEMPTIONS ON DONATIONS TO CHARITABLE INSTITUTIONS—SUPPLEMENTARY QUESTION ANSWERED

Senator Guay: Honourable senators, with leave, I should like to provide an answer to Senator Grosart's supplementary question on May 16 concerning the Canada-U.S. Tax Convention. The question was:

> If U.S. taxpayer A, personal or corporate, donates to a registered charity in Canada, or vice versa—if Canadian taxpayer A donates to a charitable organization in the United States—are there reciprocal agreements or arrangements by which such donations are deductible by the taxpayer in his own country in respect of income earned in the United States and/or Canada and/or elsewhere?

In reply, there are no reciprocal agreements whereby a taxpayer in the United States or in Canada, who is not employed in or carrying on business in the other country, may deduct gifts made to a charity in the other country. However, under both the Income Tax Act and the Internal Revenue Code of the United States, there is provision for the deduction, within limits, of gifts to a charity of the taxing country by a non-resident person employed in or carrying on business in that country.

Furthermore, there is a provision in the Income Tax Act that permits an individual to deduct gifts to a charity in the United States, again within limits, if he were resident in Canada, he commuted to his place of employment or place of business in the United States, his chief source of income for the year was that employment or business, and the gift is one that would be allowed as a deduction under the United States Internal Revenue Code, were it applicable. There is no similar provision in the United States Internal Revenue Code.

I will immediately send a copy of my reply to Senator Grosart.

[*Translation*]

NATIONAL FINANCE

PROVINCIAL SALES TAX—QUESTIONS

Senator Asselin: Honourable senators, I have a question for the government leader. In view of the fact that the Minister of Finance's proposal concerning the sales tax has not been accepted either by the Quebec government or by any of the political parties represented in the Quebec National Assembly and that the great majority of the people in Quebec seem to be against this rebate formula which would bypass the Quebec government by repaying $85 directly to the taxpayers; in view also of the stubbornness that the Prime Minister seemed to show yesterday in the house when he said that the formula was here to stay and that the bill would have to be passed as such; and since the Leader of the Government has been looking for a very long time for a new mission for the Senate, does he not think that the Senate should not keep quiet on such a serious issue which, in my opinion, in the long run will have a serious impact on national unity? Could the government leader not consider setting up a Senate committee which would try to bring both governments together and work out an acceptable solution for both parties to the satisfaction of both of them? Does the government leader not agree that at the present time, because of this crisis, the Senate might have an important role to play?

[*English*]

Senator Perrault: Honourable senators, the Senate historically has had an important role to play in bringing to this national forum, the hopes, aspirations, problems and concerns of the regions of Canada. Certainly, the suggestion advanced by Senator Asselin should not be rejected out of hand.

However, it should be said that never in the history of this nation has any Prime Minister worked more assiduously to try to strengthen the unity of this nation than has the Right Honourable Pierre Elliott Trudeau—

Senator Grosart: That is not the question.

Senator Perrault: —and there have been earnest efforts made not only to meet and negotiate with the Government of Quebec and the premier of that province but as well with the other Canadian premiers and governments. If anyone can be accused of failing to consult, it has not been the Government of Canada. I have in mind a well-known government which can, however, be accused of failing to negotiate in good faith, at times, with regard to the important range of problems affecting this nation. Just a few weeks ago we had a meeting of first ministers for the purpose of discussing, perhaps for the first time in such depth, the problems which afflict this nation. This meeting, held because of a federal initiative, represented an effort on the part of both federal and provincial governments to find solutions to common problems. The recent retail sales tax policy announced by the Minister of Finance was the result of the virtually unanimous support for the idea as a stimulus to the economy. Admittedly, negotiations with the Province of Quebec have been difficult. That government has not been forthcoming with a supportive attitude towards this and certain other federal initiatives. Despite what could be described as a rebuff, on the part of the Government of Quebec, however, the federal government is determined that Canadians from coast to coast, regardless of the provincial governments in power, insofar as it is possible shall enjoy tax benefits on an equal basis. Because it was not possible to conclude with Quebec the kind of agreement which was achieved with the other Canadian provinces, then the government sought out the best possible alternative.

It is difficult to find an alternative whose effect is totally equivalent to the incidence of the retail sales tax reduction in effect in other parts of Canada. It must be said that there has never been an unwillingness on the part of the Government of Canada to sit down and negotiate at any time with the Minister of Finance of Quebec, or the premier of that province, or with any other province. At times there has been difficulty on the other side, however.

[*Translation*]

Senator Asselin: Honourable senators, I have a supplementary for the government leader.

Obviously, what the government leader has just delivered is a political message. However, can everyone be wrong at the same time in Quebec? I am asking this of the government leader. The Quebec National Assembly, the government, the opposition parties, the new Quebec Liberal leader, Mr. Claude Ryan, are all saying to the federal government that the suggested formula is not the right one for the people in Quebec and that it must be changed. Are all those people wrong at the same time, and only Mr. Trudeau and Mr. Chrétien right?

[*English*]

Senator Perrault: Honourable senators, as successive Canadian governments have discovered, the priorities of a federal government, faced with problems of national unity or the question of implementing common financial, economic and taxation policies, are often somewhat different from the priorities of provincial governments, and this is perhaps inevitable. Canada, from its very inception, has been an adventure in conciliation, compromise, and the working out of differences which exist between and among the provinces and the federal government. Of course, one does not expect provincial parties at all times to agree with any federal government; indeed, that was the experience of the Conservative Party when it last had the responsibility of governing Canada. Just because there is a degree of provincial opposition in one province, or perhaps unanimous opposition, to the nuances of a federal government policy, it does not necessarily mean that that federal policy should be condemned.

[*Translation*]

Senator Asselin: Honourable senators, I would like to ask another supplementary.

Considering that the role of the Senate, as the government leader has repeated often, is to protect minorities from inequities, and considering also that this federal formula will penalize approximately one million Quebecers who do not file any income tax and are classified among the poorest of the population—

Senator Lamontagne: Does—

Senator Asselin: Does the honourable senator wish to raise a question of privilege?

Would it not be the right time for the Senate to intervene and tell the federal government it should not penalize these thousands of people who do not pay any income tax and who will not receive the $85 payment from the government for the 1977 fiscal year?

● (1430)

[*English*]

Senator Perrault: I appreciate the concern that the honourable senator has about this matter. It is entirely appropriate that he take this line of questioning. I gave a commitment yesterday that a statement, on behalf of the Minister of Finance, concerning this important matter, would be made in the Senate in the next few days.

Secondly, I think that all honourable senators believe that the Senate has an important role to play in the discussion and interpretation of regional aspirations. I hope that in the progressive development of this chamber, we will accord even greater importance to regional studies.

As I have said before—and other senators have spoken in the same direction—I feel that the Senate of Canada, which was brought into being originally as a protector of minority rights and regional concerns, should give new meaning to its mandate by establishing a committee which will go into all the regions of Canada, analyze the problems which exist there and report to the Canadian people and to Parliament its findings. I think that would be a very useful activity for the Senate.

I can think of the importance of going into the Atlantic provinces and meeting there and reporting on their regional concerns; and doing the same in the provinces of Quebec and Ontario, the prairies, the north country, and western Canada. I agree with that. However, if the honourable senator is suggesting that we should form a special committee of the Senate to analyze the recent joint federal-provincial action with respect to sales tax reductions, then I have to say that is a proposal which, at this time, I am not prepared to support.

Senator Lamontagne: May I ask the Leader of the Government whether it is true that what has to be done at the moment to re-establish the balance in that respect is that the Quebec Government has to increase its income tax, as have the other provincial governments, by the amount that the federal income tax has been reduced?

Senator Perrault: This is an important comment made by the honourable senator. Now that the federal government has indicated its goodwill and its desire to make certain that the people of Quebec will benefit together with other provinces, there is now unlimited opportunity for the Government of Quebec to undertake tax initiatives within its jurisdiction to make sure that there is equitable treatment of all of its taxpayers.

Senator Roblin: Honourable senators, I ask the Leader of the Government whether he is aware of the statement issued by the four western premiers on this very point respecting the manner, policy, and measures by which the federal government introduced the sales tax proposition.

Senator Perrault: I am equally aware of the fact that full negotiations were held with the ministers of finance of the four western provinces, and they approved the proposal before it was announced by the Honourable Minister of Finance. If they have engaged in a process of agonizing reappraisal, the federal government cannot be faulted for that.

Senator Roblin: I should like to ask the Leader of the Government if he is aware of what they actually did say—not his interpretation of what they said, but what they actually did say on April 13, 1978 after the sales tax measure was proposed. One paragraph in the statement reads as follows:

The Premiers stressed that they were not debating the principle of the sales tax cut as a fiscal measure, but they were sharply critical of the unilateral and intrusive way in which it had been put forward.

And is the leader aware that they went on to detail their specific concerns?

1. The severe distortion of provincial fiscal and economic priorities caused by the unilateral exercise of federal budgetary policy. They were particularly concerned that the federal plan was put forward so late in some provinces' budgetary planning cycles, and after others had brought down their budgets.

2. The dangerous and unacceptable implications the measure may have for other possible federal fiscal initiatives and intrusions into areas of provincial taxation, budgetary responsibility, and constitutional jurisdiction.

3. The fact that provinces did not participate in the decision concerning the federal compensation formula which treats Canadian taxpayers differently depending on the region in which they live.

4. A total reversal of the policy toward greater flexibility in the new cost-sharing arrangements between the federal government and the provinces achieved in 1976 and 1977.

I ask the Leader of the Government if he is able to reconcile this view of what has happened with respect to these financial arrangements with the impression he seeks to give us, that this government has not made any faux pas, or had any false measures, any false initiatives, put forward that would improve the unity of the country. I suggest to him that that is not the case.

Senator Perrault: I suggest that the Honourable Senator Roblin has engaged in an exercise of selective quotation. The significant statement of the Treasurer of the Province of Ontario, Darcy McKeough, of course, was omitted from the list of quotations. As I recall, the Honourable D'Arcy McKeough used words to the effect that this was a remarkable example of federal-provincial co-operation, and, in effect, said that this was the first time in the history of Canada that this kind of joint policy initiative had been undertaken. I noticed that that McKeough quotation was not in the list cited by Senator Roblin.

I noticed as well that other favourable quotations from certain western spokesmen, made immediately after the announcement of the retail sales tax reduction policy, were selectively omitted.

Finally, I should like to ask Senator Roblin for the source of his information. What is the document from which he quoted, when was it issued, and who wrote it? I ask that because many statements critical of this policy were made two or three days before it was presumed there was going to be a federal election called. I would not suggest that some of these statements may have been politically motivated, but I think there is a very real chance that they were.

Senator Grosart: Oh, come on!

[Senator Roblin.]

Senator Roblin: I am delighted to answer my honourable friend's questions in respect of this document. In the first place, my quotations were not selective, because I made no reference to the province of Ontario. I said specifically that I was talking about what the four western premiers had to say, which is something about which I might be presumed to be informed, considering the regional character of some of the responsibilities we have in this house.

Who made the statement? It was issued by the four premiers themselves. I did not make it up. It is an official communiqué.

When was it made? It was made on April 13, in Yorkton, Saskatchewan, where the western premiers had their meeting.

If my honourable friend wants a copy of this document—which I think he will find rather instructive because it deals with a wide variety of measures concerning federal-provincial relations, not merely finance—I shall be only too happy to see that he gets one.

Senator Perrault: Honourable senators, the exercise being engaged in by certain provincial ministers of finance is a fascinating one. You will recall the occasion when the Minister of Finance for the Province of Manitoba, with a smiling Premier of Manitoba beaming his approval, brought to the Manitoba Legislature his budget announcement, and said that this measure was going to be a great boon to Manitoba. Indeed, he held up his budget, so that this important measure could be announced to the citizens of Manitoba. I can only suggest that something must have happened on the way back from the legislature—

Senator Grosart: Of course. Why not?

• (1440)

Senator Perrault: —because the line is somewhat different now. Certain premiers, initially so enthusiastic about the proposal, are now quoted in negative terms.

Senator Asselin: And Claude Ryan of Quebec.

Senator Perrault: Certain spokesmen, once so enthusiastic about these retail sales tax reductions, reductions which will bring such benefits to their people, have decided that for reasons best known to themselves they were going to level criticisms against the federal government. The fact is that there was full consultation with all the provincial ministers of finance. This is a matter of record. To suggest that federal action was arbitrary is not fair play.

Senator Roblin: Honourable senators, for the leader to say that the four premiers of western Canada can be accused of an act which he describes as not fair play seems to me to be making a statement which requires more substantiation than he has been able to give it this afternoon.

Senator Grosart: It is for national unity.

Senator Roblin: I won't have my honourable friend distorting their words any more than I will have him distorting mine. They said:

> The Premiers stressed that they were not debating the principle of the sales tax cut as a fiscal measure—

That is why my acquaintance, the Minister of Finance for Manitoba, was able to speak in the way he did. To continue their words, they said:

> —but they were sharply critical of the unilateral and intrusive way in which it had been put forward.

That is not what I said; that is what they said.

These four men occupying responsible positions in the political life of western Canada have a right to express their opinion, and when they express it they have a right to have equal credence given to what they say as is given to the arguments on the other side.

Senator Perrault: The provincial premiers of western Canada have a right to issue statements at any time they wish. I simply put on record the fact that there was full consultation with these ministers of finance. I can provide the dates on which these conversations were held. If Senator Roblin describes that process as "unilateral," his terminology is beyond my realm of understanding.

Honourable senators, during the past four years there has been a greater range of meetings between the representatives of the provincial and federal governments than in the history of Canada. These were initiated by this government and the present Prime Minister. To suggest that this process constitutes "riding roughshod" over provincial rights is a totally inaccurate and mischievous allegation.

Senator Grosart: It is absolutely true.

Senator Roblin: I do not think it is an inaccurate or mischievous allegation. This is not my opinion; I was not there. I can only relate what was said. Again I quote:

> They noted that the federal government had not used the opportunity afforded by the February Conference of First Ministers to raise its proposal but instead gave provinces only days to consider the plan. Insistence on budget confidentiality by the federal minister made normal interprovincial consultations difficult if not impossible.

So I suggest there is some solid ground for the expression of opinion which these first ministers made in the statement to which I referred.

Senator Walker: I think Senator Roblin made a very valid point. However, I cannot understand how the Leader of the Government can stand there and talk in such a bombastic manner about all the wonderful things the Government of Canada is doing. He suggested to the former Postmaster General that the Prime Minister of Canada is doing a great deal, and has done more than anyone else, to keep Canada together in one Confederation.

Does he not realize, as I think everybody else realizes—including the new boy over there, Senator Firth—that when this Prime Minister came into office there was no talk of separatism; that talk of separatism has arisen only in the past ten years? It started under the present Prime Minister and has gone on at such a pace that we have reached a dangerous impasse today. How can the Leader of the Government talk in this manner when we have almost reached a state of disaster under this Prime Minister?

The Prime Minister, more than anyone else, has engendered antagonism in the province of Quebec against himself and his government. He has incurred the hatred of Premier Lévesque, who was once a delightful person but who has since learned to hate the Prime Minister and the federal government.

To go one step further, what has this Prime Minister done, and where are the figures to bring light to the gloom in which we all are at the present time? What about the economy? It has never been lower than it is at the present time. What about unemployment? It has never been greater than it is at the present time. What about inflation? It has never been higher than it is at the present time.

I think the Leader of the Government is a charming person—

Some Hon. Senators: Hear, hear.

Senator Walker: —but when he gets primed up the way he is today, and speaks as though he is up in the foothills of the Rockies, it is an amazing thing. I wish he would come down to earth and answer those four questions.

Senator Perrault: First of all, honourable senators, at no time did I make the statement that any one person in this nation had done more for national unity than another. However, I did state that in the past four years a record number of initiatives had been taken with respect to meeting regularly with the provincial premiers and provincial first ministers for the discussion of our problems as a nation. I think this is a useful and desirable process.

Senator Roblin quoted from a statement issued by the premiers of the western provinces that suggested there was a unilateral quality to the budget announcements made by the Honourable Jean Chrétien. I find it difficult to understand how an action can be unilateral when there were three full weeks of consultation between the provincial premiers and the federal government on this particular matter.

Furthermore, I would ask Senator Roblin, who at one time was a provincial treasurer, whether he ever agreed to discuss in February budget proposals that he intended to deliver in April. Budget secrecy is an essential priority for those entrusted with the responsibility of budget preparation. Budgetary procedure is cloaked invariably in a great deal of secrecy and confidentiality. This is an utter necessity. Are we to assume that there should have been a six- or eight-week period of consultation with the possibility of security leaks? I should like to ask the honourable senator whether he does not believe that a three-week consultation on a matter of this kind is quite ample and satisfactory.

I have a great deal of respect for Senator Walker, but when he states that separatism began in 1968, I must disagree with him. I recall an incident in 1968 when the Prime Minister was pelted with debris during a St. Jean Baptiste Day observance. He bravely stood up to the mob on that occasion to stand

four-square for federalism. Does that incident suggest that perhaps separatism existed before 1968? I ask myself what kind of condition this nation would be in today had Mr. Trudeau not been Prime Minister since 1968.

• (1450)

Senator Smith (Colchester): A lot better.

Senator Walker: Honourable senators—

Senator Frith: Honourable senators, just to add a question—

Senator Walker: Excuse me—

Senator Frith: New boys have some rights here, too, have they not, Madam Speaker?

Senator Walker: I am answering a question.

An Hon. Senator: Order!

Senator Walker: The mob that day—

Senator Frith: Madam Speaker, do I not have the right to speak before Senator Walker does?

Senator Walker: Go ahead.

Senator Frith: To add to the rhetorical questions, on behalf of the new boys of the Senate to the old boys, and to add—

Senator Walker: That is very clever.

Senator Frith: Just to go back a little further than 1968, when apparently there was no separatism—

An Hon. Senator: Question.

Senator Frith: I wonder if the leader could tell us where the honourable senator who posed the question was in 1961, 1962, 1963 and 1964 when there were bombs in mailboxes, and when the events leading to our present situation were much more violent than they are now. I have known the honourable senator a long time. In all probability, he was placidly paddling his canoe down the Rideau Canal on his way to work.

Senator Walker: One good turn deserves another.

Senator Roblin: Honourable senators, I hesitate to prolong this discussion. It has probably reached its natural end. However, I was asked a question, and I would like to answer it.

When I was the Treasurer of Manitoba, I never had the opportunity of telling the federal government what it was going to do. That, in effect, is what happened in this particular case. The provinces were advised as to what the measure was going to be.

But completely apart from that, and hopefully on a constructive note, it seems to me that we simply have to evolve a more satisfactory system of collaboration between the provinces and the federal government on fiscal matters.

Taken together, the provinces now spend more money than the federal government. Their influence on the economy grows as each month goes by in comparison with the influence of the federal government. The need for a more harmonious and effective system of fiscal co-operation is obviously very great and most important. If this debate does nothing else but underline the importance of taking some progressive step in that direction, I, for one, would be satisfied.

[Senator Perrault.]

Senator Perrault: Honourable senators, I agree most wholeheartedly with the view expressed by Senator Roblin that there must be an ever greater degree of consultation between the provincial and federal governments. There is no question at all about that. It is absolutely essential to the future of this nation that that be the case.

As has been pointed out, municipalities and provinces now spend more money, and raise more money, than the federal government. I suggest that the same view concerning consultation should extend to relations between provincial and municipal governments. Many municipalities are rarely consulted by provincial treasurers in advance of provincial budgets being brought down.

Senator Lamontagne: I am wondering whether the government leader remembers—and, if not, perhaps Senator Roblin remembers—when fiscal arrangements between the federal government and the provinces were amended unilaterally by telegram in 1958.

Senator Perrault: What Senator Lamontagne is pointing out, of course, is that we have come an immense distance in a relatively short period of time. The government is moving in precisely the direction of greater consultation, and the country will benefit as a result.

Senator Roblin: Since the question was asked, I shall answer it. I remember the telegram, and I approve no more of it today than I did then.

Senator Smith (Colchester): Just to throw a calming influence on the attitude of the Leader of the Government, may I ask him if he does not agree that this whole problem about provincial sales taxes and direct payments to persons arose out of an ill-considered and hurried attempt to produce a budget before an election was to be called—an election which was not called because the person who had the prerogative to call it got scared?

Senator Perrault: Honourable senators, that kind of question can be answered on the hustings at such time as an election is called.

Senator Walker: My friend has been on the hustings all afternoon.

Senator Smith (Colchester): I am wondering why you are not prepared to answer it now. Are you afraid to answer it now?

Senator Perrault: I hope, Senator Smith, that you are not criticizing the treatment the taxpayers of Nova Scotia are receiving under this program, because it is going to be of immense benefit to them. Indeed, the federal government is picking up 100 per cent of the cost of the program as far as the province of Nova Scotia is concerned.

Senator Smith (Colchester): Another straw man.

Senator Perrault: I hope the honourable senator is not suggestng that he wants it withdrawn.

Senator Smith (Colchester): I have to say that the Leader of the Government is the greatest inventor of straw men I have ever encountered during my years in political life.

Senator McIlraith: Order!

Senator Smith (Colchester): The only problem is that while he sets them up, he is not very adept at knocking them down. He will have a long, long way to go before he finds any inference in anything I have said at any time which would justify his making that remark.

Senator McIlraith: Order, order!

Senator Smith (Colchester): I still say that he is afraid to answer my question. He does not want to say something which is not true, and he does not want to admit the truth.

FOREIGN AFFAIRS

INTERVENTION BY FOREIGN NATIONS IN ZAIRE AND ERITREA—QUESTION ANSWERED

Senator Perrault: Honourable senators, Senator McDonald asked yesterday whether the government has any knowledge of troops or foreign advisers operating in Eritrea, and whether it has made any representations through the United Nations or any other world organization concerning foreign intervention.

On the basis of present information, the Canadian government has no evidence of any foreign combat involvement in the current hostilities in the Ethiopian province of Eritrea. This does not rule out, however, the presence of a Soviet or Cuban advisory capability.

Honourable senators will, of course, recall that Soviet and Cuban troops and advisers are in Ethiopia, at the request of that government, purportedly to assist Ethiopia in the protection of its territorial integrity. The question of Eritrea has not come before any international fora, including the United Nations, since Eritrean liberation movements became active in the 1960s. Canada has, therefore, not been called upon to express an opinion on the matter.

In replying to Senator McDonald's question concerning Zaire, I can say that according to the information obtained by our embassies in Kinshasa, Brussels and Washington, the only military advisers in Zaire are from France and Belgium. Morocco has a small military mission in the country as a result of the last Shaba war. The presence of Cubans in Zaire has not been established.

The Canadian government has not made representations in the United Nations or any other international forum regarding the war. However, we are following the evolution of the situation very closely.

THE SENATE

PROPOSALS FOR REFORM—QUESTION ANSWERED

Senator Perrault: On May 10 last, Senator Forsey asked whether the government had been made aware of the proposals for Senate reform adopted unanimously, he understood, a few days prior to that date by the Legislature of Nova Scotia. To answer his question, no, nothing official has been received.

Senator Smith (Colchester), by way of supplementary question, asked whether or not the resolution referred to by Senator Forsey "has been officially, or otherwise, forwarded to the notice of the Government of Canada or to any minister thereof." As before, the answer is no.

CURRENCY AND EXCHANGE ACT

BILL TO AMEND—SECOND READING

The Senate resumed from Thursday, May 11, the debate on the motion of Senator Marchand for the second reading of Bill C-39, to amend the Currency and Exchange Act.

Hon. Allister Grosart: Honourable senators, when Senator Marchand introduced this bill as its sponsor in the Senate, he said that he had spent some time the night before trying to see if he could find any "emotion" in the bill, or any reason why he could speak emotionally on it, but he said he had reached the contrary conclusion. I understand why he had done so, because he was looking at this bill from the point of view of the government.

● (1500)

On the other hand, there are those who have looked at the implications and effects of this bill and have found that it has engendered a good deal of emotion. I refer particularly to those Canadians who are concerned when there is contained in the provisions of a bill a clear erosion of the traditional powers and prerogatives of Parliament, especially when the eroder is the cabinet. There are those Canadians who are concerned about this bill, just as they are about any potential or actual—and I think this is an important point—debasement of the currency of the realm. Then there are those Canadians who are concerned about the serious problems of the mining industry, and who feel that the approach of the government in this bill and the attitude it has taken are, if not useless, then certainly confused. Yet again, there are those Canadians, particularly members of Parliament, who are always concerned when there is confused thinking in the presentation of legislation to Parliament, such as we have in this case.

I should say at once that I fully support the potential objectives of this bill because, if implemented as those who are most concerned with the bill would wish, it would create jobs in the mint and in those enterprises which are suppliers to the mint. Also, if the government would change some of its attitudes on the bill, it could immediately create important and much needed jobs in the mining industry.

One objective of the bill is to create opportunities for the export of an important new Canadian product, and in the present situation, particularly in regard to our trade relations with the United States—which country would be the major market—this would certainly be a useful objective. The provisions of the bill could, and will, if properly administered, add substantially to federal government revenues, and it will

introduce an entirely new Canadian product to international markets.

The objection that I take, and that others have taken, is to the method by which this is sought to be achieved. There seems to be utter confusion in the thinking behind this bill and in its drafting, and such confusion has not been uncommon in the bills that have come before us, particularly in the "rush, rush" situation with which we have been faced in recent weeks.

I could perhaps illustrate the contrasting views on this by reading a few sentences from correspondence sent to the Leader of the Opposition, Senator Flynn.

The Mining Association of Canada, for example, has said that about a year ago they began discussions with the Government of Canada, particularly proposing that the government become active in the issue of bullion coin, and they made it clear that one of the effects of that would almost certainly be a two-fold increase in the domestic consumption of Canadian gold. That is certainly an important objective.

In its letter to the Leader of the Opposition, dated April 24, The Mining Association of Canada said:

> —we believe it—

That is, the government.

> —is prepared to proceed with a gold bullion coin programme—

And for that reason they strongly support this bill.

They said it would create "a significant new demand for gold from Canadian mines", and indicated how that demand would come about. Unfortunately, statements have been made by the minister, by the parliamentary secretary who sponsored this bill in the other place, and by others, that the government is not ready to go ahead with the bullion program, and I shall speak in more detail to that point later.

The other letter is from Brian F. Hubka, of Blairmore, Alberta, who is, apparently, a coin collector and, perhaps, a dealer. He says:

> I note from today's newspaper that the Government has introduced in the House of Commons a bill which would give the cabinet power over the production of gold coins.
>
> I am opposed to such a measure because I feel that such power would be misused just in order to 'rip-off' coin collectors.

He concludes by saying:

> In short, I would hate to see our country 'debase' our currency through similar 'two-bit' schemes to make money out of gold. The episode of the Olympic coinage was bad enough.
>
> I think that the Government's chief concern should be to see that our dollar retains some value.

I am not saying that I agree entirely with either of those statements, but I present them to the Senate as indicating that this is a bill which has caused some differences of opinion.

The bill, as Senator Marchand pointed out, transfers from Parliament the power to decide the content of our currency.

[Senator Grosart.]

Traditionally, it has been the prerogative of Parliament alone to make such decisions. The government has given no reason other than that it would be convenient, that it would be easier for the mint to go ahead and plan if they could just go to the cabinet, instead of having to go, as they do now, to Parliament, to obtain authority to mint coins, and particularly to determine the gold content, which is the basis of the real value of our currency.

I should mention that the bill has been amended, and it is now a much better bill than it was when first introduced in the House of Commons. I think it fair to say that it was through the efforts of the official opposition that certain amendments were made which greatly improved the bill. So, naturally, I congratulate the government on having accepted the amendments they did, without too much difficulty, thus pointing up the lack of consideration that must have gone into the preparation of the original bill.

The explanatory note to the key clause of the bill, clause 1, as it was presented on first reading, outlined its purpose. It stated:

> This amendment would allow the Governor in Council to authorize the issue of gold coins of different denominations and would remove the requirement that the value of the gold in the coins be equal to the amount that appears as the denomination of the coin. It would also authorize the Governor in Council to specify the maximum number of gold coins to be struck in a year.

The existing legislation requires—and I shall quote only a short part of Section 4 of the act—that:

> —the standard weight so prescribed for a coin shall be such that the value of the gold contained therein is equal to the amount that appears on the coin as the denomination thereof.

Perhaps I should explain that there are all kinds of medals minted, but when the word "coin" is used it is taken to mean what we would normally call a coin, but specifically one that has a face value.

● (1510)

Honourable senators will be aware of the long history of the battles that parliaments, in the United Kingdom and elsewhere, have sustained to prevent the debasement of the currency by the executive. It is clear here that the intent of this bill is to allow the cabinet, through the Governor in Council, to debase the currency.

Because this is a most complicated business, I am not about to say that there should not be an authority to debase currency. It may be necessary. In fact, we have already debased our currency. A perfect example of that is the Olympic coins, in which case we went so far as to mint two coins, each with a face value of $20, but the gold content of one being only half that of the other. That is the mess to which the coin collector-dealer referred and which the Government of Canada actually permitted. I cannot think of a better example of this creeping encroachment on the power of Parliament than what happened in the subsequent issue.

Parliamentary approval was required for the issue of the Olympic coin, but for the next issue—I am referring specifically to the Silver Jubilee coin—the authority was obtained by a $1 vote in the estimates. That is always the first step in the erosion of parliamentary power, but we are now at the next step, where we are asked to approve the complete transfer from Parliament to the executive of that power to control the currency.

Naturally, this raises serious questions about this bill. They are less serious than they would have been in the bill as originally presented, because amendments have been made. I commend the government for those amendments, because at least they require reporting to Parliament on the activities of the mint; and there is also the requirement that any order in council issued under the authority of the provisions of this bill shall be presented to Parliament. This method of giving some degree of parliamentary control is being used increasingly, and I am glad to see that it is. So I commend the government for at least going that far.

The complete transfer from Parliament to the executive of the power to debase the currency certainly gives me cause for some concern. Of course, we should be getting used to this by now, but this was just one of those "rush, rush," half-baked bills. Even the parliamentary secretary admitted that they picked this out of the package—half the package being a bill concerning the Royal Canadian Mint and our currency act. In the case of this particular bill it was hoped that it would be rushed through in this form, as opposed to the total package, which Parliament should certainly have looked at but which would have taken too long to get through. It is just another example of the utter confusion and contempt of Parliament that was created by the situation we have just experienced.

I am fully aware of the problems it created for the Leader of the Government in the Senate. I do not blame him—not for a minute. He acted in good faith—I am sure of that; I know he did—when he told us that it was essential that we get these bills through. He was deceived, as were many others, including the Canadian public. Well, that is past history, but we are going to have to live with it with bills like this.

The distinction between the issuance of numismatic coins and bullion coins is the essence of the problem here. The original intent—and this is part of the half-baked approach of this bill—was merely to authorize the government to issue a new series of numismatic coins. Those are coins not used in the exchange processes of business but coins which are put away by collectors. Such coins have a value dependent not on the stated face value but on their rareness and other aspects, as determined by dealers.

The Mining Association of Canada pointed out that the minting of a few more of these numismatic coins would help, but that it would not be of any significant help to the mining industry. The association went back and said, "Look, we were asking you for bullion coins a year ago. We thought we had it all set." I read the letter where they said, "Well, we understand you are going ahead."

The government spokesmen said, "Oh, no, we have not reached that stage". First of all, they said, "No, we have not even considered that." Then the Mining Association said, "Well, don't worry too much about it, because you have the authority in the bill." The government clearly did not know that they had the authority in the bill to go that far, because all they were talking about was this issue of numismatic coins. So they finally said, "We will look at it. We will consider it."

Well, the importance of issuing bullion coins—that is, coins which will have an exchange value determined by their face value as well as by Canada's standing throughout the world—is that there is now a marvellous opportunity for Canada to move into this area. That is so because certain leading banks are refusing to handle the Krugerrand. The only importantly traded bullion coin is the South African Krugerrand. There is a billion dollar market, and Canada's share of it at the moment is a mere $31 million. The reason this delay by the government will be a disadvantage to us, will cost Canada money, is that the leading New York banks, the leading stockbrokers like Merrill Lynch, have refused to handle the Krugerrand. So, as has been pointed out, the market is wide open. However, the government has said, "Well, we will look at it, and perhaps in a year or so we will get into it." But the opportunity may well have passed by then, because the United States is thinking of getting into this business, as are other countries. Here is this glorious opportunity for Canada to move fast, and all the government says is, "Well, we will consider it."

I am quite sure that if the whole matter had been considered, as it should have been, and if the whole package had been put before Parliament long ago, the authority would long since have been given for the mint to proceed to mint bullion coins. As I say, honourable senators, this is another example of the kind of confusion we have been faced with over and over again in the last few weeks.

• (1520)

I hope that this bill will be referred to committee, because I believe it important to impress on the minister and the officials that it is not good enough to say, "Well, one of these days we will get on with the bullion coin." The projected sale—and there has been a projection of sales—would have the effect of doubling the amount of Canadian gold that is taken into production.

Not many years ago we had in Canada perhaps more than 100 gold mines. That number has been reduced to very few today. Certainly, the evidence indicates that if the government proceeded quickly with this bullion issue it would open up gold mines. Canada is the third largest gold producing nation in the world, and so it is important to our economy.

I would urge, therefore, that the bill be referred to committee, and that the appropriate minister or officials be called to give us the assurance that the government is now prepared to take a different attitude toward the implementation of the bullion aspects of this bill, and to provide a more immediate response than that indicated in the statement made by the

parliamentary secretary on third reading in the House of Commons.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Langlois moved that the bill be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to.

The Senate adjourned until Tuesday, May 23, 1978, at 8 p.m.

THE SENATE

Tuesday, May 23, 1978

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

Prayers.

THE HONOURABLE BRYCE MACKASEY

NEWSPAPER REPORT—QUESTION OF PRIVILEGE

Senator Marchand: Honourable senators, in last Saturday's issue of *La Presse* I read a statement made by a former colleague of mine and of others in this house, the Honourable Bryce Mackasey, in connection with a question put to him about his future. When asked if he was thinking about joining the Senate, his answer was that he was not ready to retire.

I am aware, of course, of some of the shortcomings of this institution, as there are shortcomings of the House of Commons and many other places. Such a comment disturbs me, coming as it does from a man with whom I sat for many years and who for a period between 1972 and 1974 mentioned to me almost daily that he would like to be appointed to the Senate.

I regret his comment and I hope that he was joking, because if he were not then some day I might take a tougher stand than I am taking tonight.

DOCUMENTS TABLED

Senator Langlois tabled:

Capital Budgets of the Atlantic Pilotage Authority, the Great Lakes Pilotage Authority, Ltd., the Laurentian Pilotage Authority and the Pacific Pilotage Authority for the financial year 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copies of Orders in Council P.C. 1978-1604, P.C. 1978-1605, P.C. 1978-1606 and P.C. 1978-1607, respectively, dated May 11, 1978, approving same.

Capital Budget of the Farm Credit Corporation for the fiscal year ending March 31, 1979, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-1617, dated May 11, 1978, approving same.

Report of the Canadian Grain Commission for the year ended December 31, 1977, pursuant to section 14 of the Canada Grain Act, Chapter 7, Statutes of Canada, 1970-71-72.

[*Translation*]

NATIONAL UNITY

CONGRATULATIONS TO TORONTO BASEBALL CLUB—QUESTION

Senator Wagner: Honourable senators, I should like to put a question to the Deputy Leader of the Government.

Would it not be proper for the house to extend to the Blue Jays organization and to Mrs. Wallace our congratulations for the patriotism they have shown in Toronto in recent days?

Senator Langlois: Honourable senators, I do not think that it is up to me to decide what is proper for the Senate to do. It is a matter which should be suggested to the Senate in a motion.

[*English*]

• (2010)

TRANSPORT

REPORT OF NEWFOUNDLAND TRANSPORT COMMISSION—QUESTION

Senator Marshall: Honourable senators, I wish to ask the Acting Leader of the Government a question relating to the announcement by Dr. Sullivan regarding the Newfoundland Transport Commission report which was due to be submitted to the Minister of Transport in the other place on May 19. I wonder if the acting leader could advise the Senate if that commitment has been fulfilled. If he is not aware of the facts, could he find out and inform the Senate as soon as possible?

Senator Langlois: Honourable senators, I will inquire about this and inform the Senate as soon as possible as to when this report is going to be made available to all concerned.

[*Translation*]

NATIONAL FINANCE

PROVINCIAL SALES TAX—QUESTION

Senator Asselin: Honourable senators, I have a question for the deputy government leader. Is he aware that the Quebec Premier and the Prime Minister are to meet soon to discuss a sales tax compromise, and, if so, when are they to meet?

Senator Langlois: Honourable senators, if my memory does not fail me, such a meeting was first suggested by the Quebec Premier. It gave rise last week to the answer by the Prime Minister, in the other place, that he was prepared to meet him. I have no information further to that exchange of wishes and acceptation.

[*English*]

Senator Asselin: Honourable senators, I think the first member of the House of Commons to ask Prime Minister Trudeau to meet Premier Lévesque was Roch La Salle, the member for Joliette. During a question period last week he asked the Prime Minister if he was ready to meet Premier Lévesque to discuss this question of sales tax, and the Prime Minister said yes. It was not the Prime Minister who suggested

that he wanted to meet Premier Lévesque at his early convenience.

[*Translation*]

Senator Langlois: Honourable senators, I would once more endeavour to answer in French, and I would hope my honourable friend will understand this time.

All I suggested is that, if my memory does not fail me, such a meeting was first suggested by the Quebec Premier, and last week the Prime Minister, on whose representations I am not aware of, indicated he was prepared to meet Mr. Lévesque. After that I have no further information, nothing has been published and I have heard of nothing more on the matter from the House of Commons.

Senator Denis: When they do that, they help the separatists.

Senator Asselin: Honourable senators, I have a supplementary. During the weekend, the newspapers reported that two senators, namely, Senator Lamontagne and Senator Marchand, wanted to suggest amendments to find a compromise for the sales tax proposal. Is the acting government leader aware of the suggestion that the honourable senators want to make?

Senator Langlois: Like yourself, I have read in the newspapers that certain senators were willing to suggest alternative amendments to the present one. But as concerns the conclusion that they are prepared to suggest amendments, I have no knowledge of this and only those directly involved could reply to your question.

Senator Flynn: Honourable senators, I rise on a question of privilege. I do not know if the reporters understood the words of Senator Denis who said earlier that we were only helping the separatists.

Senator Denis: It is true.

Senator Flynn: I say that it is a lie; it is a lie that has been repeated many times in the last few weeks and I am getting tired of it.

Senator Denis: Me too!

Senator Flynn: I am beginning to get tired of hearing the Liberals continue to pretend that they are the only ones able to protect national unity. This Liberal tactic is completely shameful and I say that Senator Denis should be ashamed to repeat this lie.

Senator Denis: Honourable senators, I am not ashamed because I am the one who accused the Conservatives of acting as if they were separatists.

Senator Flynn: No.

Senator Denis: That is true. I repeat my assertion. You do the same thing in the House of Commons where people purposely get thrown out to attract the separatist vote in the province of Quebec.

Senator Flynn: Is Senator Denis going to treat Mr. Claude Ryan the way he treats us, in order to disagree with the Prime Minister and his Minister of Finance? Try to have a little heart, a sense of ethics and honesty.

Senator Denis: We are the federal government and we deal with federal matters.

Senator Langlois: Honourable senators, I do not want to get involved in a debate that is completely out of order. I ask that order be restored in this chamber, and especially that decorum be respected.

Senator Hicks: Hear, hear!

Senator Denis: It is the Conservatives.

Senator Flynn: You started it all.

[*English*]

NATIONAL REVENUE

EMPLOYMENT TAX CREDIT PROGRAM—QUESTION ANSWERED

Senator Guay: Honourable senators, if I may be permitted to say so, I thought it was only in the other place that they did some yelling in the chamber, but I understand it is coming through clearly on this side of Parliament.

I should like to answer a question the Honourable Senator Marshall asked me last week about employment tax credit. In response to his request, I have obtained the following information from the Canada Employment and Immigration Commission concerning agreements approved and jobs created to date by the employment tax credit program:

PROVINCE	AGREEMENTS	JOBS CREATED
Newfoundland	18	23
Prince Edward Island	18	23
Nova Scotia	33	64
New Brunswick	37	54
Quebec	378	736
Ontario	113	155
Manitoba	17	19
Saskatchewan	23	25
Alberta	12	81
British Columbia	40	43
	689	1,223

My department does not become directly involved in this program until such time as the employers file their income tax returns with claims for this credit. I would anticipate very few claims of this type before 1979. I will send the honourable senator a copy of this answer.

● (2020)

THE SENATE

LEGISLATIVE PROGRAM—QUESTION

Senator Olson: Honourable senators, I should like to address a question to the Acting Leader of the Government or, indeed, the Minister of National Revenue, respecting a question I raised on Wednesday, May 10 with respect to the

balance of the government's legislative program to the end of June. Whether we have prorogation at that time is for the government to decide.

The Leader of the Government did give an undertaking that, as soon as he knew whether or not dissolution was a possibility, he would be prepared to indicate to the Senate the full legislative program that the government intended to introduce between now and the end of June, including the days allocated to mandatory matters, such as the estimates. Can we expect that sometime this week?

Senator Langlois: Honourable senators, I have not heard about any proposal for dissolution of Parliament. Last week the Prime Minister announced that Parliament might be adjourned before the end of June, if possible.

I know that discussions are taking place in the other house now between the various leaders in order to arrive at a work schedule that would allow such an adjournment. I have no further information. However, I shall inquire into this as soon as possible and inform the Senate of the so-called work schedule between now and the summer recess.

NUCLEAR WEAPONS

GOVERNMENT POLICY RE NEUTRON BOMB—QUESTION

Senator Forsey: Honourable senators, I wonder if I might ask the Acting Leader of the Government whether he can give us any information on the policy of the government with regard to the proposed neutron bomb.

Senator Langlois: This is a $64,000 question. I will take the question as notice and provide an answer to the Senate at the earliest possible moment.

CANADIAN BROADCASTING CORPORATION

TWENTY-FIFTH ANNIVERSARY REPORT—QUESTION

Senator Riley: Honourable senators, I should like to ask the Acting Leader of the Government a question. The other day I received, with the compliments of Mr. A. W. Johnson, President of the Canadian Broadcasting Corporation, a copy of the report of the twenty-fifth anniversary of the corporation. Although I am known to be bilingual, the copy I received was in French only and I wanted to send the report home to an English-speaking person I know who is interested in the affairs of the corporation. There must have been an English edition of this well-illustrated and apparently expensive document, but I am wondering why they did not include the French and English versions under the same cover, and why I, an Irishman, would get—

Senator Flynn: They should have sent it to you in Gaelic.

Senator Riley: —the French version. I can understand Senator Flynn's getting this document in the French language with the compliments of Mr. Johnson.

To get back to my question, I should like to know what this report cost the taxpayers of Canada, and why both the French and English versions were not printed under the same cover, as is the practice with so many government documents today.

Senator Forsey: They mixed you up with Claude Ryan.

Senator Riley: No, they mixed me up with Jacques Flynn.

Senator Langlois: Honourable senators, even though my honourable colleague was born in the predominantly French-speaking town of Charlottetown, I understand his concern. I shall do everything possible to obtain an answer to his question.

PUBLIC SERVICE

MOVEMENT OF EMPLOYEES FROM SAINT JOHN, NEW BRUNSWICK—QUESTION

Senator Riley: Honourable senators, I should like to know why the Government of Canada is moving so many federal public servants out of Saint John, New Brunswick. I understand some employees of the Department of Transport are being moved to Halifax, and that some Revenue Canada employees are going to Newfoundland. Also, the Port of Saint John is being denuded of a medical doctor, an employee of the Department of National Health and Welfare, who is being moved to Halifax. These people might as well be sent to Liverpool, Nova Scotia. What is wrong with the Port of Saint John?

Senator Langlois: Honourable senators, Senator Riley's question proves, once again, that it is impossible to please everyone at the same time. I shall endeavour to find out why the federal government is transferring a medical officer from Saint John to Halifax. I hope Senator Smith (Colchester) will side with me should the answer be in favour of Halifax.

Senator Riley: That is not a very good answer. I would like to have a full answer to my question.

Senator Langlois: I shall take the question as notice.

CANADIAN NATIONAL RAILWAYS CAPITAL REVISION ACT RAILWAY ACT

BILL TO AMEND—SECOND READING—DEBATE CONTINUED

The Senate resumed from Wednesday, May 17, the debate on the motion of Senator Langlois for the second reading of Bill C-17, to amend the Canadian National Railways Capital Revision Act and the Railway Act and to amend and repeal certain other statutes in consequence thereof.

Hon. George I. Smith: Honourable senators, I am not sure that I would have chosen, by preference, to run against an attraction of the kind which is available not far away this evening. However, since I do not have as much choice in the matter as I would wish, I suppose I should go on. It will be interesting to see how many people can stand listening to me as opposed to paying attention to the other attraction. I shall have little difficulty in excusing them, because I would rather not listen to myself tonight.

Senator Hicks: Hear, hear.

Senator Smith (Colchester): After such an explanation by way of introduction, I am sorry that any honourable senator should feel it necessary to rub it in, as Senator Hicks just did.

Senator Hicks: I was merely agreeing with you.

Senator Langlois: The score is now one to nothing for Montreal.

Senator Flynn: In that case, go on.

Senator Smith (Colchester): Honourable senators, as I begin to take part in this debate I wish to acknowledge that Senator Langlois' statement in sponsoring this bill set out, clearly and concisely, its factual content and the objectives which the government and the CNR hope it will achieve. Like all honourable senators, I am indebted to him for doing that.

● (2030)

I wish to say also that my colleague, Senator Roblin, made a splendid speech in which he set out fairly, clearly and eloquently a substantial number of matters which are relevant and important to the subject matter of the bill, and which deserve the most careful consideration. I suggest that his examination of the bill and the matters related to it demonstrated very plainly that it is not quite so simple as it appears, and that all of its contents and objectives do not necessarily commend themselves with equal force to the favourable consideration of all senators.

I do not intend to repeat what Senator Roblin said so well—I am sure honourable senators will be glad to know that—but there are some aspects of his comments which I wish to emphasize because they seem to me to be very important.

First, I wish to ask all honourable senators to recall that this is not the first time that the CNR has come to Parliament asking to be relieved of much of its capital debt. There seems to be nothing which has been said by the government or by the CNR which can give us very much confidence that in due course they will not be back again. It will be remembered that Senator Roblin drew our attention to the fact that after the relief afforded the CNR in 1952, its then president, the very able Donald Gordon, was most optimistic and felt that the railway had now been set on its way to a profitable future. It seems he was not right.

In this connection, too, it is necessary to keep in mind that the request on this occasion has nothing whatever to do with what used to be referred to as the inherited debts of the CNR. The 1952 recapitalization took care of that, and that is no longer a factor to which we should give any weight whatsoever at this time. To quote from the present president of the CNR, as reported in the Winnipeg *Tribune* in 1976:

> —the CN doesn't have inherited debt problems at the moment. CN was recapitalized in 1937 and then again in 1952, these two recapitalizations essentially removed two things; they removed the inherited debt and they removed the capitalization of accumulated deficits which had gone on in the earlier years. By 1952 the question of inherited debts had been handled.

Remember that is a quote, as reported in the press, from remarks of the present president of the CNR.

I think too that the argument about accumulated depreciation does not really carry very much persuasion. Perhaps that is because I do not follow it well enough, but I think the best that one can say about it is that it is just tossed in as a sort of extra make-weight.

The alleged savings to the government seem to me to be calculated on the basis of some fancy financial sleight-of-hand, especially when it is kept in mind that the government has not been obliged since 1960 to take any preferred or any other stock of CNR, although it has voluntarily continued to do so since that time after the legislative compulsion ended.

The argument about wishing to have the same debt-equity ratio as the CPR and other railways is understandable, but really is not fundamental to Canadian National's successful operation. It may be important when trying to borrow on the world financial markets, but we are informed that they have quite successfully borrowed already, with things as they are, and borrowed on the world markets. But in any event, since the debt-equity ratio as of 1952 was just about what they are asking it be restored to now, one cannot help asking the very relevant question: Who let it get that way after 1952?

To turn to another subject, some senators, I am sure, will have been aware of various representations by pensioners of the CNR. It is perfectly clear—and there can be no dispute about it—that the CN pension plan is not by any means fully funded. That is shown, for instance, in note 8 to the consolidated balance sheet for 1977, which is found on pages 37 and 38 of the annual report for that year. The total shown there required to fund fully what the report calls "past service costs," is a very large amount of $1,063,082,000, which is a good round sum. All of this, except $14.2 million, is in respect of the Canadian operations of the CNR. The $14 million-odd relates to its operations in the United States.

I must say, although the president of the company and its auditor maintain that the way this item is shown is perfectly good accounting, to me it leaves something to be desired in the area of good communications. For instance, the consolidated statement of income on page 26 of CN's 1977 annual report shows net income $28.018 million. Immediately under that item appears the comment, "See accompanying notes to consolidated financial statements." Just below that again there is a heading, "Consolidated Statement of Earned Surplus," wherein it is repeated that the $28.018 million is net income for 1977 and that the balance of earned surplus at December 31, 1977 is $39.782 million, although this is again followed by the injunction to look at accompanying notes.

Well, of course, anyone experienced in dealing with balance sheets will at once turn to the notes. But it is not likely, it seems to me, that the ordinary person, not accustomed to dealing with such matters, would, in fact, look at the notes. If he did, I am sure he would be very surprised to find, after being told that the net income for the year was $28 million-odd and the balance of earned surplus was over $39.75 million, the following statement:

> The amount of past service costs remaining to be charged to operations at December 31, 1977, based on the latest actuarial valuation as at December 31, 1975,

adjusted for subsequent changes, amounted to $1,063,-082,000.

The note then goes on to say that this amount is being charged against operations in certain annual payments, similar, I presume, to amortization of capital debt, including principal and interest, the last of the payments to be made nearly 50 years hence in the year 2027.

Well, you know, it is not much wonder that a person who is concerned, and perhaps even personally concerned, about these matters, but who is not expert in interpreting financial reports, becomes worried about the future of the CN pension plan, although I cast no aspersions on it other than what I say precisely.

• (2040)

The note also states that the charge made for the year ending December 31, 1977, was indeed included in the charge to operations for that year, and I assume, without having turned it up to find out, that similar charges have been made against operations in recent years and before arriving at the bottom line of the consolidated revenue report.

Somewhere among the considerable volume of documents I have looked at in relation to this bill, I noted a statement by a senior official of the CNR that really people should not talk about this pension plan deficit because it disturbs the pensioners and employees. Well, honourable senators, this seems to me to be a most surprising attitude for the corporation to take. I should think that the concern now and in the past expressed by pensioners and employees on this subject must come from a lack of adequate communication rather than too much talking about it; and, if so, the more talking that is now done about it in a reasoned and factual way, the more likely it is that the concern of the pensioners and employees will be allayed—if the facts are indeed facts that ought to allay such concern.

I should also say that I have looked at the financial statement headed "The Unfunded Liabilities of the Company's Various Pension Plans" and the costs for such plans contained at page 24 of the 1976 annual report. While I make no criticism of it as a formal financial statement, I do say that it seems to me not to be very well calculated to be readily understood by one not accustomed to dealing with such statements.

It also appears, from some of the available information, that very likely some of the pensions now being paid are particularly small, having been calculated upon contributions made many years ago, since which time I hardly need say that the value of a dollar has been greatly eroded by inflation. This, of course, poses a difficult problem, and one not easy to solve, by any means; but I do suggest it is a problem which out of ordinary decency and fair play the company should try very hard to ameliorate, and it may well be, of course, that it will be necessary to have the co-operation of the employees as well.

Honourable senators, let me turn now to another subject, that of trucking, because motor vehicles are the greatest land competitors of the railway. In hauling freight, for instance, motor vehicles now, I believe, haul about one-half of the domestic intercity freight traffic and almost all local traffic in metropolitan areas.

These motor vehicles are, of course, all, or mostly, privately owned, except those which have been purchased or otherwise acquired by the railways themselves.

The truckers feel, of course, that they have no public money chest to dip into to help finance their capital or operating requirements or deficits, and honourable senators will not be surprised to hear me say that the truckers consider this recapitalization of the CNR as quite unfair to them; that it gives their great competitor, the CN, a very unfair advantage.

Senator Hicks: Would my honourable friend permit a question at this stage?

Senator Smith (Colchester): Certainly.

Senator Hicks: Would he not agree that the provision of the highway system in Canada is a tremendous subsidy to the trucking industry, perhaps comparable to the subsidy or government money that goes into the railways to build their roadbeds, which the railways pay for themselves?

Senator Smith (Colchester): No, I would not agree with that at all. I shall deal with that matter in a moment, in any event, so perhaps the honourable senator will wait for a short time until I do so.

Senator Hicks: Thank you.

Senator Smith (Colchester): I do not assert that the truckers are necessarily correct in the way they look at this recapitalization, but I do say that their argument appears to be reasonably well founded.

Here, of course, as Senator Hicks has reminded me, I should say I am well aware of the railway argument that railways have to provide and maintain their rights of way and their roadbeds, while the public does that for the truckers. However, that is an argument I do not accept, and the truckers do not accept it—although that is not the reason why I do not accept it. I do not accept it because for years I had the responsibility of trying to balance these two things out, and I think I can say that by and large a real effort is made to ensure that the truckers pay by way of taxes on their vehicles, licence fees, and taxes on the fuel they use, an amount comparable—this is in comparative, not absolute, terms; if everything were added up we might find that the truckers pay more than the railway pays—the truckers pay an amount which is comparable to what the railways have to pay. The truckers, of course, will maintain, and quote you figures to back up their argument, that indeed they pay more than it costs the public to build and maintain the highways which they use. I do not necessarily support going that far, but I do say they have a very good argument in this connection which is not always recognized when this matter is discussed.

Under the heading of "User Pay," we hear a good deal of talk from the minister and Department of Transport. I have to say that it is pretty clear, from various examples which will spring quickly to mind, that this is not always applied, and it is certainly a principle which is not applied to the recapitaliza-

tion of the CNR. It certainly does not apply to this write-off as proposed in this bill—and I use the term "write-off" intentionally because, in fact, that is precisely what it is. It is referred to as a conversion of debt into equity, but the fact is that we are really asked to write off that amount of $808 million, or whatever it is, which the CNR owed to the Canadian taxpayer and still owes to the Canadian taxpayer.

It is true, as I have said, that the action is camouflaged and the $808 million will be called equity rather than debt, but the fact is that the taxpayers of Canada will never get it back in any form whatsoever, except in paper shares. It is also the fact that when money owed to the taxpayers of Canada is written off, or converted into equity, it has to be paid by the taxpayers of Canada. They have either already paid for it or they will pay for it in the future. There is simply no alternative.

Not only is this $808 million exempted from the so-called principle of user pay, but the CNR's competitors, the truckers, as taxpayers of Canada, have to help pay it. This, in their view, really heaps insult upon injury, and one can readily understand why they should feel that way. Here the major competitors of the CNR have to help relieve the railway its debt and so, as far as they are concerned, increase its competitive capacity. It does not seem to me to be any wonder that the truckers feel very unhappy about this kind of sleight of hand that is bound up in the fancy words of this bill.

"User pay"—we hear the minister talk about it. "Taxpayer pay" would be a far more accurate designation of what this bill is designed to bring about. "User pay"—is that what this proposal of recapitalization will mean in respect of the $808 million? Also, what about the write-off of the debt of the St. Lawrence Seaway? What about a similar action in relation to Air Canada? Surely no one will say that these are instances of user pay. They are, in fact, as I have said, instances of taxpayer pay.

● (2050)

Let me turn now, honourable senators, to the subject of the use of the railways as an instrument of national policy for development and for unity. Speaking of user pay naturally leads us into this subject, which seems to me to be more important than this bill, which has been conceived to free the CNR of the results of its management since 1952.

My colleague, Senator Roblin, mentioned this subject in his excellent speech, but I would like to deal with some aspects of it which he did not have time to speak about to any extent. Like him, I am concerned with all of Canada, but, also like him, I have a particular concern about one part of the country, as I suppose is the case with all honourable senators. In his case it is the west; in my case it is Atlantic Canada. Today I wish to emphasize Atlantic Canada, though much of what I say about it is applicable, in one way or another, to the western part of our country as well. I wish to speak of the use of the railways, and in particular, for the moment, of the CNR, as an instrument of national policy for the development of our country and its unity.

[Senator Smith (Colchester).]

Such use is, of course, consistent with the commitments made to the Atlantic provinces to persuade them to enter Confederation. The commitments were made to New Brunswick and Nova Scotia at the time of Confederation, and to Prince Edward Island and Newfoundland later, though made to all of them at one time or another. I am sure honourable senators will remember the informative speech Senator Bonnell made last year on his inquiry concerning transportation in the Atlantic region. It is no new subject. It has been one of the foremost factors in the minds of people from the Atlantic provinces ever since Confederation. Commitments were made to the western provinces as well, but these commitments to either western or Atlantic Canada have never been adequately fulfilled.

Just look, for example, at the inability of our railways to move grain to the west coast as quickly as is necessary properly to fill contracts for its export. I read the other day—I am not sure if the figure is correct, but it is certainly in the general area of accuracy—that something like 20 ships were awaiting cargoes of grain on the west coast, and would have to wait for a very considerable time simply because the railways were not getting the grain to the ports as required. This is not, of course, all the fault of the railways. It is in part, and perhaps in very great part, the fault of the present Government of Canada, and that of preceding governments as well.

I ask honourable senators to consider for a moment the potential for Canada of our great harbours on the Atlantic coast. I will not take time to name them all, but the ones that spring to mind are St. John's, Saint John and Halifax, in particular. I do not think I am overstating the case when I say that Halifax has the greatest natural harbour on the east coast of the Americas, and perhaps in all of the world. Its value has been recognized in every time of national crisis, and I have no doubt it is familiar to many honourable senators here, some of whom had first-hand experience of that harbour in time of war.

At the time of Confederation these ports and many others were gateways to the world, and particularly to the world of trade. At Confederation also, the railways, and particularly the Intercolonial Railway—or, as we call it down our way, the old ICR—was to provide us in the maritime provinces, and particularly, then, New Brunswick and Nova Scotia, with good, effective transportation to the markets of central Canada and the central United States. Perhaps for a time after Confederation it did play its part in development, but as the years went by it began to falter. For much of this century, and perhaps earlier than that, it failed, and sometimes miserably failed, to carry out that great national and regional responsibility and commitment.

Let me again turn to Halifax—and at this point I am glad to be able to say something favourable about the CNR, in addition to the other kinds of comment I have been making. In the 1960s, it seemed for a while that the CNR was really giving some recognition to its obligations. For instance, it assisted materially in the efforts that were made to attract a Volvo automobile assembly plant to Halifax, by making sure

that effective transportation from Halifax to other parts of Canada would be available for the distribution of these automobiles.

The CNR also helped substantially in the attraction to Halifax, and the development there, of container traffic, as that mode of transportation began to be widely accepted. I want to give the CNR full credit for having displayed a spirit of willingness—indeed, one might say a most sympathetic willingness—to assist, and it did assist. The fruit of that assistance, along with the co-operation of all the other parties involved, including the Governments of Nova Scotia and Canada, shows what can be done when the railway sets out to fulfil these obligations.

I am delighted, of course, with the useful effect that that help has had in both those instances, and some others along about the same time, but the disappointing thing about it is that it only emphasizes the lack of that kind of effective help during many other years.

Let me turn again to the development of ports. The port of Saint John, New Brunswick, is primarily served by the Canadian Pacific Railway. While I do not have much first hand knowledge on that score, from the information I get I believe it is served at least as well as Halifax. St. John's, Newfoundland, is served by the CNR, and according to Newfoundlanders it is not served very well. My colleague from Newfoundland may have something to say about that.

• (2100)

Halifax is served primarily by the CNR—not entirely, but primarily. Consider that port for a moment and the possibilities and potential it has which the railway could share in developing. It is the nearest to Europe of any port on the mainland of Canada. Thus it gives the opportunity for the shortest turnaround which any ship proceeding from Europe or the United Kingdom to Canada can have. With the very high cost of operating ships, every day that can be saved in turnaround, indeed, almost every hour, is an advantage to the shipowner, the shipper and to the consignee. Thus, if one considers only the problem of transporting goods between the mainland of Canada and Europe and the United Kingdom, Halifax is the obvious port, and Saint John is a very close second.

However, honourable senators, a short turnaround on the water part of the journey which freight has to make is of little assistance if the overland journey is so long or so expensive, or both, that it offsets the advantages of the shorter water journey. A short sea turnaround also loses its advantage quickly if the goods carried are not delivered promptly and safely to their destination from the ports where they are discharged.

Although, as is the case with all eastern Canadian ports, Halifax and Saint John compete with other Canadian ports on the Seaway and on the Great Lakes, for the great bulk of the traffic I am talking about our competitors are not primarily other Canadian ports, but the United States east coast ports. At present Halifax and Saint John still have some advantage over these foreign ports. However, I fear that unless the CNR changes its attitude and determines to help more effectively, as it did in the circumstances which I cited, then certainly Halifax and Saint John—and Halifax in particular with reference to the CNR—will lose traffic and jobs to these United States ports. I want to emphasize that primarily I am not talking about Canadian ports, but ports in another country.

The right combination of port facilities, labour force, together with speed, security and cost of movement from port to destination can keep and improve the advantage of Halifax and Saint John. The wrong combination will lose traffic and jobs to the United States. I am far from confident that either the Government of Canada or the Canadian National Railways now sufficiently appreciate this fact or are sufficiently concerned about this danger.

People from Atlantic Canada and from the west would, I am sure, rather be considering proposals for using our great railways to live up to the commitments of Confederation and as an instrument of national policy for development and unity than dealing with this bill.

Honourable senators, I wish the CNR well. I want so see it prosper. I want it to be efficient and profitable, but, above all, I wish to see it perform adequately as an instrument of national policy for the development of all the regions of Canada and to further national unity.

Senator Hicks: Honourable senators, if I may continue my earlier reference to the subject of dispute between my honourable friend and myself, I am disappointed that his answer was only a general assertion that the taxes paid by the truckers compensated for the great benefits they receive from having their roadbeds prepared and made available to them at the taxpayers' expense. I have been interested in this for a long time and while I do not have the advantage of my honourable friend of having been a minister of highways, my impression is that we would have to spend far less money on building highways if they were not being used by these hugh tractor-trailers. It seems to me that the great expenditure on our highways is made necessary by the heavy traffic they have to carry.

I wonder if my honourable friend can do any more than give me a general assurance against my general impression. Are there any figures available? Has any work been done to determine how much extra the highways have cost because of the heavy truck traffic they have to carry?

I have an impression that if we had a controlled economy, one of the first things we would do would be to take all these heavy trucks off the highways, transport all the freight by rail, and allow the trucking industry to do only the hauling from the main terminals to the delivery points. Perhaps my honourable friend has some further facts and figures on this.

Senator Smith (Colchester): I shall be glad to see what I can discover in this respect, but I can say a number of things to the honourable senator. I agree with him, of course, that the use of our highways by very heavy vehicles does greatly increase the cost of building and maintaining those highways. I

do not think anyone could possibly dispute that. What the truckers will say, and what I think they can reasonably argue, is that that extra cost is met, or nearly met, by the taxes they pay for the use of those roads by virtue of the fees for the licences which permit them to put their vehicles on the roads, and by the taxes they pay on the fuel they use. Although the honourable gentleman shakes his head—and I do not wish to rely too much on memory—

Senator Hicks: Some other honourable gentlemen are shaking their heads also.

Senator Smith (Colchester): It was only my honourable friend's head that I heard shake.

I think I started to say, when we became concerned about shaking heads—or was it rattling heads?—that my honourable friend's assertion about his knowledge and his study leads me into the temptation of comparing experience with him in that respect, so I will yield to that temptation now.

For some seven years I was the Minister of Highways, and for some six years thereafter I was the Minister of Finance, of a small province, admittedly, but one in which these questions were very much alive, and I had to deal with them in both those capacities. Although originally I joined in the chorus in which my honourable friend joined tonight, I became convinced that there was really not as much to it as the backers of the railway argument said, and I know that figures exist which tend to indicate what I say is, in a general sense, supported. I would be glad to dig them up because it is a most interesting question, and one which I think is very important to the development of our future means of hauling traffic.

I think it would be better, as does the honourable senator, if greater use were made of the railways, but not for just the same reason perhaps that he advances.

Against that, of course, there is the danger of a lack of competition, and I do say this as well, that the existence of the ability to move freight by road is one of the things that has a very substantial effect upon the rates which the railways can charge for moving the same kind of goods. If they get out of line with what the truckers charge, then, of course, they will lose business. I have allowed myself so easily to be diverted into a lengthy answer to a short question that I should offer my apologies to honourable senators who have been so patient.

● (2110)

Senator Norrie: Is it not true that the CNR has a large number of trucks that are subsidized, and they compete with the non-railway trucks?

Senator Smith (Colchester): Yes, that is very true. That raises another element in the whole question. I think their annual report, which I read in preparation for this debate, goes into it at some length. They have a very large volume of heavy road transport vehicles which compete against the privately-owned vehicles, and also compete against the very railroad itself.

Hon. John Morrow Godfrey: Honourable senators, I should like to speak briefly in this debate on one point only.

[Senator Smith (Colchester).]

Senator Smith said he did not understand the question of depreciation too well, and I must confess that I am in the same position. Senator Roblin is so graceful and persuasive a speaker that he had me mesmerized, I must confess, last Wednesday, and when he sat down I thought I understood what he said about depreciation. What really happened was that I thought I should be able to understand it. Afterwards, when I realized I didn't really understand what he said, I looked up the part that confused me, and I should just like to read it. He said:

> —there was a substantial amount of depreciation hanging around in the CNR books that was unfunded, and they are now telling us that some $800 million, more or less, represents an unfunded burden of depreciation that was overlooked 26 years ago.

He went on to say:

> Well, that is an awful lot of unfunded depreciation to swallow in one fell swoop, if it means, as it does in this instance, the writing off of $808 million-worth of fixed debts to the Government of Canada.

My impression from that statement was that for some reason or other, because of the, as he said, unfunded depreciation, this bill provided for the writing off of $800 million-worth of debts. I then looked up what the Deputy Leader of the Senate said on this question, and he covered it in one sentence. He said:

> There will also be a reduction of equity in recognition of depreciation attributable to years prior to the adoption of depreciation accounting.

That I understand very well. If over a period you do not take depreciation, then your profits are that much larger. They are increased by the amount of depreciation which you did not take, which adds on to your equity by the same amount. I understand the Deputy Leader of the Government to say that this is simply a bookkeeping item in which you are writing down equity, and that has nothing to do with debt whatsoever, and certainly nothing to do with the $808 million, which appears to be the whole amount of the debt written off. No doubt the deputy leader can clear this up for us when he replies.

On motion of Senator Langlois, debate adjourned.

FOREIGN AFFAIRS

INAUGURATION OF CANADIAN EARTHQUAKE ASSISTANCE PROJECT AT FRIULI, ITALY

Hon. Peter Bosa rose pursuant to notice of Wednesday, May 10, 1978:

> That he will call the attention of the Senate to the inauguration on 29th and 30th April, 1978, of the Canadian Earthquake Assistance Project at Friuli, Italy.

He said: Honourable senators, I am pleased to be able to draw the attention of the Senate to my recent visit to the earthquake area of Northern Italy, known as the Region of Friuli, on the occasion of the inauguration of the Canadian housing project, which took place on April 29 and 30, 1978.

Honourable senators will recall the devastating effects of the earthquake that took place a little over two years ago, more precisely on May 6, 1976, during which over 1,000 people lost their lives and 60,000 were left homeless. While the Government of Italy provided the immediate basic emergency needs, the international community responded very quickly with various forms of assistance. Canadian reaction was sympathetic and swift. Within 48 hours Canadian forces in Europe were in action at Venzone. They originally intended to set up a military hospital, but after ascertaining that the approximately 3,000 injured were being looked after in hospitals adjacent to the area, Canadians established instead an open kitchen, providing a valuable service to the people of that area.

Two senior officers of the Canadian contingent, Lt. Col. R. E. Moore and Major M. Fortin, were present at the inauguration. During the rescue operations thirteen people lost their lives. Among them there was a distinguished Canadian, Captain Robert McBride, who died in a helicopter crash. I will have more to say about this happening later.

As the drama unfolded, Canadians of Italian origin in many parts of Canada spontaneously initiated a fund-raising campaign, which ultimately amounted to $4,500,000. The credit for this impressive figure must be attributed to the thousands of men, women and children of all walks of life, and all origins, who contributed generously to the fund throughout Canada. Governments, too, were generous. The federal government contributed $1,300,000; the Province of Ontario, $500,000; the Province of Quebec, $75,000, and lesser amounts came from the Provinces of British Columbia and Alberta, the municipality of Metropolitan Toronto, and the Borough of York. Other jurisdictions of which I am not aware may have contributed to the fund, and I am sorry that I do not have complete information so that I might acknowledge all government contributions on this occasion.

There was constituted soon afterwards an *ad hoc* committee of 32, representing the major fund-raising centres of Canada. Acting in the name of the National Congress of Italian Canadians, an umbrella organization of clubs and associations, the *ad hoc* committee brought together into a common fund the proceeds of the various fund-raising groups. By uniting all the resources in a single project it was possible to realize and co-ordinate assistance more effectively.

Looking back, the project can be subdivided into three stages. First was the fund-raising campaign, which was believed originally to be the whole project. The proceeds, it was thought, would be turned over to some government agency and that would be the end of it. However, the generous response and the amount collected changed all that.

• (2120)

Second was the planning stage. Members of the committee went to Friuli on a fact-finding mission and reported that housing was the most pressing need. A plan was devised for the construction of 181 houses and two senior citizen homes in the towns of Taipana, Venzone, Bordano, Pinzano and Forgaria, and tenders were awarded.

The third stage consisted of supervising the construction and seeing it through to completion, as well as the allocation of the dwellings and the necessary preparation for the official inauguration.

I have deliberately avoided mentioning names because it would be impossible to do justice to the many people who participated and contributed. However, I am going to make an exception in the case of Messrs. Primo Di Luca and Marco Muzzo. They were prominent during all stages, but more specifically during the last stage. The responsibilities they undertook required them to travel back and forth to Italy many times, which they did at their own expense.

Perhaps for the first time in the history of international aid, governments of three jurisdictions had entrusted their contributions to a group of individuals to carry out a project in the name of Canada.

This single act, in itself, is an eloquent testimonial and perhaps the highest compliment that can be made to the members of the *ad hoc* committee of 32 and the National Congress of Italian Canadians. Governments and individual donors to this cause can rest assured that their money was well spent. At this time there are approximately 830 Friulani who, after living for two years in temporary housing, can now rest and relax in permanent and earthquake-proof dwellings. It is somewhat of a miracle that a project of this magnitude could be realized in less than 18 months, the time during which the plan was conceived, the land sites expropriated and the construction completed. Without the speedy co-operation of the region and the municipal councils, such an undertaking could not have been realized. This project has been described by the President of the region, Mr. Comelli, as the largest project since the quake. He said that the Italian government, after having provided temporary shelter, concentrated on rebuilding schools and factories so that Friulani would not have to take the traditional route of emigration from Friuli. Now that such reconstruction has been achieved, they are going to concentrate on building houses. Until a couple of decades ago, 80 per cent of the people of the area were employed in agriculture. Now there are fewer than 20 per cent in that field, as the region underwent an unprecedented change during the industrial boom.

Friuli is situated in the northeast corner of Italy. It borders on Austria and Yugoslavia. It is one of five autonomous regions of Italy. It is subdivided into four provinces with a total population of approximately 1.5 million. It is estimated that approximately 50,000 Friulani have come to Canada at different times. The region has witnessed the ravages of drought, floods, invasion and wars. Friulani have been tempered by these events, so they have learned to cope with adversities. Perhaps for the first time in its history there were men wearing different military uniforms who were there to help and assist. I had occasion to see that myself when an editor of the Toronto *Daily Star* asked me to accompany one of his reporters, Mr. Joe Serge, to the quake area so that Canadians would get an eye witness account of what was happening there. I know the area, as I was born in the town of

Bertiolo not far from our destination. During the four days we were there we saw Yugoslav ambulances, Canadian, American and German soldiers, French firefighters, Austrian and Swiss Red Cross personnel. It seems that in times of tragedy nations know how to show their solidarity. I wish we had the wisdom to do the same in all our international dealings at all times.

After two years of real commitment and long working sessions the members of the *ad hoc* committee were looking forward to the inauguration of the project. No one had anticipated it would have taken this long, and the members were anxious to see its completion. The inauguration preparations were not without anxieties. The political developments in Italy and the kidnapping of Mr. Moro gave rise to the possibility of postponement. In considering postponement we had to take into account the administrative elections in mid-May and the regional election in June. For these reasons we proceeded with the original plan, and, as it turned out, all went well.

Present at the official ceremonies was a large Canadian delegation headed by the Honourable Norman Cafik, Minister of State responsible for Multiculturalism; the Honourable Monique Bégin, Minister of Health and Welfare; Senator Rizzuto; the Honourable Dennis Timbrell, Minister of Health of Ontario; the Honourable Jacques Couture, Minister of Immigration of Quebec; Mr. Tesolin, M.L.A., Alberta; Dr. L. Leone, President of the National Congress of Italian Canadians; Mr. Roger Bull, acting Canadian Ambassador; Mr. Croato, President of the Federation of Fogolars Furlans of Canada; Alderman Joseph Piccininni; members of the *ad hoc* committee; members of the media and many sympathizers.

The Government of Italy was represented by the Honourable G. Stammat, Minister of Public Works; Honourable Bressani, Undersecretary of State to the President of the Council; Mr. Comelli, President of the Friuli Region; the Prefects of Udine and Pordenone; many members of Parliament and Regional Council; Mayor Candolini of Udine; Messrs. Tomasini, Sachetto, Fabris, Cedolini and the Honourable Colomba, respectively mayors of Taipana, Venzone, Pinzano, Forgaria and Bordano. Also present were Messrs. Pascatti and Benini, who had provided valuable assistance and advice throughout the project; Professor Valerio of Friuli Nel Mondo; Monsignor Copolutti and Mr. Aldo Bernadis, projects architect.

There were distinct opening ceremonies in each of the five towns. Everywhere we saw posters thanking Canada. In each of the towns there is a street or a square which carries a Canadian connotation such as "Borgata Canada"—Canadian Hamlet. All ceremonies were impressive and moving, but the most solemn took place in Venzone, a town of 550, which lost 54 of its people and 95 per cent of its buildings in the earthquake. There, in Piazza McBride, situated in the centre of the 92 Canadian houses, hundreds of residents, visitors and members of the official party stood at attention in the heavy rain which started shortly after the ceremony began. Mayor Sachetto unveiled a memorial monument in honour of the late Captain Robert McBride. Mrs. McBride was present, having been flown in for the occasion. A platoon of Alpine infantrymen stood at attention as a lone bugler played the Last Post. Two Italian soldiers placed a tricolour wreath at the foot of the monument. Everyone wept as 30 grade school children all dressed alike filed in front of the monument, each one placing a mini-Canadian and Italian flag in front of the monument. The local band played the two national anthems. Members of the official party waited on the platform to make some appropriate remarks. The Honourable Norman Cafik, after presenting the keys to one of the houses to one of the residents as symbolic gesture, said in response to the gratitude expressed by Mayor Sachetto and President Comelli, that it was Canada which owed Italy a debt of gratitude. He referred to the many Canadians of Italian origin who have contributed to the development of Canada and the cultural enrichment of our nation. The people continued to stand in silent reverence, reliving the tragedy that had befallen their town, in an emotionally charged atmosphere, oblivious of the rain, as Mr. Gilbert of the Canadian Embassy translated Mr. Cafik's remarks.

● (2130)

The official ceremonies having come to an end, the celebration of Canada-Friuli friendship continued from April 27 to May 9, it having been proclaimed by the Canadian Ambassador to Italy, His Excellency D'Iberville Fortier, who was regrettably absent on this occasion for reasons of health. Big posters overhanging the main streets of Udine, the capital of the province, signified this important event. This celebration of friendship was manifested through the distribution of information and the showing of films on Canada to schools and cultural institutions. Each day there was a different program. The people of Friuli learned a great deal about Canada. As a result, I can say without hesitation that relations between the two countries have never been closer than they are at the present time.

The solidarity shown by Canadians after the earthquake contributed in a meaningful way to the friendship between Canada and Italy. I wish to thank personally all those people who participated, whether financially or physically, in the realization of the Friuli project.

The Hon. the Speaker: As no other honourable senator wishes to participate, this inquiry is considered as having been debated.

INCOME TAX

MOTION TO AUTHORIZE BANKING, TRADE AND COMMERCE COMMITTEE TO STUDY LEGISLATION—DEBATE ADJOURNED

Hon. Salter A. Hayden moved pursuant to notice:

> That the Standing Senate Committee on Banking, Trade and Commerce be authorized to examine and consider the subject matter of any bill based on the Budget Resolutions relating to income tax in advance of any such bill coming before the Senate, or any matter relating thereto.

He said: Honourable senators, this type of motion is well understood by the Senate. It is a recognized practice when dealing with complicated bills which will require considerable study and which are likely to be slow in coming to us from the other place. Invariably, they are referred to the Senate at or about the time that we are looking at either a summer recess or a Christmas recess.

The idea of this motion is to afford the opportunity of a prestudy so that the pressures that ordinarily accompany the approach of these recess periods may be avoided and proper consideration given to bills of this kind.

Senator Flynn: Honourable senators, as it is my intention to make a few comments on this motion, I move the adjournment of the debate.

On motion of Senator Flynn, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, May 24, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

[*Translation*]

NATIONAL UNITY

CONGRATULATIONS TO TORONTO BASEBALL CLUB

Senator Wagner: Honourable senators, yesterday I put a question to the Deputy Leader of the Government and it was suggested to me that I should proceed through a motion. I will therefore do so hoping to get the same unanimous response as shown in the other place.

I therefore move, seconded by the Honourable Senator Goldenberg:

> That the Senate unites in commending the Toronto Blue Jays organization and team and Mrs. Ruth Ann Wallace, for their presentation of Canada's National Anthem during the Victoria Day Weekend, thus showing their confidence in a united Canada and in both official languages of the country.

Motion agreed to.

[*English*]

DOCUMENTS TABLED

Senator Langlois tabled:

> Copies of Report of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting compensation plan between British Columbia School Trustees Association West Kootenay Employers' Organization, British Columbia and the group of its clerical and maintenance employees, represented by the Canadian Union of Public Employees Locals 748, 1285, 1298, 1341 and 2098 (formerly 343). Order dated May 12, 1978.

CURRENCY AND EXCHANGE ACT

BILL TO AMEND—REPORT OF COMMITTEE

Senator Hayden, Chairman of the Standing Senate Committee on Banking, Trade and Commerce, reported that the committee had considered Bill C-39, to amend the Currency and Exchange Act, and had directed that the bill be reported without amendment.

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

Senator Hayden moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

● (1410)

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—REPORT OF COMMITTEE

Senator Everett, Chairman of the Standing Senate Committee on National Finance, reported that the committee had considered Bill C-10, to amend the Financial Administration Act, and had directed that the bill be reported without amendment.

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

Senator Everett moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

VETERANS AFFAIRS

MEALS AT SUNNYBROOK HOSPITAL—QUESTION

Senator Marshall: Honourable senators, I wonder if I could ask the Deputy Leader of the Government what the position of the government is, and particularly that of the Minister of Veterans Affairs, with regard to the inhumane decision made by the board of directors of Sunnybrook Hospital to deny a hot breakfast to veterans who have been confined there for many years. It is intended that these veterans be served a cold breakfast, resulting in a saving of a few thousand dollars. It is, indeed, an inhumane decision to make against the veterans of Canada.

Senator Langlois: Honourable senators, unfortunately I do not have this information at hand, but I will inquire and report back to the chamber as soon as possible.

NATIONAL REVENUE

INFORMATION SERVICES—QUESTION

Senator Smith (Colchester): Honourable senators, I should like to direct a question to the Minister of National Revenue. It relates to a document headed *Communiqué—Revenue Canada, Customs and Excise.* On the outside it has a blue sheet purporting to give additional information about the sales threshold to $50,000 for small manufacturers, and at the bottom it bears the words, "Information Services, Ottawa" and gives a postal address and a telephone number. Obviously, it is not the same organization that put out the pieces of paper which are between the blue covers because there is a different

telephone number there. I should like to ask the minister what information services these are.

Senator Guay: Honourable senators, the first number is that of Mr. Bourgeois who is in the department at the Connaught Building. He can be reached very easily, as is indicated here, by phoning that number. The other one is a regular information service number. It is there on a permanent basis. The first number that we suggest you contact is that of the man in charge. He will give you the information pertaining to this particular communiqué.

Senator Smith (Colchester): Perhaps I did not make my question as clear as I should have. Who are these Information Services? Are they part of the minister's department or are they some other organization?

Senator Guay: Again I will repeat that Mr. M. P. Bourgeois, phone number 998-9640, is a member of the staff of Revenue Canada. I think that was clearly said in the first instance.

In regard to the other information which is printed at the bottom of the form, that is a regular service that has been in existence for some time, and it also pertains to Revenue Canada when it comes to a communiqué such as this one.

Senator Smith (Colchester): Just to get the matter perfectly clear, is the minister saying that the Information Services referred to in this document are part of his department?

Senator Guay: My answer to that is yes, except to say that the bottom telephone number will put one in touch with information on a variety of subjects which one may require in dealing with the department, whereas the first number will put one in touch with Mr. Bourgeois, who has particular knowledge of this communiqué.

[*Translation*]

FOREIGN AFFAIRS

KOLWEZI MASSACRE—QUESTION

Senator Wagner: I should like to put a few questions to the deputy government leader with regard to foreign affairs.

First of all, can he assure us that there were no Canadian citizens among the victims of the Kolwezi massacre in Zaire?

Secondly, to his knowledge, are there still Canadian citizens in the Shaba province and, if so, what steps have been taken to guarantee their safety and, in due course, their transportation to a safe area, in case the Zaire rebels now quartered in Angola should renew their attacks?

Senator Langlois: Honourable senators, I really cannot add anything to the information given the Senate last week by the leader when he answered a similar question and advised us that, according to his information at that time, there were no Canadian nationals in the immediate combat area but that it was possible there were some just a few kilometers away.

With regard to whether Canadian nationals were victims of that invasion, I have no information on the matter, but I shall take up the matter immediately with the Department of External Affairs and pass on the information as soon as I have it.

Senator Wagner: Honourable senators, I have a supplementary question. Does the government have any information on the nationality of the military instructors now serving with the Zaire rebels in Angola? More specifically, could he confirm the report to the effect that these instructors are of Cuban nationality, in spite of the fact that Havana has stated most emphatically that no Cuban troops took part in the massacre?

Senator Langlois: With respect to this supplementary question, honourable senators, I must rely on the statement which the Prime Minister made yesterday to the effect that Cubans seem to be involved in this conflict. The Prime Minister even announced to the house, in reply to a question from, I think, the Right Honourable John Diefenbaker, that Canada was not considering any new assistance programs to Cuba, especially in view of that country's activities in Africa.

I have nothing to add to this information which was provided yesterday in the House of Commons by the Prime Minister, but I shall seek further information and advise my honourable friend accordingly.

[*English*]

Senator Wagner: With the permission of honourable senators, I should like to ask a further supplementary question.

On the larger issue of peace and security in Africa, has the government any plan either to initiate or to support diplomatic discussions in order to ensure that the Angolese authorities will not tolerate any more the presence on their soil of armed guerrillas, such as those who engineered the Kolwezi massacre?

Senator Langlois: Again, honourable senators, the answer to that question will require some expertise that I do not have. I shall seek the information from the Department of External Affairs and report back to the Senate as soon as possible.

• (1420)

CANADIAN NATIONAL RAILWAYS CAPITAL REVISION ACT RAILWAY ACT

BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Langlois for the second reading of Bill C-17, to amend the Canadian National Railways Capital Revision Act and the Railway Act and to amend and repeal certain other statutes in consequence thereof.

Hon. Léopold Langlois: Honourable senators—

The Hon. the Speaker: Honourable senators, I must inform the Senate that if the Honourable Senator Langlois speaks now, his speech will have the effect of closing the debate on second reading of this bill.

Senator Langlois: Honourable senators, at the outset of my remarks I should like to express my gratitude to the Honourable Senator Roblin for his expression of appreciation for what

he described as my succinct and effective way in presenting the government's case with respect to this bill.

However, soon after this, my honourable friend added, and I quote from page 786 of Senate *Hansard* of May 17 last:

> As I listened to the rationale that was presented last night by Senator Langlois, I was struck by how similar his argument was to the argument that was used in the presentation of Bill C-308 in June 1952, 26 years ago, when Parliament was asked to convert $736 million-worth of debt to equity, as we are being asked to do today and for roughly the same reasons.

Then on the following page he carried on, and I quote again:

> And if the reputation of the honourable senator who introduced the bill was not above any challenge whatsoever, I might even accuse him of plagiarism in the speech he gave last night in respect of the matter that is before us.

As I acted as parliamentary assistant to two Ministers of Transport from 1953 to 1957, and in that capacity was contemporary indeed with the implementation of the 1952 revision, it is possible that quite inadvertently I borrowed some of the arguments used in support of that 1952 capital revision. It is worth noting that although the 1978 revision is quite different from that of 1952, the objectives of both revisions are quite similar. But I shall revert to this aspect of the matter later on in my remarks. On the other hand, I have read the debate on the present bill in the other place and in its committee, and I must confess in all honesty that I was unable to find any major discrepancies between the remarks made by opposition members there and those of my honourable colleague here. However, I readily admit that the subject matter of the present bill does not allow much leeway for anyone debating it.

However, I was particularly struck by the close similarities of my colleague's remarks to the contents of a letter and a memorandum sent to the Minister of Transport on January 17, 1978, by Mr. Ian Sinclair, President of CP, entitled "A Perspective on Bill C-17" in which is to be found the same quotation from a message of the late Donald Gordon to CN employees after the 1952 revision, which quotation was repeated by the Honourable Senator Roblin in his address of last Wednesday in this house. However, although these similarities are not very likely merely coincidental, I am not even suspecting my colleague of plagiarism, as he did in my case the other day. I would rather see an explanation for his apparent inspiration in his past close association with CP interests when he occupied the important functions of President of Canadian Pacific Investments Ltd., Chairman of Marathon Realty Co. Ltd., Vice-President and Director of Canadian Pacific Securities Ltd., Director of Canadian Pacific Hotels Ltd., CanPac Leasing Ltd., CanPac Minerals Ltd., Cominco Ltd., and others which I need not recite here. I am merely giving the source of my information which is the 1973-74 edition of the *Directory of Directors* at page 439 which confirms my research of the CP report for that same year.

[Senator Langlois.]

Having said that, I wish to comment on the speeches of all those who participated in this debate, in particular that of Senator Smith (Colchester), who last night, in a very interesting address, dealt with some aspects of this bill that had not been dealt with by those who spoke before him, although some of these issues were raised in the other place. I will attempt to reply to the many questions and issues that were raised by Senator Roblin, Senator Smith (Colchester) and other senators who have so far participated in the debate. However, I will do so at random, not necessarily following the order in which the questions were raised but following rather the order in which I myself took note of these various issues. I will attempt to provide some answers which hopefully will clarify the situation. More specific and in-depth information will no doubt be provided before the Standing Senate Committee on Transport and Communications once the bill has received second reading.

The first issue I wish to discuss is the one having to do with the recapitalizations of 1937 and 1952 and the $808 million of unrecorded depreciation.

A knowledge of CN history is important in this debate, and very few of those who have participated have done a recapitulation. In order to understand fully the implications and reasons behind this bill we must do that, and I will endeavour to do so as briefly as I can.

Since the creation of CN in 1919, different governments have followed various policies with respect to CN, particularly as they related to using the company as an instrument of social and economic policy, while following some commercial objectives. However, this issue cannot be evaluated without a brief outline of CN history to date.

Senator Roblin: May I interrupt my honourable friend? Has he finished making his personal references to myself? If so, I have a statement to make.

Senator Langlois: Yes, I have finished that, but I have the floor, and unless the honourable senator wishes to ask a question—

Senator Roblin: No, it is a question of privilege.

Senator Langlois: On a question of privilege, go ahead.

Senator Roblin: I think my honourable friend has, at least by innuendo, suggested that I have been the recipient of a letter from the Chairman of the Canadian Pacific Railway and that I have been quoting that letter in this house. I wish to say that that innuendo, if it exists, is inaccurate, and that to my knowledge I received no communication whatsoever from anybody in Canadian Pacific Railway with respect to this debate. In view of the nature of the subject under discussion, I think it only right that I should make that clear so that my honourable friend will be under no misapprehension on the subject.

The second thing I should like to say to him is that perhaps it would also be advisable, for the information of the house, to indicate that he did not do me the credit of listing all the offices I held in connection with Canadian Pacific Investments in days gone by. He might perhaps have done me the justice of pointing out that I had resigned them all. I not only resigned

them all, but I resigned then in 1974, under circumstances which I need not go into in detail. But I think the implication that my speech in any way represented a statement that was not my own, or interests that were not my own, is not correct, and as a point of privilege I want that to be cleared in this chamber.

• (1430)

Senator Langlois: Honourable senators, I am pleased that Senator Roblin raised this question of personal privilege; but I was in a similar position the other day when I was implicitly accused, and more directly than the honourable senator, because today I did not accuse him of anything, and I clearly said so. He is using his imagination when he says that by innuendo I did so. I spoke of the honourable senator's past association, and I gave the source of my information as being the *Directory of Directors* for 1973-74. I did not imply that my honourable friend was still holding these positions with the CPR subsidiaries; and I referred also to the CPR financial report of the same year, 1973-74. So I do not think my honourable friend should be worried by the so-called accusation.

Senator Flynn: For what purpose did you do it?

Senator Langlois: Because I was accused of having copied someone else. I found there were similarities between the information I divulged today and the speech of the honourable senator. I cannot see why he should not expect to have a rebuttal on this very point.

Senator Grosart: Shame!

Senator Flynn: From you he should have expected that, there is no doubt.

Senator Roblin: Honourable senators, I will accept my honourable friend's apology, and in return I will withdraw any suspicion of plagiarism.

Senator Langlois: I will accept that. Honourable senators, this small tempest in a teapot being over, I should like to carry on with my remarks. I was about to deal with issue No. 1, being the recapitalizations of 1937 and 1952 and the $808 million of unrecorded depreciation. I was about to do a recapitulation of the history of the CN since its inception in 1919. Various governments have followed various policies with respect to CN, particularly as it relates to using the company as an instrument of social-economic policy while following some commercial objectives. This is particularly evident. At the outset, CN was created with a capital structure which consisted of 100 per cent debt, while in the same period CP had a debt-equity ratio of 26 per cent to 74 per cent.

Additionally, in the years from 1923 to 1931, the government funded the deficit of CN resulting from a collection of insolvent companies by further loans.

Clearly the governments of the day during that period had no intention of establishing a company which would commence operations on a commercially viable basis. The recapitalizations of 1937 and 1952 continued to make provisions for massive infusions of government funds, as well as mixed social and commercial objects.

The 1952 recapitalization in particular provided vehicles for significant infusion of government funds, and therefore tended to break down the discipline required to ensure effective, viable commercial objects.

In addition, "the legacy of the past," as we often call it, was still present in that some $808 million of unrecorded losses were not recognized until 1976 when the adjustment was made for losses attributable to years prior to the adoption of depreciation accounting in 1956, as per the Uniform Classification of Accounts of the Canadian Transport Commission.

The $807.8 million amount was established by the CN in 1976 only, in full consultation with the Parliament-appointed auditors, Coopers & Lybrand, chartered accountants, and in keeping with generally accepted accounting principles in this regard. It is included in the balance sheet of the 1976 CN Annual Report, as honourable senators know.

It should be noted that the proposed debt to equity conversion is not based on the above correction of the CN recorded depreciation.

As an aside, it is interesting to note that if instead of performing the careful calculation it did, CN had simply adopted the position that its ratio of accumulated depreciation to asset cost should be equal to that of the CP, then the indicated adjustment would have amounted to about $1.1 billion.

Now I come to issue No. 2, which was raised in the form of a question: Has CN over invested in the last 20 years? It can be said, of course, that CN investments have been of a higher percentage than those of CP Rail in the last 20 years; that is, an increase of 56 per cent in CN versus an increase of 44 per cent in CP Rail. On the other hand, this should not be considered as an over-investment, since CN has been able to come back to its 1956 level of net income of $26.1 million as compared to its 1977 level with a net income of $28 million. CP Rail had a net income of $55.6 million in 1956 and a net income of $54.8 million for the year 1977. CN has been able to keep its total cost increase in line with its revenue increase in spite of a much higher debt to equity ratio than CP and in spite of a much higher burden of unprofitable passenger services and in spite also of a higher debt interest cost than CP Rail had.

It can be said that many of the CN Rail investment programs, in which the CN took the lead over CP Rail, have proven to be very productive. However, it is the desire of the government that CN exercise in the future more financial restraint before proceeding with capital budgets.

Now I come to issue No. 3. Many senators and members of the other place have claimed that there is a need, recognized by all parties, to improve the accountability and control of Parliament and government over crown corporations and that the passage of such a bill should await the recommendations of the royal commission, that is, the Lambert Commission, and the passage of the legislative package to be introduced with

respect to crown corporations. There were suggestions also that the bill be amended to provide the means for Parliament to better control CN in light of the CN performance over the past 20 years.

The system's lack of profitability during the last 20-year period is a reflection of the disadvantage of the undertaking, including its inappropriate initial capitalization and the costly process of melding the predecessor companies facilities into a unified system.

Profitability has, indeed, improved in recent years. However, it is clear that unless the intended recapitalization is fully implemented, the company will not be able to achieve comparability with successful privately owned railways.

● (1440)

It should be noted, however, that between 1956 and 1976, CN has kept its increase in total costs in line with its revenues. CN did better than CP Rail in this respect, and I give one example of this. The CN 1956 net income was $26.1 million, and the 1977 net income was $28 million. On the other hand, the CP Rail net income was $55.6 million in 1956, and the 1977 CP Rail net income was down to $54.8 million.

I believe this indicates that current CN management does not need additional control besides what is generally intended to be done through the proposed crown corporations bill. Therefore, to my mind there is no reason to further delay the passage of this bill.

Reference was made last night in this house by Senator Smith (Colchester) to pensions and related matters, and I am going to deal extensively with this important subject. In order to achieve this I am going to put this issue in the form of questions.

Question No. 1: What were Dr. Noel Hall's main recommendations and what is expected to come out of his report on railway pensions?

Answer: Dr. Hall considered that the central issue is the effect of inflation on railway pensions. He calls for immediate improvements to the Canadian Pacific pension plan to bring it in line with the Canadian National pension plan. Dr. Hall recommends, and I quote:

> Retired employees of the CPR should be granted the same level of increase in pensions since retirement as those granted by the CNR to its retired employees. These increases have been approximately 2 per cent annually each year since 1970, and should apply to all those retired prior to January 1, 1973. These increases should also apply to those in receipt of survivor pensions.
>
> That the provisions in the CPR pension plan terminating survivor benefits upon the remarriage of the eligible widow or widower, be removed.

A further recommendation is that the provisions of the CPR pension plan requiring marriage five years prior to the death of the employee or pensioner in order to qualify for a survivor's pension be reduced to one year.

[Senator Langlois.]

A final recommendation from which I wish to quote this afternoon is that the provision in the CPR pension plan limiting eligibility to employees hired before age 40, be changed to read, "hired before age 60."

Dr. Hall's report gives the highest priority to the welfare of existing pensioners and survivors. To assist them, he recommends for consideration by the parties the creation of a "Heritage Fund" based on a levy of 1 per cent of existing payrolls, shared equally by current employees and the companies, to provide full adjustments for past increases in the cost of living.

At the recent negotiations a modified version of Dr. Hall's "Heritage Fund" concept was agreed to. It is not anticipated that any other changes will evolve from his report.

Dr. Hall compared the railway pension plans in all their aspects with plans in the public and private sectors. He concluded that the railway plans compare favourably with the best plans in the representative groups selected from the private sector. The most important difference between the public sector plans and those covering railway employees is that five of the nine public plans in the study provide full indexation of current pensions.

Dr. Hall stressed in his report that he should refrain from making specific recommendations where the evidence clearly suggests that the unions and the railways are capable of dealing with pension issues through established collective bargaining procedures. Significant improvements to the railway pension plans have been made since 1973, when pensions became a bargainable issue.

Question No. 2: What are the unfunded liabilities of the CN and CP pension funds?

Answer: CP, as at December 31, 1977, $868 million; CN, as of the same date, $1,072,018,348.

Question No. 3: Are the pension funds being manipulated?

Answer: The CN pension trust funds are maintained independently of any company funds. These are invested and controlled by the provisions of the Pension Benefits Standards Act and Regulations, and are subject to annual audit by the government auditors. CN pension funds have never been manipulated.

Question No. 4: How much of the pension fund is invested in CN, and at what interest rate?

Answer:

Due	Coupon Rate	Amount
1 February 1981	4%	$3.9 million
1 January 1985	5¾%	10.6 million
1 October 1987	5%	19.4 million
		$33.9 million

Of course, I hasten to add that these interest rates were the going rates at the time these securities were issued. The $33.9 million held by the pension fund is only 7 per cent of the total of these three issues, totalling, in all, $505 million. The remaining 93 per cent is held by the public.

Question No. 5: Should the pensions of retired railway employees be increased on the same basis as for current union employees?

Answer: Improvements in pension benefits have never been applied retroactively. Employees retire and receive the benefits provided by the plan at their retirement date. I do not foresee any change in this philosophy; however, *ad hoc* increases have been granted to certain pensioners and widows since 1971. At the recent negotiations a modified version of Dr. Hall's "Heritage Fund" concept, to provide for the escalation of existing pensions in the year 1978, was agreed to.

Now, I pass on to issue No. 5 relative to competition. On the question of competition, it is worth noting that the $808 million debt to equity conversion is not intended to improve CN's competitive position over CP trucking or other CN related businesses. It is intended to place CN in a responsible financial framework so that it may stand on its own feet—that is, outside of government appropriations—and to sustain such a position. It would not be possible for CN to sustain such a position if, for example, freight rates were not allowed to continue to increase in line with the increasing costs with due recognition to the normal forces of competition. For example, in looking at the unit cost aspect, which is the basis for establishing the minimum rates, such a debt to equity conversion does not have any impact, since CN and CP are using the CTC approved figure for the cost of money. The CTC bases for determining the cost of money are, indeed, the CP financial parameters and not those of CN. The unit cost basis used to establish freight rates is not modified by this proposed debt to equity conversion. Inasmuch as costs are used to set freight rates, CN is not improving its competitive position with the passage of this bill.

● (1450)

I now come to issue No. 6 which deals with rate discrimination. The question asked there is: Is CN going to expand its domestic container fleet to kill truck competition?

CN and CP have more than 80,000 boxcars. At this time there is no indication whatsoever that containers on flat cars will replace these boxcars. If there are indications of any attempt by the railways—and I include both major companies—to kill the trucking competition, this should be brought to the attention of Transport Canada and the CTC. If need be, the rule of competition could be modified to fit changing conditions.

Issue No. 7 also deals with rate discrimination.

The Canadian Trucking Association is accusing the railways of "rate discrimination" and so-called "dirty tricks," favouring the railway's own trucks over other trucks, particularly for highway movement of containers and piggyback trailers.

Transport Canada officials contacted the association to seek specific documented examples. They were advised that past cases of such discrimination have been corrected by CN and CP. However, the association has advised Transport Canada officials that they are in the process of documenting current occurrences of rate discrimination or dirty tricks.

The Minister of Transport has, therefore, advised the association that specific examples of rate discrimination should be documented and brought to the attention of the minister and the CTC in order that corrective action can be initiated.

I now come to issue No. 8 which deals with the fact that the government is under no legal obligation to purchase the 4 per cent preferred stock of CN.

It is true that the government has not been under any obligation to purchase the preferred stock of CN since 1961. However, it has been used as one of the mechanisms by successive governments, including a Conservative government, to infuse needed funds into CN. As a matter of fact, serious consideration was also given by the Ministers of Transport, of Finance, and of Treasury Board, as a substitute to Bill C-17, to increase the purchase of the preferred stock. Because of the current fiscal constraints and the concerted efforts on behalf of the government to reduce its expenditures, this option was rejected. A debt to equity conversion of the $808 million was adopted as the preferred option. This bill puts CN on a financially stable basis without the need of government appropriations.

CN will be in a position to raise its future capital investment requirements on its own; it therefore satisfies the general government desire to reduce its own cash requirements; and it normalizes the CN's shareholders' equity as shown in the CN Annual Report to aid CN in money market activities.

I now come to issue No. 9 which deals with the profits of CN and the claim that CN is now making a profit, and has projected profits without Bill C-17, and that, therefore, this recapitalization is not needed.

A further claim is that CN is now making a profit and is projecting profits for the next five years without this bill and with its current financial structure. The CN projected profit position with this recapitalization may be too healthy for such a crown corporation, and it would be wise to await the impact of relieving CN of its financial constraints before going ahead with such a recapitalization.

The examples given were the transfer of passenger service to VIA Rail; the adjustment in the Crowsnest rate; the government expenditures in the purchase of grain hopper cars and in the rehabilitation of the Prairie branch lines; the relief to be expected for Newfoundland operations, and so on.

Under this bill, CN must pay a minimum of 20 per cent of its net income to the government as dividends. The remaining profits as projected are required to sustain CN's debt to equity ratio at the same level of that of its main competitor, CP Rail.

Issue No. 10 raises the question: The 1952 recapitalization did not work. Why should this one work?

The 1956 recapitalization, as I stated earlier, is quite different in many aspects from that being proposed in this bill. Bill C-17 differs significantly from the two previous recapitalization bills, those of 1932 and 1956, in that it provides the means for CN to stand on its own feet on a commercial basis and outside the government's annual appropriations. Being put on a similar debt-equity basis as CP, it is the government's

intention to allow CN to operate on a commercial basis and to ask CN to conduct its affairs with a commercial attitude. This will facilitate the government's assessment of CN's performance and provide CN management with the unambiguous criteria for decision-making and avoid the possibility of over-investment.

● (1500)

In summary, Bill C-17 creates a capital structure for CN, which is believed appropriate for a mature corporation. It will provide the means for CN to run its operations on a commercial basis while raising the necessary funds for its capital projects in the market place. At least the Canadian people can expect to receive a return on their equity in Canada's largest crown corporation. The CN management will be responsible and accountable to manage a financially viable self-supporting institution.

The government is confident of the ultimate effectiveness of Bill C-17 to achieve its objectives with due regard to competition. The main thrust of the present legislation is to make CN more accountable for its own financing and end the need for government dependency. For that reason it should be supported by those who believe in a competitive free market system.

I come now to issue No. 11, the thrust of which was that CN, having been able to raise the necessary financing on its own, so far with a double A rating, does not seem to need this bill to carry on and obtain the necessary funding from the money market. This was done with the full knowledge of the investors. Honourable senators will agree that the government had a moral obligation to continue to purchase some $80 million worth of preferred stock every year. Without this, the situation could have been quite different.

Issue No. 12 raised the following question: What is the primary role of CN? The primary role of CN is to run effectively the business which they have now broken down in profit centres—that is CN Rail; Grand Trunk Corporation; CN Telecommunications; CN Trucking; CN Express; CN Passenger; CN Hotels; CN Marine, and others.

I should mention in passing that Grand Trunk Corporation is a corporation which was incorporated in the United States as a holding company for the Canadian National subsidiaries operating in that country. The incorporation took place in 1971 following an order in council authorizing it.

In the long term the growth and expansion of these profit centres must be done to satisfy the needs of this country in a cost-effective manner with good use of scarce resources; to be self-sufficient; and to receive compensation for non-economic services which must be kept in the name of the public interest.

There were many other issues raised regarding what the government's policies were on transportation in Canada. There was some criticism raised of the user-pay concept—which I do not need to explain because it is well known what it means—freight rate structures, and intermodal competition. The rules of competition are within the National Transportation Act, and revisions have been recognized in Bill C-33.

[Senator Langlois.]

As an addition, I should like to remind honourable senators that Bill C-33 died on the order paper at the end of the second session of this Parliament. The minister indicated recently that he would be prepared to reintroduce the bill provided he had some assurance from the opposition that it would receive passage in a reasonable time. National transportation policies are well known and could be resumed in this fashion.

There are many factors which would influence the development and operation of the transport system in Canada. Some of these factors are external, such as the growth of world trade, the demand for Canadian exports, and existing and future agreements with foreign countries. Others are domestic in origin: economic growth and the resulting demand for efficient freight and passenger transportation, concern about energy conservation and the environment, and the need to redirect the pattern and nature of urban and regional development. All these could have a marked influence on the future development of the transportation system.

The principal objectives of Bill C-33 are that a new transportation policy is necessary in Canada so as to assure it is efficient; is an effective instrument of support for the achievement of national, regional and socio-economic objectives; and provides accessibility and equity of treatment for users. Bill C-33 also states the principle applicable in achieving the new objectives.

The Government of Canada should establish national policies respecting the various constituent parts of the transportation system, and it is the responsibility of the commission, within its statutory jurisdiction, to ensure adherence to such policies.

In major aspects of the process relating to the development and economic regulation of the transport system, there should be co-operation between the various levels of government as well as consultation with the public.

In the planning and development of transportation services designed to achieve a particular purpose, consideration should be given to all means of achieving that purpose, including means that do not involve a mode of transport.

Competition within and between modes of transport should be encouraged where economic and technical factors permit. In the provision of transportation services there should be opportunity for both public ownership and private ownership of carriers, and also for national, regional and even local carriers with Canadian-controlled or publicly-owned carriers being an objective. Any conflict between public and private objectives should be resolved in favour of the public interest.

Commercial viability should be an objective, both in the operation of transportation services and in the provision of facilities and services in direct support thereof.

Where the implementation of a particular policy of the government requires departure from the objective of commercial viability referred to above, the benefits and costs involved should be identified and a relevant addition of costs assumed directly by the government.

• (1510)

This principle was renewed in the other place on February 7 last by the Honourable Otto Lang. I quote from page 2622 of *Hansard* of the other place, as follows:

> —Crown corporations are to operate as efficiently and effectively as possible. In our view, we should not cloud their performance by imposing obligations upon them to carry out even good public services unless we are prepared to quantify the cost of that public service and to pay the price for it directly.

One of the other objectives of this transportation policy is that where effective competition exists, transportation rates and services should be established through the working of the market mechanisms. Where no effective competition exists, transportation rates and services should be so regulated as to provide transportation users the same protection as they would have if effective competition existed.

Where competitive services are available but public assistance is considered necessary to support a policy of the Government of Canada, such assistance should be made available in such a way so as not to distort the selection by the user of the most appropriate mode of transportation.

Finally, special measures, insofar as they are necessary, should be adopted to avoid undue disruption of the transportation services essential to the national interest.

Before concluding my remarks, I should like to put certain figures on the record relating to the debt-equity ratio of both CN and CP over a period from 1923 to 1975.

DEBT TO EQUITY RATIO

Year	CP	CN
1923	26%	100%
1937*	37%	65%
1952*	35%	55%**
1975	36%	62%
after proposed debt to equity conversion	36%	42%

* After the capital revision

** After giving recognition to the unrecorded depreciation and by reducing the reported value of the equity accordingly as reflected in the CN 1976 Annual Report and as approved by the Government appointed Auditors.

Mention was made during the course of the debate of the subsidy received by CP. I have a table showing the subsidies paid to the railways by CTC during the period 1976 to 1977, which is as follows:

RAILWAY SUBSIDIES EARNED IN RESPECT OF THE FOLLOWING YEARS AS PAID BY CTC AS OF DECEMBER 31, 1977

($ Million) (Rounding)

	CN		CP	
	1976	1977	1976	1977
Passenger	145.1	132.7	36.0	34.7
Branch Lines	42.9	40.6	38.0	36.1
At & East	7.5	6.8	6.3	5.2
	195.5	180.2	80.2	75.9

Note: Subsidies paid to the railway by CTC during 1977 in respect of all years are $183.7M to CN (after correction of the subsidy over-payment) and $94.2M to CP.

Honourable senators, this concludes my remarks. I thank you for your attention, and I commend this bill to your favourable consideration.

Senator Bell: Honourable senators, I wonder if I might ask the sponsor of the bill to what body the reference "Transport Canada" refers. It is a name with which I am not familiar.

Senator Langlois: Transport Canada is the Department of Transport.

Senator Roblin: I wonder if the honourable senator would clarify a point for me. He spoke of the commercial principles under which the Canadian National is now to operate, and he spoke of the position of the minister to make sure that non-commercial costs were recognized as being outside its mandate. I am wondering if he can now tell me how, in the forecast of the profit of Canadian National, the $64 million per year which the railway says it loses on the Crowsnest rate movement has been treated.

Senator Langlois: I do not have a ready answer to the question. I would suggest that Senator Roblin put that question during the committee's consideration of the bill.

Motion agreed to and bill read second time, on division.

REFERRED TO COMMITTEE

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

Senator Langlois: Honourable senators, I move that this bill be referred to the Standing Senate Committee on Transport and Communications.

Senator Choquette: Honourable senators, I am wondering whether there is anything left for the committee to cover. It seems that the sponsor of the bill has left no stone unturned. I have never heard such a lengthy explanation in closing a debate, and am wondering what is left for the committee to deal with.

Senator Langlois: If I left no stone unturned, it is because no stone was left unturned by those who participated in the debate. I was merely endeavouring to provide adequate replies to all of the questions raised during the course of the debate.

Senator Roblin: There are a few stones that have yet to be turned over, and some stones which were turned over that have to be put back.

• (1520)

Senator Benidickson: Honourable senators, if this motion is debatable—I am not an expert on the rules and my memory is not the best—then I would mention that I have some special privileges in this respect. In 1952, when the CNR capital revision was important—and this has been referred to in the debate on second reading—I happened to be parliamentary

secretary to the Minister of Transport, and I confirm basically what Senator Smith (Colchester) has said. I have not quite completed reading the speech of Senator Roblin, which I was not able to hear last week because I was away. I am sure his figures are correct, but my recollection—and this is not from research—is that with that capital revision bill we certainly felt we had eliminated most, if not all, of the unfair deadwood that was created in the amalgamation of the railroads in the period from 1919 to 1922, and the deficits of subsequent years. Because of this motion—

Senator Asselin: Are we still on second reading?

Senator Benidickson: No, I am speaking on the motion to refer the bill to committee. I am simply giving advance notice—if the rules permit, and I think they do—that I would like some figures on two or three points.

I had the second opportunity between 1952 and 1957, as a pretty green boy, to introduce each year the bill on the capital revision requirements and budget of the CNR. Now, in this period it was so complicated, and involved so many hundreds of millions of dollars, that I was not the only one who was ignorant; but each year the annual CNR financing bill was passed fairly rapidly because of the immensity and complexity of the figures involved. I am thinking of the period from 1952 to 1957 when I was responsible for the annual bills.

What new real infusion of capital was brought about during the regime of Donald Gordon? Senator Roblin was very complimentary to Mr. Gordon. I had a little doubt as to whether I was doing the right thing, and I may have to apologize when we come to third reading. Anyway, a tremendous amount of new capital was invested in those years for dieselization, and the very expensive hump freight distribution system introduced in Winnipeg, Moncton and other places. Those improvements cost millions and millions of dollars, and the amounts were in those bills that I introduced.

I will tell the Leader of the Opposition a little secret because time has gone by and it is possible now. The financial critic of his party came to me and asked for my black book of information, and I willingly gave it to him. It was all just too huge financially for any member of Parliament to analyze and comprehend, usually under pressure of time.

Anyway, I would like to give advance notice to the committee that I shall want to know what really new capital, irrespective of depreciation, was introduced in that period for some of these so-called technological improvements that we were assured by management would be money-makers, would provide a return on investment, and would never have to be wiped out, as we are doing now. And, of course, I shall want to know the same figures for the period after 1957 when another government came into power, and I was the financial critic of the same bills, probably with similar apprehensions.

I think my colleagues in the committee study that is to follow will understand why I ask for this. I was really a parliamentary assistant and errand boy; I was not a minister. So, I would like to know the amount of net new capital introduced by the government. Depreciation has to be taken into account, of course.

In 1951-52, my minister assured the government that the CNR had been relieved of most of its old-time debt. Here I am speaking chiefly of railroading. The question of whether the railway has invested in non-railway activities is another question.

I compliment Senator Smith (Colchester) on the figures he gave last night which, although I have not had time to research them, I know are accurate. I also compliment Senator Roblin on his speech. I introduced in a five-year period several annual capitalization bills to provide for profit-making which involved over a billion dollars, and this has worried me ever since.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

Motion agreed to.

INCOME TAX

BANKING, TRADE AND COMMERCE COMMITTEE AUTHORIZED TO STUDY LEGISLATION

The Senate resumed from yesterday the debate on the motion of Senator Hayden, that the Standing Senate Committee on Banking, Trade and Commerce be authorized to examine and consider the subject matter of any bill based on the Budget Resolutions relating to income tax in advance of any such bill coming before the Senate, or any matter relating thereto.

Hon. Jacques Flynn: Last night Senator Hayden explained what he considered to be the main reason for this referral of the subject matter of Bill C-56 to the Standing Senate Committee on Banking, Trade and Commerce by saying that invariably this type of bill is referred to the Senate when we are looking at either a summer or a Christmas recess. He added:

> The idea of this motion is to afford the opportunity of a pre-study so that the pressures that ordinarily accompany the approach of these recess periods may be avoided and proper consideration given to bills of this kind.

● (1530)

I must say that the idea of the pressure of the Christmas or summer recess does not appeal to me too much, as I have indicated before. However, I appreciate that adequate opportunity should be given to the Senate, and to the Standing Senate Committee on Banking, Trade and Commerce, to consider this type of bill before we are asked to pass it.

There is another aspect of this method which I think is much more important: the fact that a committee of the Senate is able to examine a piece of legislation, a white paper or a set of proposals, before it passes the other place. This enables us to make recommendations that are more likely to be accepted than the amendments we might make after the bill has passed the other place and has reached us. This is very important. We are in a better position to convince the government and the other place that they should make some amendments or

changes along the lines of the recommendations we make through a committee to which the subject matter of a bill or white paper has been referred.

In this particular case, there is another aspect that is important. The committee will not only deal with a fiscal bill in the ordinary sense, but with one that also involves a very important political problem. And I hope that the committee will not hesitate to look into that aspect of the question. I also hope that, if the committee looks into it, those who are not totally in agreement with the proposals of the government for a reduction of the provincial sales tax, or with what the government has done, will not be considered separatists, as was suggested last night by Senator Denis.

I would hope that people who are noted for their expertise in the matter of federal-provincial fiscal relations—people like Senator Lamontagne, for example, who was mentioned in the press last weekend as being in search of an appropriate formula—could suggest a solution to this confrontation between the two levels of government in Ottawa and Quebec. I hope Senator Lamontagne will come before the committee and make some suggestions, because as we look at the subject matter we aren't tied by the problem of competence in dealing with amendments; we are only making recommendations. It is easier to make recommendations than to make amendments, and I hope the committee will not hesitate to call on any person who has an opinion to offer or a solution to propose, even Mr. Jacques Parizeau. The problem here is one not so much of taxation and jurisdiction as of confrontation between the two levels of government.

I am not a separatist, even if Senator Denis thinks I act like one. I have never knowingly done anything to promote separatism or the independence of Quebec. On the contrary. However, what I feel is that confrontation may be more dangerous to the unity of this country than anything else.

Some Hon. Senators: Hear, hear!

Senator Denis: When the honourable senator talked about the new modification, or the new way, he could at least have been fair and told us what Mr. Parizeau did wrong, instead of saying only what Parizeau did that was good.

Senator Flynn: I do not think I defended Mr. Parizeau's position. Nor did I attack Mr. Chrétien's position. I am willing to give my opinion on that, but I do not think it is relevant at this point. I was merely trying to say that I was hoping the committee would be able to do something to resolve the confrontation that has taken place between Quebec and Ottawa. I said that because I think confrontation is more dangerous to the unity of Canada than anything else.

I do not doubt that Mr. Parizeau is happy with the present confrontation. I suspect, however, that the present federal government had also used confrontation to its own advantage, not only with the present Quebec government but with previous Quebec governments. I would remind Senator Denis of some of those previous occasions, when Mr. Bourassa was laughed at by the present Prime Minister of Canada, and of the conditions that prevailed under Mr. Lesage, Mr. Johnson and Mr. Bertrand. Such confrontations have taken place for the most part under Liberal administrations here in Ottawa.

Mr. Parizeau played his cards very close to vest; Mr. Chrétien would be justified in saying that Mr. Parizeau tricked him; that is quite possible. But I think that Mr. Chrétien should have suspected that this might happen. In any event, we are faced with a confrontation, and it must be resolved.

I would hope that in studying the subject matter of the bill the committee will try, with the help of all those who are interested—and I am one—to find a solution. I am not, however, as competent as Senator Lamontagne and others, and I would call on them to help us out. I do not know if in this particular case Senator Denis could help. I would suggest that he stay out of the committee, because I do not think he possesses any of the diplomatic talents required under the circumstances.

Senator Denis: Unlike you, I am an expert at that.

Senator Flynn: Sometimes I know when not to speak.

I merely want to call on all those of good will with knowledge in this area to contribute recommendations that might be helpful in finding a solution to this delicate and serious problem.

Motion agreed to.

● (1540)

BANKS AND BANKING LAW REVISION BILL, 1978

BANKING, TRADE AND COMMERCE COMMITTEE AUTHORIZED TO MAKE STUDY

Hon. Salter A. Hayden moved pursuant to notice:

> That the Standing Senate Committee on Banking, Trade and Commerce be authorized to examine and consider the subject matter of the Bill C-57, intituled: "An Act to revise the Bank Act, to amend the Quebec Savings Banks Act and the Bank of Canada Act, to establish the Canadian Payments Association and to amend other Acts in consequence thereof", in advance of the said Bill coming before the Senate, or any matter relating thereto.

He said: Honourable senators, possibly I should explain my presentation of this motion at this time, in view of the fact that Senator Flynn, with respect to a previous motion similar in nature, did not feel that we had put the best foot forward.

Precedent is important, and this business of referring the subject matter of a bill to committee developed, in the first instance, in 1971 when we were wrestling with the income tax bill. That bill came to us some time in December. I had anticipated that possibility during the summer, and had discussed the matter with the Law Clerk. I said, "There must be some way of doing this so that we will be fully informed and will not have to wait to have our study until the bill actually comes to us. Why can't we look at the subject matter of it?" The Law Clerk replied, "There is nothing in the world to prevent you."

So that was really the first motion; and the reason for it was that we were anticipating a Christmas recess. It worked in that case, and it has worked in other cases.

I agree—and I have said so in committee many times, but did not think I should mention it in the Senate—that the strategy behind this kind of motion is dependent on our being able to complete our report before the matter is fully dealt with in the House of Commons, in order that there might be opportunity for amendment.

We have done two things in that regard. We studied the income tax bill fully under the authorization to study the subject matter, and we then presented amendments to the Minister of Finance. The bill was still struggling through the committee of the other place. Finally, when the minister came before us, it was too late to deal with all the amendments we had proposed. So in relation to specific amendments we insisted on an undertaking from him that they would be included in the next income tax bill to be presented.

We have since made use of that procedure on a number of occasions. We made use of it when we were studying the Petroleum Corporations Monitoring bill. We made use of it when the previous Minister of Finance was before us and dealing with certain situations. He agreed that our suggestion by way of amendment was the way it should be done. However, he wanted his bill, and he undertook to find a way under the Financial Administration Act to deal with it temporarily, and said that it would be included in the income tax amendments the next year. That was done.

So we have a combination of elements with which we are working, and underneath it all the basic object is to get our attitude on the bill communicated publicly to the minister, to the Commons and the Commons committee before there is any finality in that house; otherwise there may be motions and objections, such as, "Well, those people in the Senate and the Senate committee certainly think they are pretty smart people in proposing all these things."

It is a good committee, and part of the value of the committee is in the fact that Senator Flynn is a member of it. He is a good member of the committee.

Hon. Senators: Hear, hear.

Senator Hayden: As a matter of fact, from time to time I will ask, "Senator Flynn, what have you to say on this point?" Perhaps there is some design in that. Perhaps it will bring his thinking into line with what we think the amendment should be. I wish to thank him for his suggestions today. It is a new role, but with his broad shoulders, and the broad shoulders of the other members of the committee, perhaps we can take on the burden of that confrontation. It has happened so often before, and it is bound to happen almost every time we get an income tax bill that has so many goodies in it that it cannot be refused.

However, on this bill the issue is straightforward. We made a study of the White Paper on the Revision of Canadian Banking Legislation, and presented a report on it approximately nine months ago. I can say, from a rather casual study of the bill and comparing it with our report, it would appear that from two-thirds to perhaps three-quarters of it embraces the substance of the recommendations contained in our report. A great deal of it includes actual sections from the Canada Business Corporations Act, including the amendments which we made this year to Bill S-2. That accounts for a substantial part of the bulk of this bill.

Of course, in some fashion the competition bill creeps into it, but we will sort that out. There are other what might be called structural objections, as well as objections concerning the method posed to deal with the situation. However, we will deal with all of those matters. It is a competent committee which is not afraid to engage expert help. With all that, we just want to get going as quickly as we can.

Motion agreed to.

NORTHERN PIPELINE

FIFTH REPORT OF COMMITTEE OF SELECTION PRESENTED AND ADOPTED

Leave having been given to revert to Reports of Committees:

Senator Petten, Chairman of the Committee of Selection, presented the following report:

> Your committee has the honour to submit herewith the list of senators nominated by it to serve on the Special Committee of the Senate on the Northern Pipeline, namely, the Honourable Senators Adams, Austin, Beaubien, Bonnell, Cottreau, Flynn, Hays, Lang, Langlois, Lucier, Macnaughton, Manning, Olson, Riley, Rowe, Smith (*Colchester*), Steuart, van Roggen, Williams and Yuzyk.
>
> Respectfully submitted,
>
> William J. Petten,
> *Chairman.*

• (1550)

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Petten: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(f), I move that this report be adopted now.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

Motion agreed to and report adopted.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, May 25, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Langlois tabled:

Copies of document entitled "Improving the Equity Financing Environment for Small Business in Canada," dated May 24, 1978.

ADJOURNMENT

Senator Langlois: Honourable senators, I move, with leave of the Senate and notwithstanding rule 45(1)(g), that when the Senate adjourns today it do stand adjourned until Tuesday, June 6, 1978, at 8 o'clock in the evening.

Motion agreed to.

BANKING, TRADE AND COMMERCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Standing Senate Committee on Banking, Trade and Commerce have power to sit while the Senate is sitting on Wednesday, June 7, 1978, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

TRANSPORT AND COMMUNICATIONS

COMMITTEE AUTHORIZED TO MEET DURING ADJOURNMENTS OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(i) moved:

That the Standing Senate Committee on Transport and Communications have power to sit during adjournments of the Senate.

He said: Honourable senators, I should like to give an explanation of this motion. This morning, in consultation with the Honourable Senator Smith (Colchester), the chairman of this committee, and Senator Bourget, the co-ordinator of committees, it was decided that the committee should sit when the Senate returns on June 6. The committee will therefore sit in the morning at 9.30 and in the afternoon at 2. If the motion is passed, we shall arrange to have notices distributed to senators at their desks this afternoon so that they will know what is in store for them during that week with regard to meetings of that committee, and the order in which witnesses may be called to give evidence.

Motion agreed to.

NORTHERN PIPELINE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Special Committee of the Senate on the Northern Pipeline have power to sit while the Senate is sitting on Tuesday, June 6, 1978, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

COMMITTEE AUTHORIZED TO ENGAGE SERVICES

Senator Olson, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the Special Committee of the Senate on the Northern Pipeline have power to engage the services of such technical, clerical and other personnel as may be necessary for the purpose of the inquiry.

Motion agreed to.

AGRICULTURE

COMMITTEE AUTHORIZED TO STUDY MARKETING OF GRAINS AND OTHER AGRICULTURAL PRODUCTS

Senator Argue, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on Agriculture be authorized to examine and report upon the problems of international co-operation in the marketing of grains and other agricultural products; and

That the committee, or any subcommittee so authorized by the committee, may adjourn from place to place in Canada for the purpose of such examination.

Motion agreed to.

THE HONOURABLE RAYMOND J. PERRAULT, P.C.

ABSENCE ON OFFICIAL BUSINESS

Senator Langlois: Honourable senators, I should probably have done this before today. However, I thought that honour-

able senators knew the reason why the Leader of the Government has been absent from the house this week. Having received many inquiries yesterday afternoon and this morning, I should explain that Senator Perrault is on official business in British Columbia, where the Honourable John Silkin, Minister of Agriculture, Fisheries and Food of Great Britain, is paying a visit. Senator Perrault will be returning to Ottawa next Monday. I apologize for not having informed the house about this matter before today.

● (1410)

Senator Grosart: Tell him we miss him.

CURRENCY AND EXCHANGE ACT

BILL TO AMEND—THIRD READING

Senator Langlois moved the third reading of Bill C-39, to amend the Currency and Exchange Act.

The Hon. the Speaker: It is moved by the Honourable Senator Langlois, seconded by the Honourable Senator Bourget, P.C., that this bill be now read the third time.

Is it your pleasure, honourable senators, to adopt the motion?

Hon. Eugene A. Forsey: Honourable senators, I rise simply to express my regret that the committee, when it was reporting this bill, did not recommend an amendment to provide that the action under the bill by the executive, the government, should not only be reported on as required by the last part of clause 2, but also that such action should not come into effect except upon an affirmative resolution of both houses. I think it is very unfortunate that this was not done, because I think the bill, as it stands, gives far too much power to the executive, and takes away, to a large extent, one of the most important functions and powers of Parliament with regard to the control of the currency.

Motion agreed to and bill read third time and passed.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—MOTION FOR THIRD READING—MOTION IN AMENDMENT—DEBATE ADJOURNED

Senator Everett moved the third reading of Bill C-10, to amend the Financial Administration Act.

The Hon. the Speaker: It is moved by the Honourable Senator Everett, seconded by the Honourable Senator Cameron, that this bill be now read the third time.

Is it your pleasure, honourable senators, to adopt the motion?

Hon. Eugene A. Forsey: Honourable senators, I rise to move an amendment to the motion for third reading.

The amendment is to strike out lines 7 to 16, inclusive on page 1 and substitute the following—I am prepared to allow the reading of this to be done by the Clerk Assistant if it is the wish of honourable senators, but I am also prepared to read it *in extenso* myself. I do not know which the house would prefer, but presumably if I read it once it would be unnecessary for the Clerk Assistant to read it again, and we can say, "Dispense".

Copies of the amendment will be available, I think, to most honourable senators; if not all, I have a packet of them here.

To proceed then with the amendment:

(2.1) The Governor in Council may, by commission under the Great Seal, appoint an officer called the Comptroller General of Canada to hold office during good behaviour for a term of ten years, but the Comptroller General may be removed by the Governor in Council on address of the Senate and House of Commons.

(2.2) Notwithstanding subsection (1), the Comptroller General ceases to hold office on attaining the age of sixty-five years.

(2.3) Once having served as the Comptroller General, a person is not eligible for re-appointment to that office.

(2.4) In the event of the absence or incapacity of the Comptroller General or if the office of Comptroller General is vacant, the Governor in Council may appoint a person temporarily to perform the duties of Comptroller General.

(2.5) The Comptroller General shall be paid a salary equal to the salary of the Auditor General, and the provisions of subsection 4(2) of the *Auditor General Act* in respect of pension benefits apply, with such modifications as the circumstances require, to the Comptroller General.

(2.6) The Comptroller General is the chief financial officer of the Government of Canada and as such shall establish financial systems and procedures to ensure that

(a) the form of the Estimates provides a sound basis for budgetary control of government expenditures,

(b) public moneys and assets are kept under effective custody and control,

(c) government accounting procedures and financial statements conform to generally accepted accounting principles and standards,

(d) public moneys are expended with due regard to economy and efficiency, and

(e) satisfactory methods are used to measure the effectiveness of government programs,

and shall perform such additional duties and functions as may be assigned to him by the Treasury Board.

(2.7) The Comptroller General shall report annually to Parliament on the work of his office.

(2.8) Every report to Parliament made by the Comptroller General under this section shall be made by being transmitted to the Speaker of the Senate and to the Speaker of the House of Commons for tabling in their respective Houses.

(2.9)—

And here in the copies which may be distributed shortly there is a small typographical error.

> (2.9) Sections 15, 16, 18, 20 and 21 of the *Auditor General Act* apply, with such modifications as the circumstances require, to the Comptroller General.

I so move, honourable senators, seconded by the Honourable Senator Smith (Colchester).

The Hon. the Speaker: It is moved by the Honourable Senator Everett, seconded by the Honourable Senator Cameron, that this bill be now read the third time.

In amendment, it is moved by the Honourable Senator Forsey, seconded by the Honourable Senator Smith (Colchester), that—

Hon. Senators: Dispense.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion in amendment?

Senator Forsey: Honourable senators, I rise with regret to speak to this amendment. I hoped it would not be necessary.

Before saying anything else, I should add that I regret very much that at the moment there is not a French version of the amendment available.

[*Translation*]

It is with infinite regret that I say no French version is available, or at least has been until now. We hope to get one within a matter of minutes, perhaps even before the end of my speech. I therefore ask the francophone senators to forgive that omission which is in no way voluntary on my part. But the matter was rather urgent, and during the morning the person entrusted with the translation of those documents was not available. As for me, I would never dare write any legal text, even in English, let alone in French. Obviously, I am not a lawyer and do not have the necessary qualifications, either in English or in French. That is why there has been no French version, at least until now. So, once again, I beg the forgiveness of the honourable francophone senators.

• (1420)

[*English*]

I voted for the second reading of this bill in the hope, not very robust, faint yet pursuing, that it would be amended in committee to give it some meaning, some force and some substance. That effort was made. It failed. I am not ready to accept that defeat as final. I want to give the Senate a second chance. That is why I am moving the amendment which has just been read.

I am not going to repeat the arguments that a number of us advanced against this measure on second reading. I shall simply say that as far as my own observations are concerned they stand unrevised and unrepented. I have seen no reason to change them. Not one of the arguments advanced by those who opposed the bill has been answered, in my judgment.

I am not going to trouble the Senate with any attempt to refute the replies to the arguments advanced by those who oppose the bill, except for one, which I shall mention incidentally in a few moments, because they were scarcely arguments. We were treated instead to a parade of irrelevancies and vague assurances—vague assurances that the Lambert Commission would soon be reporting and everything would be placed upon the best and surest foundation; vague assurances that the Financial Administration Act was being revised and that an amended and notably improved version would be before us in due course, as Sir Robert Borden used to say, though nothing definite by way of time was suggested. And, of course, we were also given the general assurance that everything would be for the best under the best of all possible institutions, the Treasury Board, whose glittering record in this matter has been painted in such glowing terms by the Auditor General.

I recall one attempt at an argument which I think I need trouble the Senate with for a moment, which is that in setting up the office of Comptroller General as the amendment proposes it we should be duplicating the functions of the Auditor General. With great respect to those who have advanced that argument, I think it will not hold water, because the duties of the Comptroller General, as I understand them, are preventive; the duties of the Auditor General are corrective. One acts before the event to prevent an untoward event; the other acts after the event has taken place, to draw attention to errors, omissions or defects in what has been done.

The argument which seemed to prevail with some people in the deliberations of the committee, if I am correctly informed—I am not a member of that committee; I was present for some of its sittings but had to leave for the sittings of another committee, where my presence was, I think, much more necessary—the argument that impressed some members of the committee was that the Auditor General felt that he would sooner have this bill than nothing. Well, I do not think that is the choice which is before him or before the Senate, because if this bill failed to pass the Auditor General would have precisely what he has now, bar one thing, which I shall come to in a moment.

He would have an official of the Treasury Board, now known by the modest title of "Special Adviser," an official ready and able to perform such duties as Treasury Board assigns to him. Those words should have a familiar ring to those who read the bill with attention.

One thing only would be lacking: this official who is already there, already performing, presumably, such duties as the Treasury Board assigns to him, this official would lack the title of "Comptroller General." He would have exactly the same powers as he—well, he has exactly the same powers as he would have under the bill, and he would still have those powers if the bill failed to pass. All the bill gives him is a halo, a nimbus, a golden glow, an aura, a magnificent, grandiloquent title, that is all; and rank and status, and salary, of course.

This is a bill to confer on an existing official of the Treasury Board, the special adviser, a title, rank and salary, and that is all it is. Otherwise, it is empty verbiage, an aching void, "a sounding brass and a tinkling cymbal," "words and breath, and of no force to oblige a man at all."

The special adviser controls nothing now except by gracious permission of the Treasury Board, and if he were given this rank, title, salary and status, he would still control precisely nothing, except by special permission, gracious permission of the Treasury Board.

I feel regretfully obliged to say that if the committee felt itself unable to accept the amendments which were proposed in committee, which were substantially the same as the one which I have just placed before the Senate, then I think it should have reported that the bill be not further proceeded with, because this bill really says absolutely nothing, except in the matter of the title, rank and status of this existing official.

I have one other remark to add which may, perhaps, sound a little frivolous, but I think it is, in fact, mournful rather than frivolous. Honourable senators will recall what, in *Alice In Wonderland*, the Mock Turtle spoke with a deep sigh. "Once," said the Mock Turtle at last, with a deep sigh, "I was a real turtle." Well, if this bill goes through unamended, I think some distance down the road poor Mr. Rogers, the special adviser, will have occasion to utter a similar lament, slightly amended, in these words: "Once," said the Mock Turtle at last, with a deep sigh, "I might have been a real turtle if the Senate had done its job."

Hon. H. A. Olson: Honourable senators, I rise on a point of order with respect to the motion in amendment now before the Senate.

As I understand it, Senator Forsey, on the motion for third reading, is attempting to directly amend Bill C-10. He did not, as I expected, move that the bill be referred back to committee and, in doing so, spell out the purpose, which is the amendment that he read, and the argument, or the other purpose—and this device is commonly used in the other place—which is to hoist the bill for six months, thereby effectively killing it.

I raise this issue because I have carefully examined the rules of this house. What happens on third reading is not specifically spelled out in the rules. Therefore, it becomes necessary for us to rely on rule 1, with which all senators are familiar, that being that for situations not otherwise provided for in the rules we use the rules of the other house.

● (1430)

As a matter of fact, honourable senators, the rules of the other place do not state specifically what is in order and what is not in order with respect to the third reading of a bill. It is necessary to go back to the authorities and to the references, and, as far as I know, they are very clear that one cannot move a motion on third reading that directly substitutes words in a bill for other words, or deletes words, or adds words that are not in the bill at that stage. If such an amendment is desired, the motion should be one to refer the bill back to the committee.

There are good reasons for that, I suggest, one of which is that, under rule 47, the Senate cannot take under consideration in the same session a motion that has been decided either in the affirmative or the negative. The Senate did, in fact, refer this bill to a standing committee and asked for a report. That committee went through the bill clause by clause, as is done with all other bills, and reported its findings to the chamber. As a matter of fact, the motion now before the Senate, as Senator Forsey has already admitted, was put in the committee.

An Hon. Senator: Substantially.

Senator Olson: Substantially the same motion was put in the committee, and was negatived.

We then have to look at the rest of the scenario. A report was prepared by the committee and presented to the Senate, and the Senate, as I understand it, adopted the committee's report. Therefore, if the Senate is now going to entertain a motion to amend the bill at this stage, it would be necessary for it to reverse its position in adopting the committee's report.

I have no objection to Senator Forsey, or any other senator, making an argument on the motion for the third reading of a bill that there is something wrong with the bill. I have no objection to that at all, even though that same argument may have been made in the committee.

Certainly, any honourable senator has the right to move that a bill be referred back to committee for reconsideration, either with or without specific instructions. In this case, the instructions are specific enough. Senator Forsey wants to strike out certain lines and substitute other lines therefor. The determination the Senate should make is to refer the bill back to committee with instructions to do certain things, and not try to amend it by way of a motion in amendment on third reading. Such a course is not in keeping with the rules, particularly rule 1, which states, in effect, that all cases not otherwise provided for in the rules are governed by the rules and precedents of the other house—and honourable senators will be familiar with them.

But it is more than that, because both houses have relied on certain authorities—*Erskine May, Beauchesne, Bourinot,* and several others—in the Canadian experience and in the British experience. I quote rule 1:

> In all cases not provided for in these rules, the customs, usages, forms and proceedings of either House of the Parliament of Canada shall, so far as practicable, be followed in the Senate or in any committee thereof.

If this has been followed in the past, I will accept that, but I think we will be setting a wrong precedent if a senator is allowed to move directly on the third reading of a bill any substitution of words without requiring that such amendment be made in committee.

What is even more serious—and the Senate has to take this into account—is that if we give such instructions to the committee, then we have to reverse the decision we made in adopting the report of the committee. I was not here when it happened, but I assume that the chairman of the committee reported the bill to the Senate, either with or without amendment. The adoption of that report certainly means something. It means that the Senate accepted what the committee had done. The committee had gone through the performance of hearing witnesses, receiving arguments, receiving amendments

and voting on those amendments. When the Senate adopted the report of the committee it meant that, as far as my understanding goes, that the members of this house agreed with the report.

As I say, I do not argue with the right of Senator Forsey, or any other honourable senator, to disagree to the point where he wishes to move that the bill be referred back to committee for a specific purpose, or even to move that it be hoisted for six months or some other period; but to directly move a substitution of words for other words in the bill at the third reading stage certainly is not a practice that has been followed in the other place or, indeed, any other Parliament that follows the British tradition.

Senator Everett: Honourable senators, I certainly take cognizance of what the honourable senator says, although it is my view—

Senator Grosart: Are you speaking to the point of order?

Senator Everett: No, I am not speaking to the point of order.

Senator Grosart: There has been no ruling on the point of order.

Senator Flynn: Let the Speaker rule on the point of order raised by Senator Olson. It is so obvious he is wrong that we don't need to discuss it.

The Hon. the Speaker: If honourable senators wish to consult page 55 of the *Rules of the Senate*, they will see that, in general, the same kind of amendments as may be moved on second reading may be moved on third reading, with the restriction that they cannot deal with any matter which is not contained in the bill.

However, the Senate has exercised a great deal of flexibility in this regard. The Journals of the Senate contain many examples of amendments moved on the third reading of a bill that added a matter that was not contained in the bill, and precedents are referred to at page 55 of the *Rules*.

Hon. Douglas D. Everett: Honourable senators, now that the point of order has been disposed of and the motion in amendment has been ruled in order, I would say Senator Forsey stated that he relies largely on the speech he made on second reading, and some of my reply will, of course, relate to that speech as well as to the speech he has just made.

It is unfortunate—I agree with Senator Olson in this regard—that Senator Forsey was not able to stay in committee long enough to be able to move his motion. I think it would have been appropriate. I gather from what he says that he had to go to another committee.

Senator Forsey: Honourable senators, may I rise on a point of privilege? I am not a member of the committee. I could not have made a motion.

Senator Everett: I think that indeed you could have attended the meetings of the committee. If I recall correctly your speech on second reading, it was your feeling that this was probably one of the most important bills to come before Parliament in your tenure, and I would have thought you would have found it possible to be there.

● (1440)

Senator Flynn: Are you serious? The way this bill is drafted, how can you call it an important bill?

Senator Everett: That is what Senator Forsey said, that it was an important bill. However, we want to be fair and the amendment is before us.

Senator Grosart: Some chairmen don't even attend meetings of their own committees.

Senator Everett: I am astonished at that remark.

Senator Grosart: I make it simply because of the remark you made about Senator Forsey.

Senator Everett: This bill arises out of a recommendation made by the Auditor General, and I would like to read that recommendation. It was contained in the conspectus to his 1976 report. He recommended:

> The establishment of the position of chief financial officer of the government, preferably with the title Comptroller General of Canada, with deputy minister status and a direct reporting relationship to the President of the Treasury Board, and with duties and authorities fully commensurate with the important responsibilities of such a key position—

Now, the Auditor General did not recommend the creation of an officer of Parliament. He recommended that the business of the Treasury Board be conducted by two deputy ministers; one who would be the Secretary of the Treasury Board and the other who would be called the Comptroller General. The Secretary of the Treasury Board would be in charge of the allocation of resources, and the Comptroller General would be responsbile for accountability.

Now, Senator Forsey in his amendment has stated that the Comptroller General should report to Parliament. But in his amendment, as I read it, the Comptroller General takes direction from the Treasury Board. He is appointed by the Governor in Council. In the proposed subsection (2.6) we find that "The Comptroller General is the chief financial officer of the Government of Canada," and, in the final few lines of that subsection, that he "shall perform such additional duties and functions as may be assigned to him by the Treasury Board."

It seems to me that if the Comptroller General is going to be a servant of the Government of Canada and a servant of the Treasury Board, and if he is going to report to Parliament, he, in effect, is going to serve two masters, and as the President of the Treasury Board has stated, his reports to Treasury Board will lack forthrightness if he knows that those reports have to be tabled, each and every year, before the Parliament of Canada. He would be proscribed from doing the job of seeing that our expenditures are made in an effective and efficient manner.

He would also, it seems to me, take on the duties of the Auditor General. The Auditor General, according to the Auditor General Act, is required

—to draw the attention of the House of Commons to any case in which he has observed that:

(d) money has been expended without due regard to economy or efficiency; or

(e) satisfactory procedures have not been established to measure and report the effectiveness of programs, where such procedures could appropriately and reasonably be implemented.

The Auditor General has stated in committee that he does not believe that a person can be a comptroller and auditor at the same time. If the Comptroller General has to report to Parliament, that is precisely what he will be doing. The Auditor General also said in committee that he will report on the shortcomings of the systems that are put into place by the Comptroller General. He has that authority. And the Auditor General has proven in the past that he is not one bit afraid to report, no matter how much it hurts the Government of Canada.

Senator Forsey has relied to a great extent in his argument on a position that exists in the United Kingdom, and the short title of that position is "Comptroller and Auditor General". He has stated that in the United Kingdom they have combined the two positions, and in that case there is a report to Parliament, and that particular person can only be dismissed by an address of both houses. So, relying on that, he says that if the Parliament of Britain has a Comptroller and Auditor General, then if we choose to divide those functions among two people they both should report to Parliament, they both should be officers of Parliament and they both should be dismissed only by Parliament. But I think, with respect to Senator Forsey, that he is confused by the name, for, indeed, the Comptroller and Auditor General of the United Kingdom is a very similar officer to our Auditor General except he does not have quite as many powers.

I should like now to read what the *Encyclopaedia of Parliament*, Wilding and Laundy, 1971, says about the Comptroller and Auditor General:

His main duty is to conduct an examination of the Appropriation Accounts (i.e., the accounts of the various departments of government) and to satisfy himself that all moneys appropriated have been applied to the purposes intended and approved by Parliament. All other public accounts, including the Consolidated Fund accounts (i.e., accounts in respect of charges which are made directly on the Consolidated Fund and not provided for in the Estimates), are subjected to the same scrutiny.

The Exchequer and Audit Departments Act sets out his duties. There are a number of duties, but I shall read just the first one because the others are very similar.

Every appropriation account shall be examined by the Comptroller and Auditor General on behalf of the House of Commons, and in the examination of such accounts the Comptroller and Auditor General shall satisfy himself that the money expended has been applied to the purpose or purposes for which the grants made by Parliament were intended to provide and that the expenditure conforms to the authority which governs it.

And the other four or five clauses of the act read very much the same way.

In short, the duties of the Comptroller and Auditor General of Britain are really similar to those of the Auditor General of Canada. He is protected in the same way as the Auditor General of Canada is protected, but his position is not comparable to the position that we are proposing here of Comptroller General, who will be a government servant charged with the accountability of government expenditures, and who will be taking over one of two branches that already exist in the Treasury Board. So I suggest to Senator Forsey that his reliance on the United Kingdom precedent is really not valid, and I think he has come a cropper on the names involved. Indeed, I understand that the Comptroller of the Treasury in the United States wants to have his name changed to something like "Auditor General" because, in fact, it describes what he does, although he is called a comptroller.

One of the suggestions in Senator Forsey's amendment is that there should be a statutory enumeration of the duties of the Comptroller General. We heard the minister before the committee on this matter, and he made what I thought was a rather persuasive argument. The minister has listed the duties of the Comptroller General. He tabled them in the House of Commons and they were printed as an appendix to *Debates of the Senate*.

● (1450)

The minister has argued that we have two deputy ministers—the Secretary of the Treasury Board and the Comptroller General. He says that we should wait to see how their duties work out before we put them in a statute. I suggest that that is a reasonable argument.

He has also suggested that the Lambert Commission will be reporting soon, and between the experience that is gleaned between now and that time, and the results of the report, he is suggesting that it will then be easy to enumerate the duties of the Comptroller General. And do not forget, honourable senators, that if we enumerate the duties of the Comptroller General, we also have to enumerate the duties of the Secretary of the Treasury Board.

The committee questioned the Auditor General very carefully on this matter, and he said he would prefer to see the duties enumerated in the statute. But he went on to say that this is a brand new position, that there are a number of grey areas between the position of Comptroller General and Secretary of the Treasury Board, and added—I think I am quoting him correctly—"I will be happy to wait a bit." But he promised that any changes in the duties that were enumerated by the minister in the list that is an appendix to our *Hansard* would—and again I think I quote him correctly—"be flagged and be commented on."

Again, I believe that Senator Forsey—if not Senator Forsey, then Senator Grosart and others, including Senator Smith (Colchester)—relied on precedent, and the precedent they

relied on was Revenue Canada. They said that in the case of Revenue Canada where there are two deputy ministers, one for taxation and one for customs and excise, the duties are indeed enumerated. That is true. So if we rely on precedent, and that is the only precedent, we have to say that that custom should be followed in this case.

But there are other precedents. You see, there is the Department of Supply and Services which has two deputy ministers—the Deputy Minister of Supply and the Deputy Minister of Services. The Department of Supply and Services Act provides:

> The Governor in Council may appoint an officer called the Deputy Minister of Supply to be a deputy head of the Department of Supply and Services in respect of all matters assigned to him by the Minister, and to hold office during pleasure.
>
> The Governor in Council may appoint an officer called the Deputy Minister of Services to be a deputy head of the Department of Supply and Services in respect of all matters assigned to him by the Minister, and to hold office during pleasure.

So that is a precedent too. In other words, there is a precedent to enumerate the duties in statutory terms, and there is a precedent not to. There is a further precedent in the National Health and Welfare Act, where it says:

> The Governor in Council may appoint an officer, or two officers, called the Deputy Minister, or Deputy Ministers, of National Health and Welfare, to be the deputy head, or deputy heads, of the Department and to hold office during pleasure.

It says nothing about the duties of those two deputy ministers.

So I suggest to honourable senators that the precedents can work either way and they are really of no value to us. We can have the duties enumerated in a statute or not, as we see fit.

In committee two amendments were proposed to the bill, and they were, as Senator Forsey says, similar to the amendment that he has now moved. However, they both failed in committee after considerable discussion. One of the reasons I think they failed is because they contained the provision:

> The Comptroller General is the chief financial officer of the Government of Canada and as such shall be charged with the control, management and supervision of government expenditures.

I believe the legal interpretation of that is that with that kind of authority he could arrogate to himself all the powers both for accountability and allocation. The Secretary of the Treasury Board would have no powers under that amendment, and, indeed, it is questionable whether the President of the Treasury Board would have very much power if that amendment had gone through. So it just had to fail. But it shows how difficult it is at this stage to enumerate the duties in a statute, and how dangerous it would be.

I believe that in Senator Forsey's amendment he has something to the effect that the Comptroller General shall ensure that "government accounting procedures and financial statements conform to generally accepted accounting principles and standards." The minister told us that he was very unsure as to what that phrase meant and how far it would go, and that he would want a great deal more definition of it before he was willing to put it into a statute.

Senator Forsey's amendment does not suffer from the defect that the earlier amendments suffered from, and, indeed, I am in favour in the long run of an enumeration of the duties of both the Comptroller General and the Secretary of the Treasury Board. But, I think it is true that we need more experience before we do that, otherwise we will fall into the kind of traps that were contained in the amendments proposed before the committee, or the kind of traps that are incipient in Senator Forsey's amendment.

Finally, Senator Forsey's amendment proposes that there be tenure of office. Well, it seems to me that that entirely disregards the concept of the Comptroller General. He is a government official, and the government must have the right to replace him. The person who reports to Parliament if there is not proper accountability, if the estimates are not in proper form, if the Public Accounts are not in proper form, is the Auditor General, and I think, honourable senators, we can rely on the Auditor General.

Indeed, it seems to me that if we were to pass Senator Forsey's amendment, we would seriously undermine the power of the Auditor General—and the Auditor General also holds this view—and we would be worse off than we are now, with a Comptroller General who would take over the problem of accountability, and leave an Auditor General, who is the servant of Parliament, to report if the Comptroller General is not doing his job. Indeed, the Auditor General said, in effect, "I can get all the information I want. I will get the information; and if I feel that my suggestions or the suggestions of the Comptroller General are not being properly followed, then I would promptly report the matter to Parliament."

Senator Smith (Colchester): Honourable senators, I had intended to speak at some length today in support of the amendment but, having listened to Senator Everett, it seems to me that before I do so I should have before me the transcripts of the committee's proceedings on the bill and also the transcript of what the honourable senator has said today. Consequently, I move the adjournment of this debate.

On motion of Senator Smith (Colchester), debate adjourned.

The Senate adjourned until Tuesday, June 6, 1978 at 8 p.m.

THE SENATE

Tuesday, June 6, 1978

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

Prayers.

HER MAJESTY THE QUEEN

FELICITATIONS ON OCCASION OF TWENTY-FIFTH ANNIVERSARY OF CORONATION

Senator Perrault: Honourable senators, I move, seconded by the Honourable Senator Flynn, P.C.:

> That the Senate extend to her Majesty the Queen warmest greetings and sincere best wishes on the occasion of the Twenty-fifth Anniversary of Her Coronation.

Motion agreed to.

THE LATE HONOURABLE HERVÉ J. MICHAUD

TRIBUTES

Hon. Raymond J. Perrault: Honourable senators, I know you were as shocked and saddened as was I to learn of the sudden death yesterday of our colleague, the Honourable Hervé Michaud. It was particularly distressing as Senator Michaud had been working here in his office on Friday before leaving for his home in Buctouche.

Honourable senators, we have lost a good friend and a dedicated colleague. Senator Michaud was a man of quiet dignity and admirable determination. He will be remembered by the members of this chamber as a man who represented one of the fundamental and original purposes of the Senate—to work on behalf of the various regions of this country. Senator Michaud was from Buctouche, in Kent County, eastern New Brunswick. He was a member of the great Acadian community. He loved it. He was born there. He worked and raised his family there. He brought national recognition to the problems of his region. He had worked on behalf of Kent County long before he was summoned to the Senate in the month of March, 1968.

[*Translation*]

Hervé Michaud was born in Buctouche on December 12, 1912. He was educated at the Immaculate Conception Convent in Buctouche and at the University of St. Joseph. He lived and worked all his life in Kent County among people he loved and to whom he dedicated himself so much. Being modest, he had his occupation recorded in the Canadian Parliamentary guide as "farmer-salesman". He was president of the New Brunswick Farmers' Association in 1943 and the first president of the Société des caisses populaires acadiennes.

[*English*]

The respect Hervé Michaud gained in his home district was shown by his election to the House of Commons in 1953 and his re-elections in 1957 and 1958. But I believe that it was through his efforts in the Senate that Senator Michaud made his greatest contribution on behalf of his people in New Brunswick.

He was Deputy Chairman of the Standing Senate Committee on Agriculture, and on his urging, and with the wholehearted co-operation of the Chairman, Senator Argue, and the other members of that committee, an in-depth study of the problems facing Kent County was undertaken. As honourable senators know, the result of that intensive investigation was the widely praised report "Kent County Can Be Saved"—not that Senator Michaud saw publication of that report as the end of his efforts. He continued to press for the implementation of the recommendations contained in the report.

In his last speech in this chamber, delivered on March 22 last, Senator Michaud told us about the experimental farm to be established in Kent County under a federal-provincial agreement.

At that time he said:

> It is a fair but general conclusion, based on the information that we have about the complete agreement, that many of the problems, objectives and solutions found, identified and recommended by our Agriculture Committee have been accepted as the basis for this multimillion dollar initiative.

He ended his speech with the words:

● (2010)

> Through research and determination, the physical and human resources can be developed, and, if I may say it, "Kent County can be saved, Sauvons le Comté de Kent."

He had a full life, a good life, a life of service. Of him it can be truly said, "He was a good man."

He leaves to mourn him his devoted wife and three sons and five daughters. Our heartfelt sympathy goes out to them in their bereavement.

[*Translation*]

Hon. Jacques Flynn: Honourable senators, I knew our colleague in the House of Commons from 1958 to 1962. He had been a member there since 1953. We met again here in 1968.

He had a remarkable career which the government leader just recalled. However, I think that if one had to give the main characteristic of Hervé Michaud, one would have to say his kindness. He was a kind man. He was a peaceful man. I doubt that he ever had an enemy. And he never considered anyone his enemy. With him, all was co-operation, a desire to be understanding and accommodating.

He served his fellow citizens well throughout Canada but especially his compatriots of New Brunswick, his Acadian compatriots.

I know all those who knew him will be sorry he left us so soon, because he still had much to contribute to the cause of agriculture, the cause of the Acadians, and the cause of Canada. It really is a pity he has left us.

To his widow and his children we extend our most sincere condolences.

[*English*]

Hon. Charles McElman: Honourable senators, it was my privilege to know our late colleague, Senator Hervé Michaud, for the past 25 years, since he was first elected to the House of Commons as the member for his beloved County of Kent in 1953. He served his constituents and our province well until his voluntary retirement in 1962. He earned, and was given, the respect of his fellow citizens in that capacity.

Hervé Michaud continued to serve his fellow New Brunswickers as a provincial civil servant during the administration of our other colleague from Kent County, the Honourable Louis Robichaud. Again he earned, and was given, respect for his dedication to and compassion for his fellow New Brunswickers.

We have all shared the warmth of knowing and associating with Hervé Michaud since his appointment to the Senate in 1968, and we know of the tremendous effort he poured into the establishment of the Standing Senate Committee on Agriculture and its beneficial accomplishments, particularly for his County of Kent. Again, he earned our respect for his quiet and persistent work.

I have known Hervé Michaud as a committed Liberal, who believed firmly in the basic tenets of his party and who practised its philosophy—the greatest good for the greatest number. He was formidable as an opponent on the hustings, but he always waged a fair battle and was respected by supporters and opponents alike.

Although I knew Hervé Michaud well and respected him in each and all of those capacities, I knew him and respected him best as a warm, gentle, understanding, loyal and Christian human being, a valued and irreplaceable friend. That is how I and thousands of his fellow New Brunswickers will long remember him, and I join in extending my most sincere sympathy to his beloved wife Anna and their wonderful family.

Hon. Hazen Argue: Honourable senators, I was greatly shocked and saddened to learn of the death of my friend and your friend, Hervé Michaud. I had known Senator Michaud since 1953 when he was elected to the House of Commons. I had listened to and been associated with him over the years, and had come to admire his devotion to those things in which he believed.

He was a champion of the rights of French Canadians and an advocate and protector of his culture. He was a sincere, aggressive and accomplished fighter for the agriculture industry, with which he was so closely associated.

His maiden speech in the Senate contained this opening paragraph:

> Honourable senators, the views I am going to express on the question of which I gave notice are related to the economic situation which exists more specifically in the Kent County area in New Brunswick. Needless to say, I am very interested in this matter, since it involves the constituency I represented in the other place for almost ten years, and which I feel I represent in a particular way in this chamber.

He represented the County of Kent in a particular and most effective way during the term of almost ten years that he was in the Senate.

In his early speeches he put forward, as always, the causes of Kent County. When consideration was given to the question of forming a Standing Senate Committee on Agriculture, Senator Michaud was an enthusiastic supporter of the proposal, and the members of that committee recognized his stature in the Senate by electing him the committee's deputy chairman. Over the years that I worked in close association with him, I found him compatible, congenial and devoted to those causes in which he believed.

One could say that he had a tender personality; but he was also firm and tough in support of those things in which he believed. He never gave up. When agriculture was almost disappearing in Kent County, he took a major part in writing the report entitled "Kent County Can Be Saved," and it was through his efforts and leadership that some 20 students went to Laval University a few years ago to be trained in agriculture, eventually to return to eastern New Brunswick to serve that area.

Senator Michaud was instrumental in establishing in the University of Moncton a preparatory course to enable students to complete a degree in agriculture at Laval University. He fought hard and had much faith in the development of agriculture in his part of Canada. His faith was recognized on March 28 in the announcement that an experimental station would be established in Kent County. I would suggest that it is really the Hervé Michaud Experimental Station. That is his monument, as is his record in the Senate.

I had the privilege of meeting his wife Anna when they were both in the west during the Senate inquiry into the Canadian beef industry. I have not known a more pleasant person than his charming and lovely wife, who has been a tremendous support to him over the years.

● (2020)

I wish to offer my heartfelt sympathy and condolences to Mrs. Michaud and the family on the loss of a loving husband and father. For Canada his death represents the loss of one of its most devoted and accomplished citizens.

[*Translation*]

Hon. E. G. Cottreau: I would like to join with those who have taken the floor to pay homage to Senator Hervé Michaud who died suddenly yesterday in Moncton.

Senator Michaud was a personal friend of mine with whom I spent a great deal of time. Our bounds of friendship became established as soon as I joined the Senate in 1974. It is true indeed that at the time all senators extended a warm welcome to me but I think that Senator Michaud took a personal interest in me and made sure that I would benefit from his experience to ease my adaptation to what was for me a new way of life. This is why I have always been grateful to him.

In the course of these past four years, our friendly relations involved both our families and led to frequent exchanges of visits. This is the way I came to know and appreciate his true value and the fine soul he was. As a citizen and as a family man, Senator Hervé Michaud was a model of his kind.

[*English*]

As far as his activity in the Senate is concerned, his dedication to the Standing Senate Committee on Agriculture is well known to all of us. He also had other interests which, I am sure, had he lived, he would have developed. One of these was his concern for the current unity problem in Canada. He was a firm advocate of the need for all Canadians to rally together within the framework of Confederation in order to make of Canada one strong and united nation.

Proud of his family, proud of his religion and proud of his country, Senator Michaud died a great Canadian.

I take this opportunity to extend to his wife, Anna, and to his family, my deepest sympathy.

[*Translation*]

Hon. Michel Fournier: Honourable senators, I would like to add a few words of tribute to a long-time friend, Senator Michaud. I had known Senator Michaud for at least forty years. He was a friend of the family. We often had the opportunity to discuss his plans. I can tell you, as was so rightly suggested earlier, that Senator Michaud spent 25 years of his life serving his own people, his province, his country and his region.

Similarly, before entering active politics, Senator Michaud was a great supporter of all social movements which could be of help to his region and his people. He was very active particularly in the co-operative movement and he even became the director of the Co-operative Association and President of the New Brunswick Farmers Association.

Notwithstanding his very active political life he always had a liking for agriculture. As suggested earlier by the chairman of the Senate Committee on Agriculture, and the Leader of the Government, in recent years he did a great deal of work in this area. He was devoted to the work he had set out to do. I can say that he was very satisfied when he got a farm as well as a report on his county.

So, in conclusion, I can tell you that Senator Michaud was a simple but sincere man, and particularly a good father, and I believe that this was perhaps his outstanding quality.

[Senator Cottreau.]

[*English*]

WORLD WAR II

THIRTY-FOURTH ANNIVERSARY OF D-DAY

Senator Marshall: Honourable senators, may I beg your indulgence on rising at this time.

Today, June 6, marks the thirty-fourth anniversary of D-Day, and I am sure I speak for all members of the Senate and all Canadians when I request a few moments to pay homage to those valiant soldiers who took part in the Allied invasion of Normandy.

Canadian veterans who served our country are reflecting today, I am sure, wherever they may be, on the dangers they experienced on the beaches of France some 34 years ago and are thinking of their comrades who fell by their side and were denied the right to return to Canada to avail themselves of the great opportunities in our growing and potentially prosperous country.

It is significant that today, some 34 years later, one of the overriding topics that we are discussing across our nation is the preservation of national unity, and we are trying to prevent the threatened break-up of our nation by political debate, by confrontation, by meaningless words and by legislation.

Honourable senators, national unity cannot be legislated by committee, or by government appointment. National unity came about in Canada because our forefathers of all races suffered together in building our country, and we started to become a great nation when thousands of young Canadians in the late 1939-45 conflict, including many who sit in Parliament today, volunteered to fight for their country in far-off lands to defend not only Canada but the free world against the greed and lust for power of other nations. They fought together, not as different groups or different races or creeds or with different countries of origin; they fought together as Canadians with one purpose—to preserve our Canadian nation. In the words of Lord Tennyson in 1854, and I paraphrase, theirs was not to reason why, theirs was but to do or die, because they answered the call of the government of the day to defend and preserve peace and unity for our nation.

We can continue to build a greater nation if we take time to reflect and take an example from the comradeship which was instilled in our veterans through suffering together on the battlefield—a comradeship that will remain in their hearts and minds as long as they live.

We should think of this today, honourable senators, and let us ever remember, too, the thousands of our veterans who lie in graves in foreign countries because of their duty to their country.

Let us also rèmember those veterans who returned, maimed and disabled, and who must look to us for help. Let us never forget our responsibility to those veterans who, by their sacrifice, protected our freedom to govern and to build a great nation for those of us who remain—a nation with pride,

prosperity and peace, a nation united and with a comradeship amongst all Canadians regardless of where we live.

Hon. Senators: Hear, hear.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—MOTION FOR THIRD READING—SPEAKER'S RULING ON MOTION IN AMENDMENT

The Hon. the Speaker: Honourable senators, at the last sitting of the Senate, on Thursday, May 25, Senator Olson raised a point of order with respect to Senator Forsey's motion in amendment to the motion for third reading of Bill C-10, an Act to amend the Financial Administration Act.

Senator Olson's point of order was that on third reading of a bill one cannot move a motion that directly substitutes words in a bill for other words, or deletes words, or adds words that are not in the bill at that stage. He argued that if such an amendment is desired, the motion should be one to refer the bill back to committee.

My ruling on Senator Olson's point of order was that the Senate has always exercised a great deal of flexibility in this regard. I referred to page 55 of the *Rules of the Senate*, where, in Appendix II to the Rules, there is an explanation of the procedure on the third reading of a bill in the Senate. That ruling stands.

• (2030)

However, during the adjournment, I had the opportunity to examine carefully Senator Forsey's motion in amendment and I have now come to the conclusion that the proposed subsections (2.5) and (2.9) in the amendment are inadmissible because they infringe the long established principle that prohibits members from proposing amendments that affect the financial initiative of the Crown by creating public charges not covered by the royal recommendation. The proposed subsection (2.5) authorizes the payment of a salary to the Comptroller General of Canada whose office the bill proposes to establish, and the proposed subsection (2.9) authorizes the appointment of the necessary staff to enable the Comptroller General to perform his duties.

The authors on parliamentary procedure are unanimous in this regard. Paragraph (12) of *May's* Nineteenth Edition, found at page 523, reads in part as follows:

> (12) Amendments or new clauses creating public charges cannot be proposed, if no money resolution or ways and means resolution has been passed, or if the amendment or clause is not covered by the terms of the resolution.

Reference may also be made to paragraph (3) of citation 246 of *Beauchesne's* Fourth Edition, which reads as follows:

> (3) The guiding principle in determining the effect on an amendment upon the financial initiative of the Crown is that the communication, to which the royal demand of recommendation is attached, must be treated as laying down once for all (unless withdrawn and replaced) not only the amount of a charge, but also its objects, purposes, conditions and qualifications. In relation to the standard thereby fixed, an amendment infringes the financial initiative of the Crown, not only if it increases the amount, but also if it extends the objects and purposes, or relaxes the conditions and qualifications expressed in the communication by which the Crown has demanded or recommended a charge. And this standard is binding not only on private members but also on Ministers whose only advantage is that, as advisors of the Crown, they can present new or supplementary estimates or secure the royal recommendation to new or supplementary resolutions.

For the information of honourable senators, may I quote *in extenso* the Royal Recommendation upon which Bill C-10 is founded. It is found in the *Votes and Proceedings* of the House of Commons for October 31, 1977, at page 52, and reads as follows:

> His Excellency the Governor General recommends to the House of Commons the appropriation of public revenue under the circumstances, in the manner and for the purposes set out in a measure entitled "An Act to amend the Financial Administration Act".

It is my view that the proposed subsections (2.5) and (2.9) of Senator Forsey's amendment would clearly create a public charge not covered by the terms of the Recommendation. I am informed that the senator himself had become aware of the deficiency in the amendment shortly after he had proposed it.

For the reasons I have stated I regretfully have to rule that the proposed amendment, as it now reads, cannot be considered. The proposed subsections (2.5) and (2.9) in the amendment must therefore be deleted and the question will then stand on the remainder of the motion in amendment.

Senator Smith (Colchester): Honourable senators, I wonder if I might, on this point, be allowed to read something which I was asked to read by Senator Forsey, in his absence, and which, of course, does not in any way contradict what you, Madam Speaker, have said so well. Since he asked me to do this, I now ask leave to do so.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Senator Smith (Colchester): It is a letter which the senator addressed to me, accompanied by a statement, and it reads:

> Most unfortunately, I have a long-standing speaking engagement in Calgary, which necessitates my leaving Ottawa Tuesday afternoon, June 6. So I shall not be here for the sitting.
>
> I should be grateful if you could read to the Senate the enclosed statement, presumably before you begin your speech on my amendment.

The statement is as follows:

> A long-standing speaking engagement in Calgary prevents me from appearing this evening in the Senate in a white sheet, not to say sackcloth and ashes, to offer to

honourable senators my most abject apologies for an inexcusable piece of stupidity in the drafting of this amendment.

I wish to emphasize here that these are Senator Forsey's words, not mine.

Hon. Senators: Hear, hear.

Senator Smith (Colchester): The statement continues:

Of course the proposed subsections (2.5) and (2.9) are completely out of order in this house, and of course I have known this for about 50 years. That I should have included them in my amendment is evidence of gross mental aberration, I hope only temporary. When the Law Clerk drew them to my attention, I was appalled. I owe a particular apology to the Honourable Senator Smith (*Colchester*).

Which is quite unnecessary. I did not notice it either. He refers to me, of course, as the seconder of this motion. Then he goes on to say:

The only consolation I have is that this may perhaps stop people from referring to me as a "constitutional expert" or "constitutional authority". After this performance, at least every honourable senator will be able to say: "Oh, yes! Forsey. He's the fellow who trips over his feet and falls down the stairs with the coal scuttle and the tea-tray when he tries to move a simple amendment. Constitutional expert, my eye!"

PENSION ACT
COMPENSATION FOR FORMER PRISONERS OF WAR ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-58, to amend the Pension Act and the Compensation for Former Prisoners of War Act.

Bill read first time.

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

Senator Perrault moved, with leave of the Senate, that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of the Canadian delegation assessment of the seventh session of the United Nations Conference on Law of the Sea, held at Geneva, March 28 to May 19, 1978.

Copies of Order in Council P.C. 1978-1684, dated May 18, 1978, approving the agreement expressed in the letters exchanged between the High Commissioner of the United Kingdom and the Minister of National Health and Welfare on November 10, 1977, pursuant to section 22 of the Old Age Security Act, Chapter 0-6, R.S.C. 1970, as amended.

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. Dorr-Oliver-Long Limited and its hourly plant employees, represented by the United Steelworkers of America, Local 4697, Orillia, Ontario, dated May 9, 1978.

2. The Lethbridge Herald Company Ltd. and certain groups of employees, dated May 9, 1978.

3. Libby, McNeill & Libby of Canada Limited and its Chatham plant employees, represented by the United Auto Workers, Local 127, dated May 17, 1978.

4. Town of Fort Frances, Ontario and certain groups of employees, dated May 18, 1978.

5. The Corporation of the Town of Oakville and its employees, represented by the Oakville Professional Firefighters Association, Local 1582, I.A.F.A., dated May 18, 1978.

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans, as follows:

1. Pullman Trailmobile Canada Limited, Brantford, Ontario and the group of its Vancouver service shop employees, represented by the Miscellaneous Workers, Wholesale and Retail Delivery Drivers and Helpers, Local Union No. 351. Order dated May 19, 1978.

2. Bell Canada and the group of its communications sales employees, represented by the Canadian Telephone Employees' Association. Order dated May 18, 1978.

3. Northern Transportation Company Limited and the group of its hourly employees, represented by the Public Service Alliance of Canada. Order dated May 19, 1978.

4. City of Victoria Police Board, Victoria, British Columbia and the group of its police inspectors, represented by the Victoria Police Senior Officers' Association. Order dated May 18, 1978.

Reports on operations under the Regional Development Incentives Act for the months of January and February, 1978, pursuant to section 16 of the said Act, Chapter R-3, R.S.C., 1970.

Second Semi-Annual Report of the Export Development Corporation on International Economic Boycotts for the period August 1, 1977 to January 31, 1978, issued by the Department of Industry, Trade and Commerce.

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. Bonar and Bemis Limited and its Guelph plant employees, represented by the Canadian Paperworkers Union, Local 1178, dated May 23, 1978.

2. Bonar and Bemis Limited and its Burlington plant employees, represented by the Canadian Paperworkers Union, Local 1178, dated May 23, 1978.

Report of the Minister of Finance respecting Olympic coins for the period ending March 31, 1978, pursuant to sections 13(1) and 13(3) of the Olympic (1976) Act, Chapter 31, Statutes of Canada, 1973-74.

Report of the Postmaster General respecting Olympic coins for the period ending March 31, 1978, pursuant to sections 13(2) and 13(3) of the Olympic (1976) Act, Chapter 31, Statutes of Canada, 1973-74.

Report on the operations of the Exchange Fund Account, together with the Auditor General's report on the audit of the Account, for the year ended December 31, 1977, pursuant to sections 17 and 18(2) of the Currency and Exchange Act, Chapter C-39, R.S.C., 1970.

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans, as follows:

1. Ozite Corporation of Canada Ltd. and the group of its employees represented by Le Syndicat des Salariés de Ozite, Saint-Jean, Québec. Order dated May 26, 1978.

2. Bendix Heavy Vehicle Systems Ltd., London, Ontario and its salaried bargaining group, represented by the International Union of the United Automobile, Aerospace and Agricultural Implement Workers of Amercia (U.A.W.), Local 27. Order dated May 30, 1978.

3. Millar and Brown Ltd., Toronto, Ontario and the group of its British Columbia Office Union employees, represented by the Office and Technical Employees Union, Local 15. Order dated May 26, 1978.

Two documents entitled "Research and Development in Canada: A Discussion Paper" and "Measures to Strengthen and Encourage Research and Development in Canada", issued by the Minister of State for Science and Technolgy on June 1, 1978.

Copies of Note No. FLM-0092 from the Department of External Affairs to the Embassy of the United States, together with exchange of letters between the two special negotiators, dated June 2, 1978, with respect to the implementation of an Interim Reciprocal Fisheries Agreement for 1978.

Copies of Note No. 125 from the Embassy of the United States to the Department of External Affairs outlining the decision of the United States of America in response to Note No. FLM-0092, with respect to the implementation of an Interim Reciprocal Fisheries Agreement for 1978.

• (2040)

TRANSPORT AND COMMUNICATIONS

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Standing Senate Committee on Transport and Communications have power to sit while the Senate is sitting tomorrow, Wednesday, June 7, 1978, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

AGRICULTURE

CHANGE IN COMMITTEE MEMBERSHIP

Senator Macdonald, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the name of the Honourable Senator Roblin be added to the list of senators serving on the Standing Senate Committee on Agriculture.

Motion agreed to.

INDIAN AFFAIRS

JOINT COMMITTEE OF THE GOVERNMENT OF CANADA AND NATIONAL INDIAN BROTHERHOOD—QUESTION ANSWERED

Senator Perrault: Honourable senators, on May 11, the following question was asked by Senator Smith (Colchester):

Was there until recently, or is there now, a joint committee composed of members of the government and representatives of a native organization which, I believe, is referred to as the National Indian Brotherhood? If so, does that committee still exist? If it does not exist, when did it cease to exist, and why?

There was a joint committee known as the Joint Committee of Cabinet and the National Indian Brotherhood made up of representative cabinet members and representatives of the National Indian Brotherhood.

The Joint Committee and the National Indian Brotherhood ceased to exist when the Executive Council of the National Indian Brotherhood, at a meeting held on April 12, 13 and 14, 1978, decided to withdraw the National Indian Brotherhood from the Joint Cabinet-N.I.B. Committee.

Honourable senators, Senator Smith (Colchester) asked the following supplementary question:

If indeed such a joint committee has ceased to exist, was there, at or about the same time, a cutback in funds available for various Indian purposes, and, if so, to what extent?

In reply to that question, Treasury Board authority is required before funds can be provided to continue the consultation process with Indians which was established through the Joint Committee of Cabinet and the National Indian Brotherhood. At the time the National Indian Brotherhood withdrew from the process, it is my understanding that funding authority was being sought. Authority is being requested to provide interim funds for the consultation process to continue until a consultation process to replace the one that did exist is decided upon.

VETERANS AFFAIRS

MEALS AT SUNNYBROOK HOSPITAL—QUESTION ANSWERED

Senator Perrault: Honourable senators, on May 24 a question was asked by Senator Marshall with respect to the breakfasts being served to veterans at Toronto's Sunnybrook Hospital. A copy of the reply to that question has been provided for Senator Marshall. The reply is a rather lengthy letter from the Minister of Veterans Affairs. I would be quite pleased to read the letter, if it is desired.

Senator Flynn: Put it on the record.

Senator Perrault: Of course, I am prepared to put it on the record, if that is satisfactory.

Senator Marshall: The letter is satisfactory to some extent, but I think it should be pointed out—even though it might seem facetious to worry about the breakfasts being served to veterans—that in the third paragraph the letter states:

> The problem concerning a proposed change in the kind of breakfast to be served, arose as a result of restrictions placed on the budgets of all hospitals in Ontario.

I should like to say to the Leader of the Government that this is not satisfactory in view of the fact that the Government of Canada handed over at no cost, and by means of an order in council issued in 1963, a hospital which was supposed to take care of veterans. At that time there was no question of budgetary restrictions. Indeed, the Government of Canada handed over a valuable piece of property as well as providing many millions of dollars to the Government of Ontario. The Government of Ontario promised to look after the veterans. As I say, there was no question about budgetary restrictions. If restrictions are to be placed on the service to veterans, we might as well give up now.

The other point I wish to raise, with the forbearance of honourable senators, is that the continental-style breakfast, according to the letter, was "contemplated with the full support of the medical staff and the dietary of the hospital". This, to my mind, is absolutely ridiculous. How can the medical staff and dietary staff say that this has their full support, and that it "does not reduce the quality of either medical or nutritional standards", when just a couple of months ago, after some 44 years, the Government of Canada decided that the prisoners of war who served in World War I and World War II should be compensated for conditions resulting from their incarceration? The only thing that is optimistic in the letter is the fact that the minister was told that the decision to serve a continental breakfast was being held in abeyance. I hope that they will reverse that decision, and will continue treating the veterans of Canada as before.

Senator Perrault: Honourable senators, in view of the comments made by Senator Marshall who, together with many other members of this chamber, has a justifiable interest and concern with the welfare of veterans, I think it would be in the public interest, and in the interest of the Senate, to read the text of the letter into the record.

As I said at the outset, perhaps it is to be regretted that the Conservative government of the Province of Ontario has decided to impose budget restrictions which have made any cutback necessary at any hospital in that province.

The letter is addressed to the Leader of the Government in the Senate, and dated May 31, 1978. It is signed by the Minister of Veterans Affairs, the Honourable Daniel J. MacDonald, and it reads:

> Dear Senator Perrault:
>
> I am pleased to respond to the question asked by Senator J. Marshall in the Senate Chamber on May 24, 1978, concerning the breakfast served to veterans at Toronto's Sunnybrook Hospital.
>
> Sunnybrook Hospital was transferred to the Province of Ontario in 1966 and as of that date the administration of the hospital became a provincial responsibility. My Department maintains a staff at the hospital to ensure that veterans receive the services to which they are entitled, and I take pride in the fact that the hospital authorities and DVA staff work together in a spirit of cooperation to make Sunnybrook the excellent facility that it is.
>
> The problem concerning a proposed change in the kind of breakfast to be served, arose as a result of restrictions placed on the budgets of all hospitals in Ontario.

By a provincial government known to all of us, honourable senators.

> In an effort to live within their budget, the administrators of Sunnybrook examined a number of measures which would reduce costs while still maintaining health care of the highest order. One such measure was the proposal to serve a continental-style breakfast. Let me assure you that this breakfast style was contemplated with the full support of the medical staff and the dietary staff of the hospital. I am told it does not reduce the quality of either medical or nutritional standards.

● (2050)

> When word of this proposal reached us, my officials expressed their concern to the authorities at Sunnybrook and I, myself, have been in contact with the (Conserva-

tive) Minister of Health for Ontario. On May 17 the Executive Director of the hospital—

Senator Flynn: A Conservative minister, did you say?

Senator Perrault: I put the word "Conservative" in. It is not in the letter.

Senator Flynn: Oh, I see.

Some Hon. Senators: Oh, oh.

Senator Perrault: Honourable senators can put the word "Conservative" in brackets.

Senator Croll: For clarification.

Senator Perrault: For clarification, yes.

Senator Grosart: Why introduce politics into this?

Senator Asselin: Shame!

Senator Perrault: Honourable senators, I am attempting to edify, as completely as possible, members of this chamber, and I felt the addition of that particular modifying appellation might help in the understanding of the issue.

Senator Grosart: What is the matter with you? Keep politics out of veterans affairs.

Senator Perrault: The letter continues:

> On May 17 the Executive Director of the hospital met with representatives of the Provincial Department of Health, and I am told that the decision to serve continental breakfasts has been held in abeyance until further negotiations on hospital funding have been completed. I am certain that the welfare of the veteran patients in Sunnybrook will be paramount in these negotiations, and I am confident that other ways will be found to resolve the financial problems of the hospital.
>
> I sincerely appreciate the concern of Members of the Senate for the well-being of our veterans.

And the letter is signed by one of Canada's distinguished veterans, the Minister of Veterans Affairs, Daniel J. MacDonald.

Senator Marshall: Honourable senators, I have heard the words of the government leader. All I can say is that they emphasize the delinquency of the Government of Canada in relinquishing its responsibility by handing over a veterans' hospital to a province under any circumstance, regardless of the party in power in that province. The federal government, in so doing, has abandoned its duty to the veterans, and this is why we are having these problems today.

Senator Perrault: Perhaps it indicates that some provincial governments can be trusted more than other governments.

Senator Grosart: You have messed it up enough. Don't carry it any further.

Senator Lang: Honourable senators, I rise on a question of personal privilege. I have been a trustee of Sunnybrook Hospital—

Senator Flynn: Oh, that is the explanation.

Senator Lang: —since 1966, and I am also a veteran.

There is no question that the hospital situation in Ontario is serious. I should like to deal with some of the points raised by Senator Marshall.

Senator Flynn: And also those raised by Senator Perrault.

Senator Lang: Honourable senators, Sunnybrook Hospital was faced this year with a potential deficit of $2.5 million. By reducing the number of beds in that hospital by 30, we have been able to bring our potential deficit down to $1.5 million. The curtailment of breakfast to a continental style breakfast applies not only to the veterans, but to the other 500 patients in that institution as well.

Senator Asselin: That was not stated in the letter.

Senator Lang: The savings involved in that curtailment of breakfast amount to between $200,000 and $300,000.

I want to assure honourable senators that such a curtailment in breakfast standards has no deleterious nutritional effect on the veterans, and I resent the reflection that my colleague, Senator Marshall, has cast upon the medical and dietary staffs of that hospital, which are the finest of any hospital in Canada.

Senator Flynn: Do you resent what the Leader of the Government said? It is about time that you were fair.

Senator Lang: I resent your interruption. Let me carry on—

Senator Flynn: Carry on, but carry on properly.

Senator Langlois: Order.

Senator Lang: We have an alternative before us. We can effect the same savings in dollar terms by reducing the ancillary services available to veterans, and that includes social workers, physiotherapists and other paramedics. Faced with that alternative, the curtailment of breakfast to what is called a continental style breakfast from what previously was not what one would call a full breakfast—the veterans have not had bacon as part of their breakfast for two years—is a modest curtailment indeed, and one which will have little effect on the lives or happiness of our veterans.

I think it should be remembered by Senator Marshall that we have two classes of veterans at Sunnybrook, the chronic and the domiciliary. The domiciliary veterans are those who are in there on a permanent basis. The chronic veterans, who are housed in K wing, are those who are there for the purposes of rehabilitation and who will, hopefully, be returned to their families and friends. K wing which houses the chronic veterans was built in recent years by the federal government.

In K wing we are suffering already from an inability to create the turnover necessary, the reason being that under our budgetary constraints we are lacking an adequate number of social workers, physiotherapists, and other paramedical services. In trying to balance these two things, in trying to put them into equilibrium, there is no question that by far the better decision is to economize on the type of breakfast to be served, notwithstanding all this emotional nonsense.

As to whether or not we should turn veterans' hospitals over to other oganizations, which would include non-veteran patients, I can tell you right now that if we at Sunnybrook hospital had to cut back 50 more beds, we would lose all of our excellent medical staff, including our excellent paramedical services. At the time of the takeover by the provincial government in 1966, Sunnybrook Hospital could not have continued in existence. It was impossible to attract an intelligent, ambitious young doctor to the kind of atmosphere involved in the custodial care of elderly people. We want to give our veterans the best medical and paramedical services available, and that can only be done in conjunction with the operation of a full-time active treatment hospital. In the combination at Sunnybrook of veterans and active treatment patients, we have the best combination of any hospital of this type in Canada, and it is a hospital that is considered to be of the highest standards.

Let us not forget to put these things into balance. I challenge Senator Marshall, or anyone else, to go to any veteran at Sunnybrook and ask him if he would rather be in any other institution.

I am not denying that the federal government has not made a tremendous contribution in this area. Every senator should go and take a look at K wing. It is the most magnificent tribute to our veterans that could be made. It is not part of the main building. It is a separate building. It is an architectural gem. It is a perfect place for veterans. They have everything in K wing to make them happy and provide them with the recreational and rehabilitative facilities they need. But we could not possibly service that wing without having an active treatment hospital available, not only to attract the best medical and nursing services, but also to have a facility available to which we can transfer our chronic or domiciliary care veteran patients into active treatment without dislocation.

Honourable senators, this breakfast business is a tempest in a teapot. It is a nothing issue. It was promoted for the purposes of the press. It is a press built-up issue.

However, there is a far more serious issue underlying this, and that is the health care budget in Ontario. We cannot run a 1,000-bed hospital at a deficit of between $1.5 and $2 million a year. The only way to get back inside our budget is to reduce the number of our beds again. As soon as we start to drop below 500 active treatment beds, it becomes impossible to operate a first-class active treatment hospital, and without a first-class active treatment hospital the veterans will have nothing like the services we can give them now. They will instead be back in a custodial environment, which is the last thing we want.

May I say in conclusion, on behalf of the trustees of this hospital, of whom I am one, and myself a veteran—and we have representatives of the Legion on our board; we have dedicated lay people and the finest medical staff—these decisions are not made unthinkingly or without the most serious contemplation. By making irresponsible attacks with respect to a small issue, created by the general budget constraints imposed on all hospitals in Ontario, the press is distorting the true facts, namely, that our Canadian veterans are getting better treatment in Sunnybrook Hospital in Toronto than they are getting anywhere else in Canada, and I know that treatment will be maintained.

[Senator Lang.]

● (2100)

Senator Marshall: Honourable senators, I do not want to belabour the point. I respect Senator Lang's remarks, but I want to tell him that I also have visited K wing at Sunnybrook Hospital in Toronto. I have also visited Shaughnessy Hospital in Vancouver, the veterans' hospital in Victoria, the hospital in Kentville, Nova Scotia, the hospital in Lancaster, New Brunswick, and the hospital in Montreal. I visited all the veterans' hospitals to consider and determine the treatment of veterans to which we, as Canadians, are committed.

The problem of the breakfast, whether it is cold or hot, is not the point at issue. The point at issue is a commitment made back in 1914 by the then Prime Minister of Canada that no Canadian would ever deny any veteran the rights that he deserved as a result of his service to his country. We failed along the way over the 60 years that have passed since; we have failed because we did not fulfil that commitment. Every veteran who lies in the Shaughnessy Hospital, and every other hospital today, in his later years is doing so because he needs care. They deserve every care, regardless of the savings. We should not consider making savings by reducing services to the veterans.

With regard to the medical staff I criticized, I have experienced, in all the veterans' hospitals across Canada, the realization that the medical staff are working in an age of diminishing consideration. They do not recognize why Canada became great, as I indicated in my comments on the anniversary of D-Day. They do not care, and they do not want to care, because they want the veterans to be assimilated with all others in Canada. I know I am not using the right words. I have every respect for medical staffs across Canada, nurses and doctors, but they have a duty to perform. It is because the Government of Canada is relinquishing its duty that we are facing these problems that we should not have to face.

Again I say that I respect Senator Lang's thoughts on this matter. I know he is dedicated to the hospital he serves as a trustee. However, we must not forget why Canada became great. We owe everything to those old veterans who sit and complain. Regardless of whether we think their complaints are innocuous or unfounded, we owe them that until the few years they have remaining are gone into the twilight.

Senator Perrault: Honourable senators, I do not want to prolong this debate.

Senator Grosart: Why do it then?

Senator Flynn: Why did you start it?

Senator Perrault: We have discussed the subject at great length.

Senator Grosart: Leave it alone then and it will stop.

Senator Perrault: I know that the Deputy Leader of the Opposition has great respect for parliamentary tradition, and I

hope he will show enough forbearance to hear what I have to say. If the official opposition, or any other senator, wishes to have a debate on veterans affairs, the government would certainly welcome that initative. There are certainly many of us here and elsewhere, however, who feel that Canada's veterans affairs program has been a model for the entire world, and facts could be brought into evidence to that effect.

Senator McElman: Honourable senators, I should like to correct a comment made by Senator Marshall. He referred to the veterans' hospital in Lancaster, New Brunswick. There is now no veterans' hospital in Lancaster, New Brunswick. It was replaced some years ago, as a result—since political parties have been mentioned—of the negotiations of the former Robichaud administration and the present Hatfield administration with the Government of Canada, and is now an integral part of the very efficient and first-rate Saint John General Hospital, where the veterans are receiving much superior treatment, in a far superior building, than they had for many years previously in New Brunswick.

Senator Flynn: Honourable senators, in view of the statement made by Senator Lang, I should like to ask the Leader of the Government if he would suggest to the Minister of Veterans Affairs that he meet with Senator Lang to try to reconcile his views with those of the honourable senator, and possibly write another letter.

Senator Perrault: Honourable senators, Senator Lang and the Minister of Veterans Affairs are in continuing amiable contact.

Senator Flynn: It does not show in a comparison of the letter with the statement.

Senator Smith (Colchester): It would help if their contact were useful as well as amiable.

FOREIGN AFFAIRS

KOLWEZI MASSACRE—QUESTION ANSWERED

Senator Perrault: Honourable senators, on May 24 a question was asked by the Honourable Senator Wagner with respect to the situation in Zaire. This is the first opportunity that has presented itself to provide a reply to that question.

As far as we are aware, all Canadians residing in Zaire have been accounted for, including Mr. and Mrs. Barnes, missionaries for the Jehovah's Witnesses, who were caught in Kolwezi but who have now returned to Kinshasa safe and sound.

Should a threat to the safety of Canadians develop as a consequence of future rebel attack, our embassy in Kinshasa would attempt to contact them and advise them to leave. Arrangements are being made to include them in the contingency plans of other countries which have greater resources in the area.

Reports received show that the Katangese rebels were well trained and well armed. However, no concrete evidence exists of a Cuban presence in the Shaba Province at the time of the invasion.

The situation in Angola is being followed very closely. The presence of Cuban troops in that country is a matter which is the sole responsibility of the Angolan government. The Canadian government, and, for that matter, the governments of most Western countries, have always argued that the problems of Africa should be settled by the Africans themselves. This is a view which is shared by most African countries.

NUCLEAR WEAPONS

GOVERNMENT POLICY RE NEUTRON BOMB—QUESTION ANSWERED

Senator Perrault: Honourable senators, on May 23 the Honourable Senator Forsey asked for information on the policy of the government with regard to the proposed neutron bomb.

In his statement to the U.N. Special Session on Disarmament on May 26, 1978, the Prime Minister stated:

> The President of the United States has shown the way in recent weeks with his farsighted postponement of a decision to produce a special battlefield nuclear weapon. We must all hope that the response of the Soviet Union will be such as to make it possible to extend that postponement indefinitely.

The Prime Minister was pointing to the fact that the question of a decision to produce the neutron bomb has been postponed by President Carter. The ball is now squarely in the court of the Soviet Union, which in effect has been challenged by President Carter, to exercise equivalent restraint with regard to its own deployments or force levels.

BUSINESS OF THE SENATE

Senator Manning: Honourable senators, would the Leader of the Government indicate what legislation, if any, will be coming to this chamber from the other place in the next week or ten days, if that information is available?

Senator Perrault: That information is not yet available. There is, of course, a high degree of probability that Bill C-56, relating to certain taxation policies, will come before the chamber very shortly. Beyond that, without giving the titles of bills, it is not anticipated that major legislation will be brought before Parliament before the summer break.

• (2110)

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—MOTION FOR THIRD READING—MOTION IN AMENDMENT—DEBATE CONTINUED

The Senate resumed from Thursday, May 25, the debate on the motion of Senator Everett for the third reading of Bill C-10, to amend the Financial Administration Act, and the motion in amendment thereto of Senator Forsey that the bill be not now read the third time but that it be amended.

Hon. George I. Smith: Honourable senators, as it is some time since this debate was adjourned, I should like to begin by saying two things. First, my remarks at this time are addressed to the amendment, and consequently I will not feel barred—and I am sure the house will not feel that I should be—from speaking on any other motion that may arise relating to this bill. Secondly, we are dealing with the amendment moved by Senator Forsey at our last sitting, two portions of which have been ruled out of order by Madam Speaker this evening.

It might be helpful if I were to read the amendment as it now stands after the deletion of those two clauses. The amendment will be found in the *Minutes of the Proceedings of the Senate* for Thursday, May 25, 1978, a copy of which is on each senator's desk. The amendment as it remains reads as follows:

> *Page 1:* Strike out lines 7 to 16, inclusive, and substitute the following:
>
> "following subsections:
>
> "(2.1) The Governor in Council may, by commission under the Great Seal, appoint an officer called the Comptroller General of Canada to hold office during good behaviour for a term of ten years, but the Comptroller General may be removed by the Governor in Council on address of the Senate and House of Commons.
>
> (2.2) Notwithstanding subsection (1), the Comptroller General ceases to hold office on attaining the age of sixty-five years.
>
> (2.3) Once having served as the Comptroller General, a person is not eligible for re-appointment to that office.
>
> (2.4) In the event of the absence or incapacity of the Comptroller General or if the office of Comptroller General is vacant, the Governor in Council may appoint a person temporarily to perform the duties of Comptroller General.
>
> (2.5) The Comptroller General is the chief financial officer of the Government of Canada and as such shall establish financial systems and procedures to ensure that
>
> (a) the form of the Estimates provides a sound basis for budgetary control of government expenditures,
>
> (b) public moneys and assets are kept under effective custody and control,
>
> (c) government accounting procedures and financial statements conform to generally accepted accounting principles and standards,
>
> (d) public moneys are expended with due regard to economy and efficiency, and
>
> (e) satisfactory methods are used to measure the effectiveness of government programs,
>
> and shall perform such additional duties and functions as may be assigned to him by the Treasury Board.
>
> (2.6) The Comptroller General shall report annually to Parliament on the work of his office.
>
> (2.7) Every report to Parliament made by the Comptroller General under this section shall be made by being transmitted to the Speaker of the Senate and to the Speaker of the House of Commons for tabling in their respective Houses.

Since, as I believe was the case, Senator Everett spoke primarily about Senator Forsey's amendment, although he may also have mentioned some other matters, I shall contain my remarks to dealing with what Senator Everett said in this matter. I regret very much that through circumstances I find myself speaking at a time when Senator Everett is not in his seat. I would much rather have spoken when he was listening.

I should like to say also that I find myself quite surprised at having to disagree with the honourable senator on a number of points, because I have a high regard for his views and have frequently found myself in agreement with him.

Tonight, however, I cannot bring myself to agree very much with anything he said, and I shall draw attention to those things to which I take the greatest exception, and will indicate why. Remembering, if you will, that his remarks were devoted to the point of demonstrating why in his view he should not support the amendment, my remarks are intended to have just the opposite effect, namely, to demonstrate why I think his comments do not justify being against the amendment, and I shall mention those things that I feel justify supporting the amendment.

I should like to make this point at the outset of my comments. It has become the habit in debates here and in the other place, and also in committees of both houses, to refer to the Comptroller General, who is mentioned in this bill, as just another deputy minister. However, I submit, that he is not a deputy minister at all. He is a unique and special person. He is a person whom the bill says shall be the Comptroller General of Canada. It does not say that he shall be a deputy minister. it says that as Comptroller General of Canada he shall hold the rank and status of a deputy minister, which is a very different thing; and if honourable senators will examine the statutes which do appoint deputy ministers as such, they will find that in fact they do say that so and so shall be a deputy minister, or there shall be a deputy minister, or whatever the phraseology might be. It specifically makes provision for the appointment of a person who is designated in the statute as a deputy minister and who is called such.

Obviously, if this unique gentleman, holding this very important job, were a deputy minister, it would be quite unnecessary in the bill to say that he shall have the rank and status of a deputy minister.

So I submit that those comments which apply to a deputy minister do not necessarily apply to this unique gentleman, who will be, if he is appointed under this bill if it becomes law, the Comptroller General of Canada—a unique gentleman indeed; so unique, in fact, that the Auditor General officially described him, when giving evidence before committees in the other place, or in his report, or both, as the most important financial control officer in the public or private sector of

Canada—which is a pretty emphatic description of the importance of his job.

In his report, or perhaps it is in his evidence, he refers to him as having a job ten times as important as the Auditor General himself. So I say this is not just any deputy minister, to be subjected to the application of the same principles as all other deputy ministers simply because he is thought to be one; but because he is unique and has a unique task, if this bill becomes law, so shall his position be unique, as it is obviously intended by the draftsmen to be, whatever may have been intended by the minister who introduced the bill.

One of the reasons that Senator Everett gave for the failure of certain amendments which were moved during the meeting of the National Finance Committee on this bill was that it included the provision that this officer should be the chief financial officer of Canada.

The following are the words of the honourable senator, as reported at page 831 of *Hansard* of May 25, 1978:

> In committee two amendments were proposed to the bill, and they were, as Senator Forsey says, similar to the amendment that he has now moved. However, they both failed in committee after considerable discussion. One of the reasons I think they failed is because they contained the provision:
>
> > The Comptroller General is the chief financial officer of the Government of Canada and as such shall be charged with the control, management and supervision of government expenditures.
>
> I believe the legal interpretation of that is that with that kind of authority he could arrogate to himself all the powers both for accountability and allocation.

● (2120)

> The Secretary of the Treasury Board would have no powers under that amendment, and, indeed, it is questionable whether the President of the Treasury Board would have very much power if that amendment had gone through. So it just had to fail.

I am sure, however, that Senator Everett must have forgotten what he said at the beginning of the speech, on page 829, where we find the following:

> This bill arises out of a recommendation made by the Auditor General, and I would like to read that recommendation. It was contained in the conspectus to his 1976 report. He recommended—

And just listen to this compared with what I have just said.

> The establishment of the position of chief financial officer of the government, preferably with the title Comptroller General of Canada, with deputy minister status and a direct reporting relationship to the President of the Treasury Board, and with duties and authorities fully commensurate with the important responsibilities of such a key position—

I therefore say that what Senator Everett put forward to us as being the reason—or rather, a reason; I should not say it was the only reason he alleged—for the failure of these amendments in committee was that they provided that the establishment of the position of the Chief Financial Officer of the Government would do the things that I read a moment or two ago, which he thought were wrong. But that recommendation is the very recommendation, in his very words, of the Auditor General of Canada, in the conspectus to his 1976 report, quoted apparently with the approval of Senator Everett at page 829 of the *Debates of the Senate* of May 25, 1978.

I therefore say that that argument is not an argument at all, as far as I am concerned. The amendment seeks to do precisely what the Auditor General recommended should be done in respect of being the Chief Financial Officer.

Senator Everett also says, at page 829:

> It seems to me that if the Comptroller General is going to be a servant of the Government of Canada and a servant of the Treasury Board, and if he is going to report to Parliament, he, in effect, is going to serve two masters—

But, honourable senators, the amendment does not suggest that he should be the servant of the Government of Canada and the servant of the Treasury Board. So that argument, if the facts upon which it is based were taken correctly, would have no validity. Nobody suggests in the amendment that he is going to serve the Government of Canada and serve the Treasury Board. So I think it is also incorrect for anyone to say, in the words of Senator Everett:

> He would be proscribed from doing the job of seeing that our expenditures are made in an effective and efficient manner.

Senator Everett goes on to say:

> He would also, it seems to me, take on the duties of the Auditor General.

But, honourable senators, no one can find anything in this amendment which in any way indicates that it would have the Comptroller General take on the duties of the Auditor General. These are two separate and distinct jobs. The amendment recognizes this, and everyone on this side of the house, at least, who has spoken about it, recognizes it. Everyone knows that the Auditor General's duty is to audit, to examine things after they have happened. Everyone who has looked at the description of what the Auditor General thinks the Comptroller General should do knows that the Comptroller General is going to take part in current events as they happen, and indeed may, in many of his duties or intended duties, shape the way in which those events will happen. There is no conflict. What the amendment seeks to do is exactly what the Auditor General asked and recommended that the Comptroller General should do. Therefore, to say that the amendment would duplicate the work of the Auditor General is, unless the Auditor General himself is very wrong, completely without justification.

Senator Everett also said this, at page 830 of *Hansard*:

> The Auditor General has stated in committee that he does not believe that a person can be a comptroller and auditor at the same time.

Of course, that is so, and that is what we agree on. We do not want the Comptroller General to be an auditor. We want him to be the comptroller. The amendment makes that abundantly clear and does not give any ground for such an allegation.

Again, Senator Everett says this:

> One of the suggestions in Senator Forsey's amendment is that there should be a statutory enumeration of the duties of the Comptroller General. We heard the minister before the committee on this matter, and he made what I thought was a rather persuasive argument.

I should like to deal with that for a moment. I should like to read certain things that the Auditor General said before the Standing Senate Committee on National Finance during the hearings on this bill. These excerpts will be found at page 10 of Issue No. 10 of the committee's printed proceedings. Senator Grosart asked certain questions of the Auditor General, and among them were these:

> Do you have any objection to the authority of the Comptroller General being specified in the act so that his authority would come from Parliament, even though he were still an officer of the Treasury Board, just as in the case of other deputy ministers whose duties are spelled out in an act, particularly the National Revenue Act? Do you see any reason at all, from the point of view of your original recommendation or your subsequent thinking, why a very general description of his authorities and duties could not be spelled out in the act?

The Auditor General answered as follows:

> Mr. Chairman, generally speaking, the Auditor General would be in favour of any measure strengthening the control of the public purse. The point Senator Grosart is raising certainly has been discussed with me. I raised this point myself. I accepted the explanation given to me—which I think is self-evident—with certain exceptions to which the honourable senator referred; that is, in the case of the two deputy ministers from National Revenue and perhaps one or two others, such as the Deputy Receiver General for Canada. I accepted the general reply that this is ministerial responsibility. This is a brand new position and not one easily agreed upon.

Senator Flynn, at page 10:12 of the same proceedings, asked a somewhat similar question:

> In the case of any given department or deputy minister, you would know precisely what the duties and responsibilities are, whereas with the Comptroller General you will have to proceed on the general concepts you have or that which can be drawn from the list of duties that has been published. That being so, surely you agree that you would not be on as firm ground as you would were the minimum duties and responsibilities legally defined?

The Auditor General replied as follows:

> As a servant of Parliament, responsible to Parliament for endeavouring to ensure that public moneys are administered well, I would have to say I would be automatically in favour of anything that would tend to strengthen the position. I have tried to qualify that at this time by pointing out that this is a position in another sense, while it is brand new, which has existed previously. The Secretary of the Treasury Board has basically attempted to do this job. He has not done it well, through no fault of his. The job has grown immensely over the past 15 years.

He goes along in that vein, and then adds:

> I again emphasize that I would like anything that would strengthen that, including anything in the legislation, but I am perfectly happy to wait for it.

You will notice that never at any stage in his answers did he indicate that it was not a good thing to have eventually. "I am perfectly happy to wait for it," is the most he would say.

• (2130)

A little later, in an endeavour to make sure there was no doubt about this, I said to him, and this is at page 13 of these proceedings:

> Before putting my question, I want to point out that I have read very carefully what you have said, Mr. Macdonell, before various bodies, including the Miscellaneous Estimates Committee of the other place. As a result, I have formed the opinion that, leaving the objection to it aside, you, as Auditor General, would have a preference to have the basic duties of the Comptroller General spelled out in the statute, and I have said so more than once. Having said that, I would now like to ask you whether that is a correct inference from what you have said previously and what you are saying today.

The Auditor General answered:

> I think that is fairly stated, Mr. Chairman. I have tried to place on record that I am for anything that will strengthen the financial administration of public moneys. Certainly, if some of the basic duties were spelled out in the legislation that would, I suppose, over a period of years ensure, through the law, that any changes would indeed have to come back to and be ratified by Parliament. So I think that in that sense it is a safeguard. Perhaps I am so close to the picture myself, having recommended this and having a clear perception of what these duties should be, that perhaps I am a little biased—

Meaning biased in favour of his recommendation, which is somewhat natural.

Then he goes on to speak about the Lambert Royal Commission and says that he looks forward with great interest to its findings and recommendations. He says that he has publicly stated that he thinks that in its day that commission will likely have as much impact as the Glassco Commission did 15 years ago, which was immense.

In reading this and similar answers made by the Auditor General in the other place, which I referred to on second reading, and in reading his reports, it seems to me that from 1976, at least, he has been in favour not only of having a Comptroller General but of having his duties enumerated in the statute. It is simply not correct to say that he is not in favour of such a proceeding.

In another place the Auditor General goes on to speak of the fact that Senator Forsey and I—and I think he may well have added Senator Grosart and some others—have referred to the precedent of enumerating the duties of a deputy minister, and we referred particularly to the deputy ministers, there being two of them, in Revenue Canada.

Senator Everett agrees that this exists but then goes on to say that, of course, there are many other places where it does not exist and that consequently we should not regard Revenue Canada as a precedent for enumerating in this particular instance. What we were doing was replying to the allegation made by those who had overlooked the fact that there were two deputy ministers in Revenue Canada and also perhaps in one or two other departments. It was not correct to say that there was no precedent for enumerating the duties of a deputy minister in the statute. We were saying there was, and there is, and nobody can deny it. Therefore, we are not suggesting that anything should be done which has not been done before.

Although I have maintained and still maintain that the Comptroller General is not a deputy minister but a comptroller having a rank and status of a deputy minister, certainly he is one of two very senior persons who will be reporting to the President of the Treasury Board. Therefore, it is a perfectly good precedent for enumerating his duties to find the same thing done in Revenue Canada.

Honourable senators, while Senator Forsey's amendment contains more things than merely the enumeration of the duties of the Comptroller General under the bill, I submit that there is ample precedent and ample argument for doing just that. The Auditor General himself recommended it and has never retreated from that recommendation although, obviously after a great deal of discussion—I think the President of the Treasury Board said, after five or six meetings—he was prepared to modify his opinion about haste on the matter.

Honourable senators, I support the amendment put forward by Senator Forsey, minus the two portions which Madam Speaker ruled were out of order, and I ask other honourable senators to do the same.

On motion of Senator Cook, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, June 7, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

[*Translation*]

NATIONAL CAPITAL COMMISSION

NEWSPAPER ARTICLE—QUESTION OF PRIVILEGE

Hon. Jean Marchand: Honourable senators, I rise on a question of privilege. I will not speak at length since the statement I want to read covers only two pages. Before doing so, however, I would like to mention a fact which appears somewhat ridiculous for an institution as important as the Canadian Senate. I drafted this statement myself last night, in French of course. Since nine o'clock this morning I have been trying to find someone who could translate it into English. Here in Ottawa we are used to experiencing difficulties finding someone to translate from English to French, but in this case the difficulty was to find someone to translate from French into English. To my mind, therefore, that is a great deficiency for an institution as important as ours.

So I will read you my statement as I wrote it, not that I am unable to read French, because I think I can. However, I think that an institution as important as the Senate should provide that service, not to translate love letters but official comments we make as members of this house. I would like that comment to be recorded in *Hansard*.

Honourable senators, an article published in the Ottawa *Citizen* on Monday last, June 5, compels me to take a few minutes of your time so that I will not be accused later of having neglected to correct mistakes which create serious prejudices to respectable citizens and institutions.

I refer, honourable senators, to a report which can be read on the first page of the newspaper, the Ottawa *Citizen* and which is entitled:

[*English*]

> Fullerton blames Campeau project for glut of office space in region.

[*Translation*]

In short, the article professes to report what Mr. Doug Fullerton said on the occasion of the fifth anniversary of his leaving the chairmanship of the National Capital Commission. I think that the occasion was created artificially and I would have paid no attention to the article had it not been that reputations were being attacked viciously.

Why bring up the incident? First of all, because of the harm it can do to the National Capital Commission. Second, because it ascribes to the one who is now speaking to you a role that jeopardizes his integrity. Finally, I would have to resign as co-chairman of the Special Joint Committee of the Senate and the House of Commons on the National Capital Region if some of Mr. Fullerton's assertions were founded, as I fail to see how I could possibly continue in that position after the assertions of Mr. Fullerton.

I deplore the situation all the more because I have always held Mr. Fullerton in the highest esteem for several reasons in addition to his courage, his colorful personality and his imagination.

When I was minister responsible for the National Capital Commission, it was with the utmost confidence that I gave him full liberty, convinced as I was that his honesty and devotion to the public interest justified my trust.

What am I blaming that man for, who until now had my whole-hearted admiration? Simply, if he was correctly quoted, because of the following paragraph. Here is what is incriminating:

[*English*]

> Despite the opposition of the NCC—

Remember, I was the minister responsible for the NCC at that time.

> —Fullerton said that a "compromise" was worked out by the minister then responsible for the agency, Jean Marchand, that allowed the project to break the height by-law. "That was the project that did all the damage."

[*Translation*]

In fact, I would have made a compromise with Mr. Campeau—over the heads of the NCC, the City Council of Ottawa, the Ontario Municipal Board, which has jurisdiction, the government and responsible officials—to enable him to erect a building which greatly distracts from the architectural jewel which is Parliament Hill with its splendid buildings crowned by the magnificent Peace Tower.

Truth is not respected in this statement by Mr. Fullerton.

I hope he was misquoted and will hasten to make the required corrections. Otherwise, I shall have to take the means available to me so that those facts are set right and the responsibilities fairly attributed.

Honourable senators, I state solemnly that I never made—and I do not ask for any immunity when saying this, and I deliberately deprive myself of any—I state solemnly that I never made any compromise with Mr. Campeau to enable him to erect the downtown building mentioned in the *Citizen*, the building in downtown Ottawa. I am not talking about the matter in Hull, because I was not the minister responsible at that time.

The NCC, which was under my ministerial jurisdiction, opposed the project as designed by Campeau. Lawyers and

experts appeared before the Ontario Municipal Board to oppose the height of the proposed building. The planners of the City of Ottawa opposed the project. Unfortunately the city council was divided. On the other hand, the Department of Public Works, in spite of the attitude of the NCC, decided to commit itself to leasing space in that building; since it was private land exploited by a private enterprise, the NCC did not have the right of veto.

It was the Ontario Municipal Board—and I must say that I know absolutely nobody there and that, subsequently, I have never been in contact with anybody from the Ontario Municipal Board—which, seeing the division among the people involved, decided to offer the compromise mentioned in the comments attributed, rightly or wrongly, to Mr. Fullerton.

Apparently, Mr. Fullerton took advantage of that opportunity to attack, as well as the person who is talking to you, Messrs. Campeau, Edgar Gallant and Pierre Juneau, the last two having been his successors. Strangely enough, all those people are French. The only ones who have been spared are those who are really to blame for what prompted Mr. Fullerton's complaint.

I think there are more decent ways to sell a book than taking the means used by Mr. Fullerton.

[*English*]

• (1400)

THE SENATE

DELAY IN DISTRIBUTION OF OFFICIAL PUBLICATIONS

Senator Perrault: Honourable senators, some of our working documents are not yet available today because of the failure of a printing machine at the Printing Bureau. I understand this has caused a delay in the distribution of not only certain Senate publications but also publications of the other place.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Science Council of Canada for the fiscal year ended March 31, 1978, pursuant to section 19 of the Science Council of Canada Act, Chapter S-5, R.S.C., 1970.

Copies of Reinsurance Agreement, issued by the Department of Transport, between Her Majesty the Queen and The Canadian Shipowners Mutual Assurance Association, dated May 8, 1978, pursuant to section 8 of the Marine and Aviation War Risks Act, Chapter W-3, R.S.C., 1970, together with Order in Council P.C. 1978-1055, dated April 6, 1978, approving same.

Capital Budget of The St. Lawrence Seaway Authority for the fiscal year ending March 31, 1979, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-1745, dated May 25, 1978, approving same.

• (1410)

HEALTH AND WELFARE

SALARIES OF NURSES IN NORTHERN REGIONS—QUESTION

Senator Lucier: Honourable senators, I should like to direct a question to the Leader of the Government in the Senate. As he is no doubt aware, the 2,000 or so federally employed nurses who provide services in the territories and the northern regions of the provinces have been without a contract since 1976. He is also no doubt aware of the important services these nurses provide in our more remote northern regions. In many areas it is impossible to attract doctors, with the result that these nurses provide the only health care available in many communities.

As I understand it, these nurses, whose wages are already some 20 per cent below those of nurses employed in other sectors, have been offered something like a 5 per cent increase. In view of that, perhaps the Leader of the Government could convince his cabinet colleagues that these nurses deserve better treatment than they have been getting. At the same time, I would ask him to inquire as to the status of the negotiations at this point in time.

Senator Perrault: Honourable senators, like many others, I am most certainly aware of the invaluable contribution made by the nursing profession to the communities of this nation, particularly those in remote areas where there is a shortage of doctors. In many cases in certain areas of our nation it is the nurse who is solely responsible for the maintenance of health services and lifesaving initiatives. Senator Lucier's question is a very important one, and in response I undertake to ask to have this matter placed before cabinet for discussion tomorrow.

Senator Buckwold: Honourable senators, supplemental to what we have just heard from Senator Lucier, I should like to emphasize the importance of a wage settlement to the nurses in northern Saskatchewan. Like those in the territories, they are very unhappy with the long delay in finalizing a contract. I think all honourable senators appreciate how important it is that this contract be concluded soon.

Senator Flynn: Is that a supplementary question or a supplementary answer?

Senator Buckwold: I leave that to the Leader of the Opposition to determine.

SPORTS

CBC TELECAST OF PEARSON CUP BASEBALL GAME—QUESTION

Senator Davey: Honourable senators—

Some Hon. Senators: Hear, hear.

Senator Flynn: You look relieved.

Senator Davey: Honourable senators, could the Leader of the Government inform the Senate whether the CBC plans to

telecast the Pearson Cup baseball game to be played on June 29 between the Montreal Expos and the Toronto Blue Jays?

Senator Perrault: Honourable senators, I have no information to that effect. However, as a baseball fan I would be pleased to fully support such an initiative, as I am sure would many other baseball fans in this chamber and in the other place. Indeed, this is the beginning of what could become an important national sporting event. I know that honourable senators will feel supportive of the position taken by Senator Davey.

Senator Flynn: Did the Leader of the Government know that Senator Davey, in addition to being a baseball fan, is also a football fan? That brings back memories.

Senator Perrault: Honourable senators, I am fully aware of Senator Davey's interest in athletics. Indeed, I think it is one of his endearing qualities.

THE ESTIMATES

DOCUMENT ENTITLED "HOW YOUR TAX DOLLAR IS SPENT"—QUESTION

Senator Smith (Colchester): Honourable senators, I wonder if I might ask a question of the Leader of the Government. As he no doubt recalls, on April 12 last, as reported at page 583 of Senate *Hansard*, he replied to a question I had asked the day before concerning a publication entitled "Federal Spending Plans, 1978-79," a copy of which I had shown him and a photocopy of which I now hold in my hand. At that time he made a number of comments, including the following:

> The estimated total production cost is $44,000.

He then went on to say:

> I should say that this represents an attempt by the government to demonstrate its own sense of restraint—

And then there was an interjection by Senator Flynn, following which the government leader continued:

> —because the tabloid replaces the substantially more expensive booklet "How Your Tax Dollar is Spent," which was printed last year at substantially higher cost.

As I now hold in my hand the publication "How your Tax Dollar is Spent" for the year 1978-79, I am wondering whether the government leader can tell us when it was that the government decided to forego the restraint that he believed that it was about to achieve, or had achieved, by refraining from publishing this document for the year 1978-79.

Senator Perrault: As honourable senators are aware, I had answered that question only after seeking information from the appropriate source. I can only speculate that there was such an overwhelming public demand for further information on the subject of the government's restraint program that some official felt it necessary to proceed with a greater program of public education.

Senator Smith (Colchester): Is that the customary way in which the restraint practised by the government is carried out?

[Senator Davey.]

Senator Perrault: It is a most effective way.

Senator Smith (Colchester): Always do more than you say!

THE LATE HONOURABLE HERVÉ J. MICHAUD

NEW EXPERIMENTAL FARM IN KENT COUNTY, NEW BRUNSWICK, NAMED AFTER SENATOR

Senator Perrault: Honourable senators, with leave, may I read a brief letter I received from the Minister of Agriculture? Dated June 7, 1978, it was delivered by hand just a moment ago. It reads:

> Honourable Senator:
>
> I have learned with great regret of the sudden passing of our esteemed colleague Senator Hervé J. Michaud. We all know the extent to which he held Agriculture close to his heart and of his major contribution to the Senate report on "Kent County Can Be Saved."
>
> In order to recognize his contribution to the cause of Agriculture in Eastern New Brunswick, I wish to inform you that I have decided to name our new experimental farm in Kent County as follows:
>
> THE SENATOR HERVÉ J. MICHAUD EXPERIMENTAL FARM
>
> LA FERME EXPÉRIMENTALE SÉNATEUR HERVÉ J. MICHAUD
>
> You may wish to inform his colleagues of the Senate of my decision.

The letter is signed by the Honourable Eugene Whelan, Minister of Agriculture.

Senator Flynn: Honourable senators, we are very happy to see that the minister accepted the suggestion made by Senator Argue last evening.

Hon. Senators: Hear, hear.

FINANCIAL ADMINISTRATION ACT

BILL TO AMEND—THIRD READING

The Senate resumed from yesterday the debate on the motion of Senator Everett for the third reading of Bill C-10, to amend the Financial Administration Act, and on the motion in amendment thereto of Senator Forsey that the bill be not now read the third time but that it be amended.

Hon. Eric Cook: Honourable senators, it is difficult to follow Senator Smith (Colchester) with the intention of disagreeing with him. He generally builds up such a strong case that it is not easy to refute his arguments. However, I shall do my best because, unfortunately, I do not agree with him.

First I must express my regret at missing the meeting of the National Finance Committee when the Auditor General gave his evidence, and also the sitting of the Senate when Senator Forsey moved his amendment to the bill. However, just as I carefully followed the remarks of Senator Smith, so I have also carefully read the official report of the proceedings in the

Senate and in committee. As a result of all this, I think Senators Forsey and Smith have said most if not all that can be said in favour of the amendment, and Senator Everett said most if not all of what there is to be said against the amendment. However, since I am the sponsor of the bill, and because, like Senator Forsey, I am unrepentant of the remarks I made on second reading, perhaps you will bear with me for a few minutes while I review the arguments advanced in favour of the bill as it now stands and those made against the acceptance of the suggested amendment.

I might begin by remarking that the senators who desire to amend the bill seem to consider that the new Comptroller General will carry little or no weight if appointed under the provision of the bill unless it is amended. I am reminded of the remarks that a Newfoundland statesman, long since dead, made 50 or 60 years ago. The members of the Newfoundland House of Assembly were debating a matter dealing with the Newfoundland Board of Trade. They were mainly a merchants' group. A member of the House of Assembly who supported the Fisherman's Protective Union rose in his place and said:

> Mr. Speaker, there are a Board of Trade, but she ain't much good."

Senator Forsey in particular seems to share our fellow Newfoundlander's opinion when considering the merits of Bill C-10.

In order to prevent this state of affairs from coming about he has prepared his amendment. The thrust of the proposed amendment is threefold: (1) it will give the Comptroller General some extra security of tenure; (2) it will spell out some of the duties in the statute itself, (3) it will provide that the Comptroller General will report to Parliament.

Let us consider first in a general way whether there is any need for such an amendment. It seemed to me that the main reason, indeed the only reason, for moving this amendment is that Parliament should not and, indeed, must not trust or have any confidence in the President of the Treasury Board.

Senator Grosart: Hear, hear.

• (1420)

Senator Cook: We do not feel it is necessary to protect any other deputy minister or senior official from his minister, inasmuch as no other deputy minister or senior official has security of tenure. Now, all of a sudden, it is necessary to make sure that this public servant, who has the status of a senior deputy minister, must be protected from his minister and from the cabinet. It seems to me that, unless it is agreed that other important deputy ministers like the Deputy Minister of Finance, or important public servants such as the Chief of Staff, are given some security of tenure over and above that which they now have, I am not persuaded that we should make a beginning with the new Comptroller General.

It is utter nonsense to assume that the Auditor General could be dismissed at the mere whim of the President of the Treasury Board. The Comptroller General will not be in conflict with, or be required to be critical of, his own minister. The whole burden of criticizing the operations of the Treasury Board and of all government departments remains undisturbed with the Auditor General. He remains the sole and only statutory official, the only officer of Parliament, required to report to Parliament on all the operations of all the government. There will be no change in this respect.

However, if we do have any fear that the President of the Treasury Board, having agreed to the appointment of the Comptroller General, is nevertheless going to thwart and sabotage his work, we should not only make an exception of the Comptroller General, but we should also go further and make sure the whole of the Treasury Board is put beyond the control of the president. We could create a sort of financial and accounting CBC. It would then be out of the control of everyone and no one in Parliament could interfere with it. This, of course, would be a ridiculous situation, but it seems that appointing a deputy minister who would not be controlled by his minister is just as ridiculous. The only difference would be one of degree.

Unless and until there is to be a complete restructuring of the public service, and a complete change in our federal governmental system involving all public servants, I suggest there is no good reason whatsoever for, or valid argument in favour of, giving one public servant, and only one, further or better security of tenure than that now enjoyed by all senior public servants. The senior members of the public service enjoy their own security of tenure under our present system, mainly because they have earned it as the result of years of devoted and distinguished service to their country. I am not persuaded that there is any need now to change the rules giving the public service, or any one member of the public service, whatever his title or duties may be, further and additional security of tenure.

If we carefully consider the second purpose of the amendment we must come to the conclusion that it also goes contrary to the general rule governing the public service. There are few deputy ministers operating within the public service whose duties are set out in detail in the statute creating the office. I do not say it cannot or should not be done, but in the present case we are breaking some new ground, and, while at some time in the future it may be a good thing to set out in the statute the duties of both deputies in the Treasury Board, there is no urgency to do so now. Indeed, it would be better to wait to see if it would be wise or necessary. This also seems to be the opinion of the Auditor General.

In support of this statement, let me quote the answers given by the Auditor General to Senator Hicks and Senator Barrow during the committee hearings:

> SENATOR HICKS: Supplementary to that, would the Auditor General not agree, however, that if one attempted to spell out the duties in the statute, it would make the position of the Comptroller General somewhat less flexible and somewhat more difficult for the President of the Treasury Board or anyone else, for that matter, to change the arrangements which govern the activities of the Comptroller General?

MR. MACDONELL: I would certainly think that that would be so. Having had some modest experience with legislation, such as the Auditor General Act, I think I can well agree that one does not like to go about changing anything of that nature. Again, while I think the fundamental duties are easy to express, there are other grey areas right now, and to be perfectly practical about this I am not a bit unhappy that we are going to have another go at this, because, as I say, there are some grey areas that may evolve over the next year or two, and rather than having to change legislation, I think it is to be hoped that when the Financial Administration Act is reopened for consideration this will not be lost sight of. That might be a good time to raise this.

I come now to the question by Senator Barrow:

SENATOR BARROW: If these duties were spelled out, would there not be a tendency to think that they were the maximum rather than the minimum duties, and a tendency to hide behind that?

MR. MACDONELL: Mr. Chairman, I think I would concede the fact, and again I repeat that I am not unhappy that they are not spelled out right now because this is a new position and there is a split which is quite basic. But there are peripheral areas that have to be developed. I have already discovered in my relatively short period as a servant of Parliament, that sometimes the letter of the law is observed and the spirit may suffer somewhat. So I am torn between, on the one side, anything that will support the principle of even more effective control of the public purse, as against the practical values of allowing this to evolve over a period of time. I am sorry if it appears to the committee that I am wishy-washy, but I have found this is a difficult question to deal with.

THE CHAIRMAN: You have been very articulate.

In the present case the duties to be assigned to this deputy minister have been settled by agreement between his minister and the Auditor General, and, as Senator Everett pointed out, they are a matter of public record and public knowledge. They were placed on the record of the Commons committee by the President of the Treasury Board, and I placed them on record as an appendix to the Senate *Hansard* of May 2, 1977. This is more, I suggest, than has been the case with any other deputy minister or senior official.

What more weight or value can there be to spelling out again the duties and responsibilities in the statute itself at this stage? Perhaps, after some years' experience, there may be some weight to the view that the duties could be put in the statute, but inasmuch as other deputy ministers do not feel the need for having their duties enshrined in the statute creating their departments, I fail to see any good argument for doing so in this case. Indeed, there is less reason in this case than in the case of other deputy ministers.

I say this because, in the case of the Treasury Board, the Auditor General will constantly be looking over the shoulder of both the President of the Treasury Board and the Comptroller General, and he, the Auditor General, has stated, in no uncertain manner, that he will report any hanky-panky in respect of the duties and responsibilities of the Comptroller General directly to Parliament. Therefore, any failure on the part of the Comptroller General to carry out the duties already agreed upon, will be promptly and firmly reported upon and brought to the notice and attention of Parliament. I fail to see how putting these duties in the statute can make this situation better than it now will be.

The third purpose of the amendment is to require the Comptroller General to report to Parliament. We now have by statute the Auditor General reporting to Parliament, and the Auditor General has very wide statutory duties. These duties were greatly enlarged in the Auditor General Act of 1977, only last year.

● (1430)

I assume that the Auditor General has all the staff he feels is necessary to carry out his duties. One important part of his duties is, and will continue to be, to report on the Treasury Board, including the work and responsibilities of the Comptroller General.

The provisions of the proposed amendment would mean that the report of the Comptroller General to Parliament and the report of the Auditor General to Parliament would cover much the same ground, inasmuch as both persons will have to report on the manner in which the departments and crown companies are handling and accounting for public funds. In the case of the Comptroller General, the report would be on the continuing operations of the departments. In the case of the Auditor General, the report would also deal with the continuing operations, pointing out the errors and omissions not only already made but which will be made in the future if the defaulting departments do not mend their ways.

By the provisions of the Auditor General Act, the Auditor General reports on all aspects of the public finances, including the work of the Treasury Board. The final report to Parliament, the report which reviews and comments on all and every detail of the public finances, is that of the Auditor General. There is no possible virtue in having the Comptroller General report to Parliament. His report could only cover the same ground as the Auditor General's. At best it would be redundant, and at worst it would cause fears and doubts, particularly if they reached different conclusions and made varying recommendations. We either rely upon and trust the Auditor General or we do not. If we do not we should replace him. There is no point in appointing someone to sort of double check his work.

Honourable senators, notwithstanding my great respect for the judgment of the mover of the amendment and for all of my colleagues who urge its passage, I consider the amendment to be unnecessary and mistaken; indeed, if it is accepted it will do more harm than good.

The amendment will create a public servant who is half inside the public service and half outside, and the establishment of the outside half is pointless when the Auditor General

already adequately fulfills the auditing requirements of the public finances.

By providing some statutory duties and by also allowing his minister to allocate duties, as is the case of all other deputy ministers, it can only confuse what now is reasonably clear or may be made clear after experience and consultation between the President of the Treasury Board and the Auditor General.

Finally, by imposing on the Comptroller General statutory duties plus the duty of reporting to Parliament, we create a very real risk of conflict between the Auditor General and the Comptroller General which could result in serious disruption in the operation of government.

What will happen if the Comptroller General, in pursuance of his statutory duties and powers, recommends that departments use systems devised by him and so reports to Parliament, and the Auditor General in his turn reports to Parliament that while the systems are excellent from an accounting point of view, nevertheless the operation of the departments following these systems would become so difficult and slow that the systems could not be implemented without adding 10 per cent or more staff, and the net result would be a substantial delay in the operations of the departments and a heavy increase in the cost of government? In such a situation, which "general" does Parliament decide has the last word? In the meantime, while Parliament debates and finally decides, what will happen to the operations of government during the state of uncertainty caused by the difference of opinion between two statutory officials?

Honourable senators, perhaps we should let the Auditor General have the last word. I quote from the printed proceedings of the Standing Senate Committee on National Finance, Issue No. 10, dated May 24, 1978. Senator Everett, the chairman, asked:

> Mr. Macdonell, do you have any opening statement to make?
>
> MR. J. J. MACDONELL, AUDITOR GENERAL OF CANADA: I have no prepared statement, senator. I would only put on record for this distinguished committee what I have said in another place on more than one occasion, that this is a recommendation based on an extensive study that was conducted by my office, and that I was extremely gratified that the government in due process of time decided to accept that recommendation. I would only conclude by saying that the incumbent has been selected, and certainly has the kinds of qualifications that I set out in my 1976 report as being essential. He is one of the outstanding people in Canada who should be in a position to do this job most effectively. Thank you very much.

Honourable senators, the bill as it stands is acceptable to the Auditor General, who made the recommendation on which it is based. The amendment is unnecessary and, indeed, for the reasons already advanced, unwise. The Senate should reject it.

Hon. Jacques Flynn: Honourable senators, I agree with Senator Cook when he says that practically everything that could be said for or against the bill, and for or against the amendment, has been said. I hope you will take it with a smile if I say that you did not have very much to say for or against the bill or for or against the amendment.

The question, of course, apparently becomes very important for the government, because I did not suspect that it would allow Senator Cook to make another rather repetitious speech on this question. This probably indicates that the government is somewhat afraid of the possibility of some of its supporters deserting it on this particular occasion. In any event, the debate, as it has gone up to now, has proven one thing. There are accessories or incidents in Senator Forsey's amendment that are not too important. Senator Cook mentioned the tenure of office, the obligation to report to Parliament and things such as that. I do not think that these accessories should blur the issue. The main question is whether—

Senator Lamontagne: It is a fundamental question.

Senator Flynn: What you consider fundamental, I may not consider fundamental.

• (1440)

I say again that the question of tenure of office, retirement at age 65, or even the question of reporting to Parliament, as far as this particular function is concerned, is not the main point. It is merely incidental. If Senator Lamontagne wishes to disagree with me, that is entirely up to him.

Senator Choquette: He always does.

Senator Flynn: Yes, and that always makes me sure of my position. The main point is whether the minimum duties—and I underline the word "minimum"—the minimum duties of the Comptroller General should be in the bill. I say minimum because something could be added at such time as the Financial Administration Act is revised.

The Secretary of the Treasury Board, while his duties are not defined as those of a deputy minister, is in fact the deputy minister. What would be the position of the Comptroller General vis-à-vis the Secretary of the Treasury Board? Undoubtedly, there is the possibility of conflict.

Senator Cook wants to avoid confusion between the responsibilities of the Comptroller General and those of the Auditor General. That is exactly what we are trying to achieve by saying that the Comptroller General acts before, and the Auditor General acts after. If the duties of the Comptroller General are not defined, confusion will quite likely follow.

It has been said that the duties of deputy ministers are not generally defined. Of course they are defined as they relate to the Department of National Revenue, the obvious reason being that there are two separate responsibilities in the department, one for taxation and one for customs and excise. So, in that case it is necessary to have the duties defined. When there is only one deputy minister, there is no need to define his responsibilities because his responsibilities are those of the department, and the responsibilities of the department are defined in the legislation.

When I am told that the reason for not defining the duties is to avoid confusion, I say the contrary will, in fact, take place.

Without the duties being defined, confusion is likely to occur; conflict is likely to occur. To pass the bill as it is now drafted would merely be a case of whitewashing by the government. In other words, the government, because the Auditor General recommended the creation of this office, is willing to set it up, but it will be just a title.

The Auditor General, I suggest to Senator Cook and all other honourable senators who attended the committee meetings on this bill, stated before the committee that he would very much prefer the minimum duties to be defined. However, he was willing to accept the office as created rather than lose it entirely. That is the position of the Auditor General. It is wrong, entirely wrong, for Senator Cook, or anyone else, to say that the Auditor General does not want the minimum duties of the Comptroller General defined in the legislation; it is something which is not borne out by the evidence before either our committee or the committee of the other place.

In order that the Senate may decide on the main issue—that is, whether the minimum duties of the Comptroller General should be defined in the legislation—I move, seconded by Senator Grosart:

> That the motion in amendment of the Honourable Senator Forsey to the motion of the Honourable Senator Everett for third reading of Bill C-10, to amend the Financial Administration Act, be not now adopted but that it be amended to read as follows:
>
> *Page 1:* Strike out lines 7 to 16, inclusive, and substitute the following:
>
> "following subsections:
>
> "(2.1) The Governor in Council may appoint an officer called the Comptroller General of Canada to hold office during pleasure and the Comptroller General of Canada shall rank as and have all the powers of a deputy head of a department.

And the proposed subsection (2.2) is merely the definition of the duties as is found in Senator Forsey's motion in amendment. It reads:

> "(2.2) The Comptroller General is the chief financial officer of the Government of Canada, and as such shall establish financial systems and procedures to ensure that
>
> (a) the form of the Estimates provides a sound basis for budgetary control of government expenditures,
>
> (b) public moneys and assets are kept under effective custody and control,
>
> (c) government accounting procedures and financial statements conform to generally accepted accounting principles and standards,
>
> (d) public moneys are expended with due regard to economy and efficiency, and
>
> (e) satisfactory methods are used to measure the effectiveness of government programs,
>
> and shall perform such additional duties and functions as may be assigned to him by the Treasury Board."

[Senator Flynn.]

With the functions of the Comptroller General so defined, there could not be confusion with the Auditor General.

The Hon. the Speaker: It is moved by the Honourable Senator Everett, seconded by the Honourable Senator Cameron, that this bill be now read the third time.

In amendment, it is moved by the Honourable Senator Forsey, seconded by the Honourable Senator Smith (Colchester), that the bill be not now read the third time, but that it be amended as follows—

Hon. Senators: Dispense.

The Hon. the Speaker: In amendment to the amendment, it is moved by the Honourable Senator Flynn, seconded by the Honourable Senator Grosart, that the motion in amendment of the Honourable Senator Forsey to the motion of the Honourable Senator Everett for third reading of Bill C-10, to amend the Financial Administration Act, be not now adopted but that it be amended to read as follows—

Hon. Senators: Dispense.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion in amendment to the amendment?

Some Hon. Senators: Yes.

Some Hon. Senators: No.

The Hon. the Speaker: Will those honourable senators who are in favour of the motion in amendment to the amendment please say "yea"?

Some Hon. Senators: Yea.

The Hon. the Speaker: Will those honourable senators who are against the motion in amendment to the amendment please say "nay"?

Some Hon. Senators: Nay.

The Hon. the Speaker: In my opinion the "nays" have it.

And more than two honourable senators having risen.

The Hon. the Speaker: Please call in the senators.

• (1450)

Motion in amendment of Senator Flynn negatived on the following division:

YEAS

THE HONOURABLE SENATORS

Asselin	Marshall
Beaubien	Phillips
Choquette	Quart
Flynn	Roblin
Fournier	Smith (Colchester)
(Madawaska-Restigouche)	Wagner
Grosart	Walker
Macdonald	Yuzyk—15.

NAYS

THE HONOURABLE SENATORS

Adams	Bell
Austin	Bird
Barrow	Bonnell

THE HONOURABLE SENATORS

Bosa	Lang
Bourget	Langlois
Buckwold	Lewis
Cameron	Lucier
Connolly (Ottawa West)	Macnaughton
Cook	Marchand
Cottreau	McDonald
Croll	McElman
Davey	McIlraith
Denis	Molgat
Deschatelets	Molson
Desruisseaux	Neiman
Fournier (de Lanaudière)	Norrie
Fournier (Restigouche-Gloucester)	Paterson
	Perrault
Frith	Petten
Graham	Riel
Haidasz	Riley
Hayden	Rizzuto
Hays	Smith (Queens-Shelburne)
Inman	Stanbury
Lafond	Steuart
Laird	Williams—52.
Lamontagne	

The Hon. the Speaker: I declare the amendment to the amendment lost.

I shall now put the question on the amendment of Senator Forsey. Is it your pleasure, honourable senators, to adopt the motion in amendment?

Some Hon. Senators: Yes.

Some Hon. Senators: No.

The Hon. the Speaker: Will those in favour of the motion in amendment please rise?

Senator Flynn: That is not necessary.

The Hon. the Speaker: In my opinion, the amendment is lost.

Is it your pleasure, honourable senators, to adopt the motion for the third reading of this bill?

Hon. Ann Elizabeth Bell: Honourable senators, I rise to speak on the main motion. I would just like to point out that both amendments were proposed with the idea of helping to get our financial affairs in order—and I am sure that the taxpayers of Canada would be very happy to see that achieved—but they had some holes in them, and that is perhaps why they did not receive the support their proposers wished.

The chief problem here, in my view, is that in Bill C-10 we have the proposed Comptroller General being a financial officer of the Government of Canada. That is confirmed in both these amendments. This leaves unresolved the problem of Parliament's having adequate information with which to judge departmental activities.

The amendment which would confirm that the Comptroller General should report to Parliament by courtesy of the Treasury Board—that is the first one, the Forsey-Smith amendment—would still leave us dependent on what the President of the Treasury Board chose to let the Comptroller General let us know.

How much worse off are we with Bill C-10 as it stands? The Comptroller General will report through the Auditor General. I suggest that this will be a perfectly satisfactory arrangement, except that we are going to hear about it after, not before, we need the information. We will hear about it after, and the government will say, "We have been bad boys. We will try to do better next time." It would not make any difference as long as the Comptroller General is the creature of the Treasury Board, and when he reports he will have to report through the Treasury Board. It will not be helpful.

• (1500)

I think the Treasury Board needs all the help it can get. If we are to have a new executive officer called the Comptroller General, let us get on with this bill and pass it as quickly as possible. Let him take over the efficiency evaluation, and anything else. Let us also hear of some innovation in our financial policies, and in our financial structures and forms. I understand we are rather behind in this kind of thing. Innovation in respect of solving financial problems within the Treasury Board has not been recognized or rewarded.

Also, let us hope that we have expeditiousness; that this will not be one more layer of bureaucracy, so that when a good program, like the Salmon Enhancement Program, is put forward it doesn't get lost in a vortex of administration and sink without trace, but will re-emerge, as the Salmon Enhancement Program did, and provide a great return on the investment of the taxpayers of this country.

If we are here as watchdogs of the public purse—and surely we have to be—we have to be independent. I would like to support Senator Greene's suggestion that we have a parliamentary financial adviser. I think that is perhaps the way to get at what these two amendments were suggesting. In the meantime, I support Bill C-10 as it stands.

Motion agreed to and bill read third time and passed.

• (1510)

PENSION ACT
COMPENSATION FOR FORMER PRISONERS OF WAR ACT

BILL TO AMEND—SECOND READING

Hon. A. H. McDonald moved the second reading of Bill C-58, to amend the Pension Act and the Compensation for Former Prisoners of War Act.

He said: Honourable senators, it gives me a great deal of pleasure to move the second reading of Bill C-58. I say that because I happen to be a veteran myself. In this country, and under all governments, legislation favourable to veterans has been brought into being.

Yesterday Senator Marshall drew our attention to the thirty-fourth anniversary of D-Day. I wish to congratulate him on the eloquence of his remarks, and to say that I believe every

member of this chamber agreed with them. We all had the same feeling in our hearts as he did.

You will also recall, honourable senators, that yesterday we became involved in a rather unusual debate with respect to services offered to veterans in one of our health institutions. I do not want to continue that particular discussion because, in the first place, I know nothing about it, and, in the second place, I would be out of order. However, I do want to spend a moment or two in reviewing government policies—that is, the policies of past governments—in the period from 1919-1920 to the present time.

I am sure that all honourable senators will agree with me when I say that it took the First World War to make Canada a nation. Canada played a magnificent and important role in that war, considering the size of its population. We became Canadians and showed to the world that here was a new and vigorous nation, a nation that has since earned the respect of other nations. All this began with the participation of Canadian units in the Great War of 1914-18.

Legislation providing benefits to veterans following World War I was, in many instances, lacking. I suppose we can overlook that now because that was really the first conflict of any magnitude in which Canadians played a major role. I suppose the government was confronted with a problem in respect of which they had no experience to fall back on. Some of the programs implemented after World War I were inadequate. One measure with which I had personal experience was the Soldier Settlement Act, under which many young veterans were placed on farms—farms on which no one, not even a veteran, could make a living.

One cannot compare the legislation of that era with the legislation placed on the statute books following World War II. The re-establishment programs implemented at that time with respect to pensions and other programs were second to none. One need only look at the members of this chamber, or at one's friends outside this chamber, to recognize the fact that the educational program implemented following World War II was second to none. Many veterans took advantage of those programs, and they now play important roles in almost every walk of life. Many of them are members of this and of the other house.

In addition to the educational program, the housing program implemented at that time, including the small acreage program, was among the best programs ever introduced in the world.

The Veterans Land Act, which I happened to take advantage of, placed thousands of young men on farms. They were given credit assistance in purchasing farms, and help with respect to good agricultural practices, bookkeeping, and such matters. Thousands of veterans were solidly established under the Veterans Land Act. The same can be said of those veterans who entered the business world. Many of them have become extremely successful.

Certainly there have been failures in some of these programs, but I believe that no matter what program is implemented, there will be a few failures. I point out, however, that the failures were very few in number.

As far as the pension programs for veterans are concerned, again I think we have done well under all previous governments, and under the present government.

Bill C-58 is an updating of the legislation that has been in existence in a similar form since 1920. This act was last amended in 1973, when it was decided to update the scale of pensions for disabilities and pensions for death from time to time. This bill updates the 1973 legislation. I would have preferred that it spell out in legislative terms that this updating take place every year. For one reason or another, the government has not seen fit to do that at this time.

As set out in Schedule A to the bill, the increase in the pensions for veterans, their wives and dependent children amounts to approximately 4.3 per cent. It is not a large increase by any standard, but it must be remembered that it does re-introduce the principle of tying pensions to certain categories in the public service for purposes of determining percentage increases. That principle, established first in 1920, and re-established in 1973, ties pension increases to salary levels in five categories of the public service.

I was hoping to see included in this bill a provision for the payment of pensions to widows and dependent children regardless of the percentage of pension being received by the veteran. The legislation currently provides for such pensions only in those cases where the veteran has a 48 per cent pension or greater. Again, the amounts paid to widows and dependent children under that provision are set out in Schedule A to the bill.

A veteran in receipt of a 40 per cent pension, for example, receives $294.04 a month; the wife, $62.26 a month; the dependent child, $32.38; and so forth. Given the fact that the government is prepared to pay the veteran at that level of pension an amount on behalf of his wife and dependent children while he is alive, it seems illogical not to provide a pension for his widow after his death, as well as pensions for any dependent children. Surely it is then that the needs of the wife and dependent children are most acute.

The one fault that I find with this legislation is that the government has not seen fit to implement that suggestion. It is one that has been made by many members of both this house and the other place, as well as veterans' organizations. It is my hope that those who feel as I do will continue to press for the adoption of this principle—that is to say, that there be a widow's and dependent children's pension regardless of the percentage level of the pension of the veteran.

This increase should not be confused with the annual increment that is given to veterans in January of each year. As you know, that allowance is based upon the increase in cost of living. However, the cost-of-living allowances have not kept pace with the salary levels of the five public service categories on which veterans' pensions are based. Salary levels in those five categories have increased faster than have veterans' pen-

sions, and hence this increase. To my mind, this is a good principle and one which should be continued into the future.

Seldom, if ever, have taxpayers' dollars in this country brought a greater return than those spent on veterans' pensions. As Senator Marshall pointed out, this nation owes its very existence to the men and women who fought and served in the two world wars, the Korean conflict, and other conflicts. Many of those who served gave their lives. We owe a debt to their families. The number of veterans is dropping every day. We certainly do not need another war in order to increase the number of veterans in Canada. To repeat, in no other area, in my opinion, are taxpayers' dollars better spent than in the area of veterans' pensions.

It is my understanding that if this legislation receives speedy passage, it can be given royal assent tomorrow evening. I would like to see that happen. I do not believe there is a senator who would oppose this bill. The bill, if passed, will go into effect on July 1 next. It is my hope that the cheques that go out to our veterans for the month of July will include this increase.

Senator Bell: Honourable senators, I wonder if I might ask a question of Senator McDonald.

The body of the bill does not seem to use the term "spouse," whereas the schedule does. Does the use of the term "wife" or "widow" preclude a dependent spouse of a female veteran from receiving a pension in the event of the death of the veteran?

Senator McDonald: It is my understanding that the act applies whether it is a widow or a widower.

● (1520)

Hon. Jack Marshall: Honourable senators, first of all may I say that I certainly was struck by the sincerity of Senator McDonald's remarks, and that I feel I am in good company in the Senate. Even though we were on opposite sides, I was very close to his namesake in the other place, the Honourable Minister of Veterans Affairs, and I think everyone knows that there was a spirit of non-partisanship in the Veterans Affairs Committee of the other place.

I must commend Senator McDonald for the sincerity of his words, and I want to assure him that it is not our intention to delay the passage of this bill beyond the length of my remarks. We realize that a time factor is involved in the processing of these cheques in order that veterans may benefit from a little extra comfort that the money will provide.

I wish to express my appreciation to my leader for allowing me to respond, on behalf of the official opposition, to Bill C-58, to amend the Pension Act and the compensation for former Prisoners of War Act, acts which were of particular interest to me in the other place, and the thrust of which I supported along with members from all sides.

The most important amendment in this bill is under clause 3, which Senator McDonald referred to as a "catch-up" amendment because it brings the basic rate of pension for veterans into line with the formula established in 1973. If I may ask for the attention of the Senate, I think it might be worthwhile to elaborate a little on the history of the factors surrounding the basic rate of pension, and to put into perspective the developments which finally produced a reasonable formula for establishing the basic rate in 1973. We must keep in mind that even though the basic rate was first established in 1920 it was not until 1973, some 60 years after World War I, that a reasonable rate was established with some semblance of recognition.

The basic rate was dealt with and given some extensive consideration by the Woods Committee which, as many senators are aware, studied and reviewed veterans legislation in all its phases, and came up with some 148 recommendations to improve the Veterans Charter. I feel also that it is appropriate at this time to pay special tribute to Mr. Justice Mervyn Woods and his committee for their efforts in bringing about long overdue changes in the act in line with the changing conditions of the seventies. But more particularly, honourable senators, should we give credit to the joint study group consisting of departmental officials and representatives of veterans' organizations who have, after more exhaustive consideration, come up with a formula to meet those changing needs and establish a rate based on the five lowest categories in the public service, as the honourable senator mentioned. This is certainly not an unreasonable formula and it is certainly an unselfish one.

But in addition to establishing the rate, that same committee recommended to the Standing Committee on Veterans Affairs that in order to keep pace with inflation, the rate should be indexed annually as related to the increases in the wages of public service salaries of the five categories, or with their standard of living, a formula endorsed in 1973 by the committee and, indeed, by the minister. Unfortunately, the government did not see fit to accept this part of the formula and the recommendation, but rather agreed only to indexing the rate to the increases in the cost of living. It is for this reason that we have to go through the exercise of amending the act to allow veterans to catch up with their public service counterparts, since they have fallen behind unnecessarily, by the provision in the bill of the basic rate increase by some $311.

Under the bill the basic rate for the 100 per cent single pensioner is increased to $7,741, and the married rate is increased to $9,338.95, and while we commend the minister for twisting the arm of his colleagues in cabinet and the Treasury Board to provide this increase, we should not have to go through this process of introducing amendments as an ongoing process to recognize the fast diminishing veteran community, whose members wonder why they have to beg for the recognition which Canada promised as a result of their service to their country. And just as sure as we sit here today, we will have to go through this process again, because surely the veteran will have fallen behind again in a year or two or three.

So it is very disappointing that, even though we recognize belatedly through this amendment the proof that the rate will continue to fall behind the formula established in the years to

come, the government did not see fit to insert a clause in the bill that would rectify the apparent anomaly, a simple clause that would alleviate the problem rather than leaving it in such terms that we will be faced again with the continual pleading and begging of veterans organizations, dedicated to the welfare of their veteran comrades, for another amendment to catch up again.

Unfortunately, time is an important factor when we deal with veterans legislation, and despite the failure of the government to recognize and correct this inequity, as was the case with our colleagues in the other place, we must expedite the passage of this bill through all stages and fight the continuing battle another day. We must expedite passage of the bill because we have to meet the deadline of July 1 when the bill comes into force.

We must consider the time factor involved in processing the increase that will provide a little extra comfort to those veterans who depend on their pensions and who are at the mercy of those of us who govern.

As we consider these amendments in Bill C-58, I feel it my duty, notwithstanding my privilege to criticize, to point out that while we recognize other benefits in the bill that emphasize the continuing fight of veterans' organizations to influence legislation, we also recognize that there are other clauses in the bill which merit our attention. I refer to those clauses that recognize the fate of veterans who suffer from loss of limb, and I refer in the main to the war amputee.

Subsections 28(2) and (3) of the Pension Act are repealed, and the new subsections provide for increases for amputees, those who suffered most as a result of war. Subsection 28(2) is repealed and the new subsection would increase the allowance on account of wear and tear of clothing, to which a member of the forces is entitled on account of an amputation, to $224. Subsection 28(3) is repealed and the new subsection would also increase to $224 the allowance for wear and tear of clothing resulting from the use of an appliance by a member of the forces who is disabled. An amendment to subsection 28(5) would increase to $224 the per annum allowance for the purchase of specially made wearing apparel required to be worn by a member of the force who has lost a limb.

There are other amendments which increase allowances, and this emphasizes the fact that the veterans' organizations have the ear of the minister at all times. And the minister has responded, not only to the effort that we were making in trying to bring the basic rate of pension up to par but also to bring up to par the allowances of war amputees who are continually faced with inflation costs in the clothes they wear and in the appliances they have to bear with.

We should also recognize—and I think we can all be proud of this fact—that finally after 30 to 50 years the government saw fit to bring in a prisoners of war compensation act, and that pensioners under this act, as a result of this increase in the basic rate of pension, will benefit a little more, from $11 to $27.56, depending on the length of incarceration. I mention these clauses because it is an indication of the constant thrust of the veterans' organizations, who are watching on behalf of their comrades any needs that arise because of changing conditions.

[Senator Marshall.]

• (1530)

The government leader and most others indicate that we probably have the best veterans' legislation in the world. I have to agree with that. In my experience as a veterans' affairs critic, I have to agree up to a certain point. As the honourable senator opposite rightly pointed out, there are still anomalies, and we will never have the best legislation until we deal with those very people to whom he referred. There is a lack of recognition of veterans' widows whose husbands died while in receipt of a disability pension of less than 48 per cent, which leaves them unprotected for their remaining twilight years.

Honourable senators, I ask you to consider this example. Under the scale of pensions for disabilities the married veteran with an entitlement of 48 per cent receives a pension, in dollar terms, of $389.13. If he dies, his widow is entitled to a pension amounting to 75 per cent of the 100 per cent pension rate for the single pensioner, or $466.95, which is reasonable and satisfactory. Someone must have recognized, some time, somewhere, that the widow is entitled to even more than she and her husband were receiving while he was living.

However, when we examine the rate for the married veteran whose pensionable entitlement is just one per cent less, at 47 per cent, or in dollar terms an amount of $350.21, which is just $38.92 less than his 48 per cent comrade, on his death, and unless his death is deemed to be related to or attributable to his pensionable condition, his widow is not entitled to a pension, and if without any other income is unfortunately left at the mercy of the welfare of the province in which she happens to live. I am not aware of the welfare rates in most of the provinces, but I know that in the province in which I live a widow in that category would receive a maximum of $151 a month. I can tell you, honourable senators, that in the province of Newfoundland that widow in a home of her own is paying $60 to $70 a month for fuel. How can she live? How can she have the nutrition that we are supposed to provide?

Last evening the Leader of the Government kept repeating that Canada should be proud of her veterans legislation. Again I say he is right, up to a certain point. However, one wonders why this serious and unexplainable inequity is not considered with more priority by those who promote equality for women, or even by the Human Rights Commission. We talk about equality for women, but nobody ever mentions that widow who is left alone, discarded by society, because for years she has been living with her husband who, at the rate of 48 per cent, has got to be disabled, at perhaps 100 per cent where he has to have constant 24-hour care.

The solution to correct the situation was evident in the recommendations of the Herman Report, supported by the Standing Committee of Veterans Affairs, as well as the minister, but was turned down by those within cabinet or Treasury Board, those who could only be classified as inhumane or, in military terms, "conscientious objectors."

The recommendation would allow for a reasonable formula to be used for widows in the less than 48 per cent category, which would provide double the rate of the deceased veteran's rate of pension, prorated to the maximum widow's pension. In other words, if the veteran died when in receipt of 30 per cent, the widow would receive 60 per cent of the maximum pension, or an amount of $280, which is certainly not unreasonable. At least that widow might be given the protection of a continuation of the married rate for a year. At least they should allow her married rate of pension to continue for a year so that she can adjust and get over the shock of dropping to almost nothing in order to live out her remaining years.

The fact that this does not happen emphasizes the inconsistency in the Veterans Charter, where, on the death of the recipient of a war veterans allowance in receipt of a married rate of $512, his wife is entitled to that $512 for a year, for 12 months, and that only reverts to the single rate, which is around $280, if my memory serves me aright. So she is also protected. The war veteran's allowance recipient's wife is protected for a year, and indeed for life, at half the rate. Yet for the disability pensioner, who it must be recognized has a more serious condition, his wife is left stranded.

There are many inequities and anomalies in the bill, and in the veterans legislation, which I could go over today. However, if I remember correctly, last evening the Leader of the Government indicated that if we wanted to have a day on veterans affairs we could do so. I hope the honourable senator opposite will join me in bringing up many of the other inequities of which I am sure he is aware.

We must pass this bill today, honourable senators. As we have both indicated, it is vital and important that it go through the process so that these First World War veterans, who are now over 80, can enjoy the $311 which will be forthcoming in the months ahead. I commend a speedy passage of this bill for the benefit of the veterans of the country, whom we all support.

Senator Haidasz: Honourable senators, I would like to reserve my remarks until third reading, in order to facilitate the passage of this bill.

Motion agreed to and bill read second time.

The Hon. the Speaker: When shall this bill be read the third time?

Senator McDonald moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

NATIONAL ANTHEM

DESIRABILITY OF PASSAGE OF BILL C-9—DEBATE ADJOURNED

Hon. Peter Bosa rose pursuant to notice of Thursday, May 25, 1978:

> That he will call the attention of the Senate to the desirability of obtaining the speedy passage of the Bill C-9, intituled: "An Act respecting the national anthem of Canada", so that the Canadian Consultative Council on Multiculturalism may accede to the requests of ethnocultural organizations to have the words of "O Canada" translated into the various heritage languages.

He said: Honourable senators, the adoption of "O Canada" as our official national anthem is an issue close to the hearts of Canadians. By its very nature, Bill C-9, respecting the national anthem of Canada, is non-controversial, and it is unlikely to cause such heated debate and discussion as did the bill respecting our national flag in 1964. It was one of my responsibilities at the time, as special assistant to the government house leader, to keep a record of the speeches made during the debate on the national flag. If I recall correctly, there were some 300 speeches made in that debate. After the bill received second reading, it was referred to a special committee, which sat mornings, afternoons and evenings for a period of six weeks, and then submitted to Parliament a report, which was further debated and adopted after the imposition of closure. "O Canada" does not present such a dilemma, since it has been our unofficial anthem for more than seven decades. Three generations from coast to coast have sung it to express their feelings for this land.

● (1540)

Canada is now 111 years old, and in order to remain strong and united our country needs national symbols. We have an official and distinctive Canadian flag. In light of the discussion on Canadian unity, which has gained momentum in the past year and a half, the adoption of a national anthem is a high priority item.

It was at the French Canadian National Convention held at Quebec City in 1880 that "O Canada" was first introduced. The words came from the pen of Mr. Justice Routhier and were entitled "Chant national." The Lieutenant Governor of Quebec, Dr. Théodore Robitaille, invited Calixa Lavallée, perhaps our most distinguished and accomplished composer of the nineteenth century, to set Mr. Justice Routhier's words to music. Lavallée soon produced a musical score which became very popular in Quebec, and later throughout Canada, and which is now performed from the Atlantic to the Pacific.

Judge R. Stanley Weir's version of "O Canada", written in 1908, is considered today, with some modification, as the most appropriate for a national song. Weir's design was to create lyrics which would secure a much desired Canadian unity. Judge Weir, a fluently bilingual Montrealer, believed that one national song sung in different languages would strengthen more than anything else the unity of our country.

I can attest to this concept because, as Chairman of the Canadian Consultative Council on Multiculturalism, I am in constant contact with members of minority groups and members of the council, and I can assure honourable senators that we have been frequently asked to have the official version of "O Canada" translated into different languages. Some of the larger groups, such as the Polish, Italian, Ukrainian and German groups, already have "O Canada" translated in their languages. This does not mean that all members of minority groups wish to sing "O Canada" in the language of their origin. Nor am I implying that this is the main reason why we

should adopt the official version of "O Canada". However, "O Canada" is the synthesis of many complex thoughts and emotions concerning our collectivity and ourselves, and ethnic groups are aware of the strength that can be drawn from it.

In less than a month we will be celebrating Canada Day, and in light of the intense discussions on national unity that have taken place during the last year and a half, and after our history of 111 years, I believe the time has now come to adopt the official version of "O Canada."

It seems to me that many Canadians take their national symbols for granted, but it is these very symbols that awake in us a sense of pride in our identity.

In December 1976, I was invited to be the guest speaker at a ceremony in Toronto during which students received their certificates following the successful completion of the grade 13 course in German. On that occasion the students sang "O Canada" in the German language. I was moved by the feeling of pride the students communicated while singing the anthem. Although I do not understand the language, I was aware that this was an example of a common feeling of being proud. At that moment they knew, and I knew, what it felt like to be a Canadian.

Before going to the next example I should like to express my regret at the adverse behaviour of some baseball fans at the Blue Jays' game in the CNE Stadium in Toronto on May 21 and 22 when they booed Ruth Ann Wallace's bilingual singing of "O Canada." I can assure honourable senators that those baseball fans who booed Miss Wallace's performance are not representative of the people of Toronto.

I quote now from one of the many letters to the editor that appeared in the Toronto *Star* of May 31 concerning that episode. The letter is headed "Booing fans didn't represent majority", and it reads:

> I hate baseball but I had to go May 22 because my kids love the game.
>
> I was horrified by the reaction to the French O Canada but noticed that most of the noise was coming from teenagers.
>
> They would boo anything; I remember when I was that age I used to be against almost everything.
>
> I do not believe that what took place in the game represents the opinion of the average mature Ontarian. The media should not emphasize that incident.

It is signed "Noe Zamel, Willowdale." This page is full of letters expressing the same feelings, but I will confine myself to simply reading some of their headings:

> Show respect to fellow citizens.
>
> Bilingualism is a part of Canada.
>
> 'No political significance'.
>
> Applause for singing in French.
>
> Singing in two languages 'pleasing'.
>
> 'Ashamed' for those who booed.

As I said, the whole page is filled with similar letters.

[Senator Bosa]

Last Friday, on June 2, I myself attended a Blue Jays' game in Toronto on which occasion the national day of Italy was acknowledged, and folkloric groups in national costumes performed traditional dances. They also sang "O Canada" in Italian in the presence of 25,000 fans who, it appeared, were singing it in English. There was no booing. Perhaps that small minority of fans who reacted adversely on a previous occasion now realize that national anthems must be treated with respect if we ourselves wish others to treat us with respect. It is my belief that the more Canadians are exposed to the diversities of our people, the more receptive they will be to one another.

The singing of "O Canada" in different languages will enable Canadians to express in unison their feelings about a united Canada.

For these reasons I urge members of all parties of both houses to adopt, without delay, Bill C-9, respecting the national anthem of Canada.

Senator Choquette: May I ask a question, Senator Bosa? I think you will agree with me that it is a well-known fact that the English version of "O Canada" is not an accurate translation of the French version. When you advocate that ethnic groups translate the official version of "O Canada" into their various languages do you mean they should translate the English version?

Senator Bosa: Honourable senators, I realize that it is next to impossible to translate word-for-word an expression from one language to another, but to me that is immaterial. So long as the translation expresses the general feeling contained in the message, I would be satisfied. If some minority group translates the national anthem into the language of its origin, the translated version would not represent the official version.

● (1550)

Hon. Stanley Haidasz: Honourable senators, having been charged with the responsibility of implementing the government's official policy of multiculturalism in the other place, I should like to associate myself with the remarks made by Senator Bosa, who today is Chairman of the Canadian Consultative Council on Multiculturalism. I fully support what he has said here this afternoon.

Canada is almost 111 years old, and it is a lamentable fact that we do not yet have an official national anthem. For that reason, I should like to urge all honourable senators to make the appropriate representations to their respective house leaders, both in the Senate and the House of Commons, to have Bill C-9 put into the parliamentary mill. I might add that the words and music of the song "O Canada" were recommended as the national anthem of Canada in 1967 by a joint committee of the House of Commons and the Senate.

To my mind, given the present political situation and the crisis that Confederation is facing today, it is urgent that we adopt an official national anthem. The citizenry of a country is inspired to patriotism not only by the glories of the past and their aspirations for the future, but by a fierce attachment to official national symbols, one of which is an official national anthem.

Unless we do something quickly to bring an official national anthem into being, we will be faced with the national anthem of the Quebec separatist movement.

Senator Asselin: They already have one.

Senator Haidasz: If we adopt "O Canada" as the official national anthem of Canada, it would be difficult for Quebec to ban it. I therefore urge all honourable senators to do what they can to expedite the parliamentary procedures necessary to make "O Canada" our national anthem.

On a motion of Senator Flynn, for Senator Yuzyk, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, June 8, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

CLERK'S ACCOUNTS

STATEMENT TABLED PURSUANT TO RULE 112

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that in conformity with rule 112, the Clerk of the Senate has laid on the Table a detailed statement of his receipts and disbursements for the fiscal year 1977-78.

REFERRED TO COMMITTEE

Senator Langlois moved:

That the Clerk's accounts be referred to the Standing Senate Committee on Internal Economy, Budgets and Administration.

Motion agreed to.

NATIONAL CAPITAL REGION

SPECIAL JOINT COMMITTEE—CHANGE IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons to acquaint the Senate that the names of Messrs. Béchard and Bussières had been substituted for those of Messrs. Francis and Poulin on the list of members appointed to serve on the Special Joint Committee on the National Capital Region.

DOCUMENTS TABLED

Senator Perrault tabled:

Revised Capital Budget of The St. Lawrence Seaway Authority for the fiscal year ending March 31, 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-1744, dated May 25, 1978, approving same.

Senator Flynn: The revised budget after the end of the year.

TRANSPORTATION

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Standing Senate Committee on Transport and Communications have power to sit while the Senate is sitting on Wednesday next, June 14, 1978, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

BANKING, TRADE AND COMMERCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Standing Senate Committee on Banking, Trade and Commerce have power to sit while the Senate is sitting on Wednesday, June 14, 1978, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, June 13, 1978, at 8 o'clock in the evening.

Honourable senators, in informing you as well as I can at this time about the Senate work for next week, I shall deal first with the committees.

The Banking, Trade and Commerce Committee will meet at 2.30 p.m. on Tuesday, at 9.30 a.m. and 2.30 p.m. on Wednesday, and at 9.30 a.m. on Thursday. On Tuesday afternoon the committee will study the subject matter of Bill C-56, relating to Income Tax. On Wednesday it will consider the subject matter of Bill C-57, the Bank Act, at both the morning and afternoon meetings. It has not yet been decided which of the subject matters now before this committee will be dealt with on Thursday morning.

The National Finance Committee has scheduled a meeting at 2.30 p.m. on Tuesday on the main estimates. I have been informed that the committee expects to be in a position to present its report on the main estimates on Wednesday.

The Transport and Communications Committee will hold another meeting on Wednesday at 3.30 p.m. on Bill C-17, the Canadian National Railways Capital Revision Act. My information is that this bill will most likely be reported back to the Senate on Thursday next.

The Joint Committee on Regulations and other Statutory Instruments will meet on Thursday at 11 a.m.

In the Senate we shall proceed with the items now on the order paper and anything that may come to us from the other side. Bill C-56 could come to us during next week and, as I have just said, Bill C-17 could be reported back from the Transport and Communications Committee to the Senate on Thursday next.

Motion agreed to.

BANKING, TRADE AND COMMERCE

TEMPORARY RESIGNATION OF COMMITTEE MEMBER

Senator Manning: Honourable senators, because I am a director of one of Canada's chartered banks I have advised the Chairman of the Standing Senate Committee on Banking, Trade and Commerce, and the Leader of the Government, that I wish to resign from the committee until it has completed its study of the Bank Act. I presume that the government leader will arrange for my replacement on the committee.

Senator Perrault: Yes. This matter has been discussed with the government whip, and the information has been transmitted to others involved.

NATIONAL FINANCE

SALES TAX PROPOSAL RELATING TO PROVINCE OF QUEBEC—QUESTION

Senator Flynn: Honourable senators, may I ask the Leader of the Government if the Minister of Finance has received from Quebec's Minister of Finance, Mr. Parizeau, the counter-proposal which was anticipated and, if so, what it is and what the reaction of the federal government has been.

Senator Perrault: Honourable senators, it is my understanding that there have been communications between the two governments with respect to this difference which appears to exist with respect to taxation policy.

Senator Flynn: Appears to exist?

Senator Perrault: I have no further information to offer at this time. Should some agreement be achieved, the information will be transmitted to the Senate immediately.

• (1410)

FOREIGN AFFAIRS

CANADA-UNITED STATES NEGOTIATIONS ON FISHING BOUNDARIES—QUESTION

Senator Marshall: Honourable senators, I have a question for the Leader of the Government in the Senate. It concerns the sensitive negotiations taking place between Canada and the United States on fishing rights. I have been reluctant to ask questions on this because of the sensitivity of the negotiations, but I should like to have a progress report on them.

Senator Perrault: Honourable senators, I shall take that question as notice, and cause inquiries to be made.

TRANSPORTATION

REPORT OF NEWFOUNDLAND TRANSPORT COMMISSION—QUESTION ANSWERED

Senator Marshall: Honourable senators, I am wondering whether we can obtain a progress report from the very important Sullivan Commission on transportation in Newfoundland. This is vital to that province, and perhaps the government leader, within the next few days, could give us a progress report.

Senator Perrault: Honourable senators, on Tuesday, May 23, a question was asked by Senator Marshall with respect to the report of the Newfoundland Transport Commission. In reply to that question, I can report that the commission presented its report to the Minister of Transport on May 29 last. That report is now in the process of being translated. The release date is expected to be mid-July.

AGRICULTURE

RISING COST OF BEEF—QUESTION

Senator Austin: I have a question for the Leader of the Government in the Senate with respect to the rising cost of beef to consumers in Canada. The leader may know that the higher beef prices were responsible for an increase of 3.2 per cent in food costs during the four weeks ended May 19, 1978, as reported by the Anti-Inflation Board.

A representative of the Canadian Cattlemen's Association speaking last week stated, in part, that the higher beef prices are the result of heavy U.S. purchases of Canadian cattle brought on by the devaluation of the Canadian dollar. There have been fewer purchases of United States beef by Canadians for the same reason. The present price is also affected, of course, by lower Canadian beef production resulting from the earlier situation of lower prices and greater supply.

The Leader of the Government may also be aware that President Carter announced today that beef quotas for foreign beef would be lifted in the United States in an attempt to help control rising beef prices in that country.

My question is as to whether the Government of Canada is going to take steps to prevent unduly heavy exportation of Canadian beef to United States markets, which would result in higher beef prices to Canadian consumers.

Senator Perrault: The general question of rising beef prices in Canada is under consideration by the Minister of Consumer and Corporate Affairs, the Honourable W. Warren Allmand, and by other ministers of the Crown. However, I must take this question as notice. I shall endeavour to make a statement on the subject in the chamber next week.

Senator Olson: When the government is considering these higher beef prices, I wonder if they could also take into consideration the fact that the beef producers in this country have lost from $400 million to $600 million, depending upon how the amount is calculated, which perhaps can be considered as a subsidy to the consumers during the past three or

four years. The producers have a right to recover some of that money.

VETERANS AFFAIRS

ELIGIBILITY OF PENSIONERS FOR CASUAL EARNINGS—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 11—**by Senator Marshall:**

Where a husband and wife, both veterans, qualify for war veterans allowance in their own right, are both eligible for casual earnings at the single rate of $1,500 per year, and, if not, why not?

Answer:

Prior to 1965, in cases where both the husband and wife were qualified veterans in their own right, war veterans allowance was payable at the married rate. In this situation, the annual limit for casual earnings was at the married rate as well. In 1965, the War Veterans Allowance Act was amended to allow that in such cases allowance could be paid to each spouse at the single rate. However, no similar change has been made to the casual earnings exemption. Thus, a husband and wife who are both veterans can still claim the casual earnings exemption at the married rate only, which is now $2,250 a year.

As a result of other enquiries similar to this one, I have directed my officials to conduct a review of our current legislation to look into possible recommendations to make it more viable and equitable. I have forwarded this suggestion to the study group so that it may be given careful examination. Although I cannot be specific as to when recommendations from this study will be forthcoming, I can offer assurance that this suggestion will be given careful consideration.

PENSION ACT
COMPENSATION FOR FORMER PRISONERS OF WAR ACT

BILL TO AMEND—THIRD READING

Senator Buckwold moved the third reading of Bill C-58, to amend the Pension Act and the Compensation for Former Prisoners of War Act.

Hon. Stanley Haidasz: Honourable senators, I welcome this opportunity to make a few remarks on Bill C-58, to amend the Pension Act and the Compensation for Former Prisoners of War Act. Having just observed the thirty-fourth anniversary of D-Day, I am pleased to associate myself with the remarks of those honourable senators who have participated in this debate. Also, I want to convey the highest possible praise and gratitude, on behalf of the Senate, to all of the Canadian men and women who took part in World War II and who played such an important role in its final outcome.

This bill is another milestone in veterans legislation. Canada is second to none in the generosity it has shown in compensating its veterans for injuries suffered during the course of service to Canada.

In congratulating the Minister of Veterans Affairs for bringing in such progressive legislation, I should like to direct his attention to a motion which I moved in the other place on February 10 last, which read:

> That this House urges the Minister of Veterans Affairs to consider introducing appropriate amendments to the prisoners of war legislation so that compensation provided therein will apply to those who are Canadian citizens and were prisoners of war or escapees in World War I or World War II and who fought alongside the Canadian armed forces.

The House of Commons unanimously adopted that motion. I have also brought this matter to the minister's attention in other ways.

It is regrettable that no funds have been provided as yet to extend benefits to individuals in that category. They, too, fought for freedom and liberty, and the preservation of the democratic institutions. These people feel they should be included in the benefits available through this legislation. In fact, they presented what I thought was a convincing brief to the appropriate committee of the Senate a short time ago, and the Minister of Veterans Affairs undertook at that time to give consideration to their representations when next bringing in an amending bill.

Honourable senators, my only purpose in rising this afternoon is to once again direct your attention and the attention of the Minister of Veterans Affairs to the fact that these people are not yet included under this legislation for benefits, and to express the hope that Treasury Board will be able to allocate sufficient funds to the Department of Veterans Affairs so that, in turn, it can provide benefits to these people.

Motion agreed to and bill read third time and passed.

● (1420)

NATIONAL ANTHEM

DESIRABILITY OF PASSAGE OF BILL C-9—DEBATE CONTINUED

The Senate resumed from yesterday the debate on the inquiry of Senator Bosa calling the attention of the Senate to the desirability of obtaining speedy passage of Bill C-9, respecting the national anthem of Canada.

Hon. Paul Yuzyk: Honourable senators, the passionate plea of Senator Bosa, that the passage of Bill C-9, respecting the national anthem of Canada, be accelerated, is very commendable. He believes his exhortation might have some effect on the present government if the appeal comes from the Canadian Consultative Council on Multiculturalism, of which he is the chairman. Apparently this body has received requests from many ethnocultural organizations, which desire to translate the words of "O Canada" into their own languages when this national anthem receives official recognition.

The Special Joint Committee of the Senate and House of Commons on the National and Royal Anthems of which

several senators, including myself, were members, tabled its report in both houses on February 16, 1968. The unanimous—and I emphasize "unanimous"—recommendation of this committee was "that the Government be authorized to adopt forthwith, one verse in each of the two official languages of 'O Canada' for the National Anthem." The recommended English version was that of Judge Robert Stanley Weir, with minor variations, and it is found in Bill C-9. No changes were made in the French text.

It took the government several years to appear to take some action, but the various bills died on the order paper. In this session, the Secretary of State of Canada introduced Bill C-9 on October 28, 1977. Nearly eight months have passed since that day, and the bill is still at the first reading stage. It is apparent that the government has not yet made up its mind. The bill could again die on the order paper.

Senator Bosa is trying bravely to come to the rescue of the bill. I doubt that this method will produce the result which I would like to see. Since he is on the government side, why does he not ask the Secretary of State to move immediately the second reading of the bill in the other house? It could then, it is hoped, be passed without delay. Failing this, why does he not get the government to introduce the bill in this chamber, where he could be its sponsor?

Senator Bosa: Honourable senators, Senator Yuzyk has asked me some rather pointed questions. I am not really prepared to answer them now but, on the other hand, I should not like to see them go unanswered.

Senator Bourget: You can answer them now, if you like.

Senator Grosart: Certainly.

Senator Bosa: I would really prefer to do that at another time.

Senator Grosart: Well, then, do it at another time. Make up your mind.

Senator Bosa: All right. I will adjourn the debate.

On motion of Senator Bosa, debate adjourned.

The Senate adjourned until Tuesday, June 13, at 8 p.m.

THE SENATE

Tuesday, June 13, 1978

The Senate met at 8 p.m., Hon. Jean-Paul Deschatelets, P.C., Speaker *pro tem*, in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Report on the administration of the Canada Assistance Plan for the fiscal year ended March 31, 1976, pursuant to section 19, Chapter C-1, R.S.C., 1970.

Copies of document entitled "Canada-Ontario Radioactive Waste Management Program," together with a supporting background document, issued by the Minister of Energy, Mines and Resources.

Copies of correspondence between the Prime Minister of Canada and the Premier of Saskatchewan, concerning the annual Western Premiers' Conference, together with copies of the joint communiqués issued at the Conference.

Copies of Notes exchanged between the Governments of Canada and the United States to implement a technical amendment to Annex III of the Agreement between the two countries on Principles Applicable to a Northern Natural Gas Pipeline, which was signed in Ottawa, September 20, 1977.

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans between the Sudbury and District Health Unit and its public health nurses and part-time public health nurses and physiotherapists, represented by the Ontario Nurses Association, dated May 30, 1978.

Report on Prairie Farm Rehabilitation and Related Activities for the fiscal year ended March 31, 1977, pursuant to section 10 of the Prairie Farm Rehabilitation Act, Chapter P-17, R.S.C., 1970.

Copies of the Sixth Report of the Advisory Group on Executive Compensation in the Public Service, dated April 1978.

Copies of document entitled "A Time for Action: Toward the Renewal of the Canadian Federation," issued by the Prime Minister of Canada.

BANKING, TRADE AND COMMERCE

CHANGE IN COMMITTEE MEMBERSHIP

Senator Petten, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the names of the Honourable Senators Cottreau and McNamara be substituted for those of the Honourable Senators Buckwold and Manning on the list of senators serving on the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to.

HEALTH, WELFARE AND SCIENCE

CHANGE IN COMMITTEE MEMBERSHIP

Senator Petten, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

That the name of the Honourable Senator Bird be substituted for that of the Honourable Senator Hastings on the list of senators serving on the Standing Senate Committee on Health, Welfare and Science.

Motion agreed to.

INCOME TAX ACT
EXCISE TAX ACT

BANKING, TRADE AND COMMERCE COMMITTEE AUTHORIZED TO STUDY SUBJECT MATTER OF AMENDING LEGISLATION RELATING TO SMALL BUSINESSES

Senator Hayden, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on Banking, Trade and Commerce be authorized to examine and consider the subject matter of Bill C-59, intituled: "An Act to amend the Income Tax Act and the Excise Tax Act in matters relating to the ownership and operation of small businesses," in advance of the said bill coming before the Senate, or any matter relating thereto.

Motion agreed to.

THE CONSTITUTION

RENEWAL OF THE CANADIAN FEDERATION—QUESTIONS

Senator Flynn: Honourable senators, we have all heard of the proposals made by the Prime Minister with regard to the renewal of the Canadian Federation. I have some questions to pose to the Leader of the Government in respect of this matter.

Naturally, one of the first questions of prime concern to the Senate has to do with the Prime Minister's proposal to replace the Senate by The House of the Federation. In speaking of providing Canada with a new Constitution, the Prime Minister said that he wanted phase I to deal with matters within exclusive federal jurisdiction. I wish to ask the Leader of the Government if in his view the reform of the Senate, or the change of the Senate, or the abolition of the Senate, is a matter of no concern to the provinces and if in this area the federal Parliament could act unilaterally?

Senator Perrault: Honourable senators, it is the view of the government that the government and Parliament may proceed legally with respect to changes in the Senate without consultation with the provinces. However, in the spirit of co-operative federalism the intention is to discuss the proposal with respect to the Senate and a number of other proposals contained in this white paper with the provincial premiers and with many other Canadians from coast to coast. It seems apparent that before any of these matters become law they could be the subject of intensive scrutiny, examination and debate from coast to coast in Canada.

Senator Flynn: Does the Leader of the Government suggest that provinces can only be consulted, that they have no real input into the problem of changing the Senate, that this would be a matter coming under the exclusive jurisdiction of the Parliament of Canada, and that Parliament could act without the concurrence of the provincial legislatures?

Senator Perrault: Honourable senators, we look forward to receiving the suggestions of provincial premiers, those who serve in provincial legislative assemblies and those who serve in Parliament, whether serving on the government side or in opposition. Surely the challenge is to construct a Constitution which will serve the needs of the Canadian people in this century as effectively as possible. In this regard, I hope that with respect to the Senate it may be possible at some point for me to meet with the distinguished Leader of the Opposition—

Senator Flynn: Very distinguished.

Senator Perrault —to discuss the future of this chamber. The subject of the Constitution is very important to all of us here and to the Canadian people—not only the future of the Senate but of the House of Commons and other institutions designed to serve the nation.

Senator Flynn: That leads me to this question: Does the Leader of the Government think that the problem of writing a new Constitution for Canada is the prime responsibility of the federal government in the areas which it considers to be exclusively its own, and that of the provincial assemblies in the areas which they consider to be exclusively their own, or whether the process should involve more than the federal and provincial governments and the federal and provincial parliaments? Even parliamentarians would agree with that.

Senator Perrault: Honourable senators, the government believes that the future Constitution of this country, if one can be achieved, will be the result of co-operative efforts in conjunction with provincial governments and, as I say, with parliamentarians who serve here in Ottawa. There are some areas which constitutionally primarily are within federal jurisdiction and others which are within provincial jurisdiction. I believe that the bill which will be presented at some time in the future, whether it be next week, the following week, or some months from now, whatever decision is finally taken, will specify in a more particular way the views of the government—

Senator Flynn: The government.

Senator Perrault: —with respect to a number of matters. However, in saying that let me say that there is no intention on the part of the government to impose any sections of the bill on this nation. It is the intention of the government that when this bill is presented there will be a vigorous and constructive dialogue involving all political parties and the premiers of all provinces. There will be no approach here, in my opinion, which could be designated or described as being unilateral. Neither the white paper nor the bill which will be presented eventually will be designed to be totally free from criticism or constructive change or amendment if that be desirable. The spirit of Canada in 1978 surely is one which suggests that we should dialogue very freely with provincial governments. Indeed, we should dialogue with as many Canadians as possible of all political persuasion.

• (2010)

There is no intention on the part of the government to impose on the Canadian people any rigid set of constitutional proposals. The white paper sets forth a number of options which are open. The bill will, in a more explicit way, set forth certain suggested approaches by this government. I want to say on behalf of the government that even when that bill is presented it is the intention to encourage and promote very free discussion and debate within Parliament and elsewhere. The options available will be fully explored and considered.

It is indicated that in the near future the Senate will have an opportunity to participate in a joint parliamentary committee. Indeed, perhaps honourable senators may wish to consider, in addition to participation in a joint parliamentary committee, a committee of the Senate itself to look into the future of the Constitution and/or the Senate.

The government will not rush into this process of constitutional reform oblivious of the need to consult with other parties and with Canadians serving at other levels of government and in other sectors of society.

Senator Walker: Is my friend the leader suggesting that there may be a free vote on this subject?

Senator Perrault: Perhaps that should be considered as a possibility.

Senator Manning: Honourable senators, I am not discussing the merits or otherwise of any proposed changes, but can we take from what has been said that the intention is legislation that creates a whole new Constitution rather than legislation to amend the British North America Act, which is our present Constitution? As all honourable senators know, the approach

to this subject in the past has been in the form of amendments to the British North America Act. Is that approach being dropped in favour of an attempt to write a whole new Constitution without reference to the BNA Act as such?

Senator Perrault: Honourable senators, I think we must await the introduction of the bill in the other house. I cannot as yet say precisely when that will take place. Certainly, the government will be very receptive with respect to possible changes or amendments to improve any bill which may be presented.

Senator Manning: Honourable senators, may I ask a supplementary question on the point raised by the Leader of the Opposition respecting this house? We are all aware that under the BNA Act an amendment fundamentally changing this house could not be made without the concurrence of the provincial and federal parliaments.

Senator Forsey: No, no.

Senator Manning: You can make certain changes, but you cannot abolish this house and substitute something else in its place.

Senator Forsey: Yes, you can.

Senator Manning: Is the new approach such that those provisions in the BNA Act which apply to this house, for example, will go by the board because we are starting from scratch as though we did not have a Constitution at all?

Senator Perrault: Honourable senators, it is certainly within the power of the federal government to make certain changes in the Senate, but I want to assure you again that any changes which may be made will be made only after consultation at some length with the other political parties, and certainly with many Canadians in all regions of Canada.

Senator Forsey: Honourable senators, may I ask a supplementary of the Leader of the Government? Is it not true that under section 91, head 1, of the British North America Act, this Parliament legally—I am not talking about the political wisdom or propriety of doing it—but legally this Parliament, by an ordinary act of Parliament, can do absolutely anything it likes with the Senate? It can reconstitute it in any way; it can even abolish it, though it would, in my judgment, be most improper to do this without proper consultation, but I think in strict law it can be done, and I want to know what the Leader of the Government has to say about this.

I think it should also be pointed out that any such action by Parliament would be by Parliament and not by the House of Commons. It would require the consent of the Senate. We cannot be abolished, nor can the constitution of this house be changed, I venture to say, except by the consent of the Senate itself, and I ask the Leader of the Government whether he would concur in this.

Senator Perrault: Honourable senators, Senator Forsey is precisely correct in the observations he has made.

Senator Flynn: Well, don't take that for granted, for God's sake.

[Senator Manning.]

Senator Perrault: I should reiterate what the Honourable Senator Forsey has stated, namely, that the Senate must concur in any changes that are to be made in the Senate itself. In this regard it perhaps bears repeating that the honourable senators who know the Senate best, who know how it operates, and who know the significant achievements of the Senate over the years, and certainly in this immediate session, may wish to—and I am sure they will—participate in the dialogue that is to take place in the coming weeks with respect to the future of this chamber, with the object of making it an even more effective place.

[*Translation*]

NATIONAL CAPITAL COMMISSION

NEWSPAPER ARTICLE—QUESTION OF PRIVILEGE

Hon. Jean Marchand: Honourable senators, I rise on a question of privilege. Last week, I may have bored the Senate by reporting an attack made by Mr. Douglas Fullerton in one of the capital's newspapers. Since then, Mr. Fullerton has made a retraction which was published yesterday in the *Ottawa Citizen.* I am completely satisfied by this retraction which corrects certain errors about the facts. I would like to quote only the end of the article since it is a bit long. Mr. Fullerton held me responsible for having made a compromise with Mr. Campeau, which compromise violated the regulations on construction in the area of Parliament Hill.

Here is the part of the retraction which can be of special interest to the Senate and which fully satisfies me:

[*English*]

> The "compromise" was a side issue, although it did result in reducing the projected building's height from 40 storeys (double the height of the first phase) to 32. Who was responsible for the compromise is not clear; if Senator Marchand says he was not involved, I accept his statement.

I am therefore satisfied with Mr. Fullerton's correction. Although there are many other things in the statement, I will not take up your time with them, but I would like this to appear in *Hansard.*

THE ECONOMY

VALUE OF CANADIAN DOLLAR—DEBATE ADJOURNED

Hon. Paul Desruisseaux rose pursuant to notice of Thursday, May 25, 1978:

> That he will call the attention of the Senate to the question of the devaluation of the Canadian dollar.

● (2020)

[*Translation*]

He said: Honourable senators, most probably the matter I shall be dealing with, the devaluation of our Canadian dollar, will not be nearly as interesting, nor does it promise to be as spirited as a debate on the Senate itself would be.

Honourable senators know full well our international monetary policy, which generally has served us well over the years, always followed closely that pursued by the United States which, traditionally, dominates and influences global monetary policies.

Industrialized nations have been and still are affected by the abandonment some years past of the major rules of our international money game that evolved from the Bretton Woods' monetary arrangements.

It is now realized how much a new system would be needed that would reflect the respective sizes of the different nations of the world in the global economy.

As far as she is concerned, Canada could very well accommodate herself of a policy of practical dependence upon American monetary policy.

To many people's surprise the Canadian dollar, after the Quebec elections in the middle of November 1976, crashed through the psychological barrier of 95 cents U.S. to the Canadian dollar, to which we were accustomed and had more or less taken for granted.

Of course the political uncertainties as to Canada's future played a part, and the economic deterioration at home had a marked influence.

We had gone through, just before the Quebec elections, an untightening global monetary policy.

That untightening in my view will now be followed by expansionist budgets in Canada and many industrialized nations, with an aim to strongly stimulating investments which will further revive the economy and reduce unemployment in Canada.

A number of economists in other industrialized nations of the world feel that the termination of our Canadian program of price and wage controls will contribute in no way to our monetary stability.

In the face of certain unfavourable economic prospects, some influential bankers suggest we should now have a fixed exchange rate of 90 cents U.S. to our dollar. This is, however, opposed because of the ramifications.

Certainly it would neither be desirable nor advantageous to go through a further deterioration and significant downgrading of our economy where this would lead to a permanent change from the floating Canadian dollar, which has been used to a significant degree of success since 1970, to a fixed exchange rate vis-à-vis the U.S. dollar. This in my view would not serve us as well.

There is a suggestion in certain economic circles that an ideal arrangement of the international monetary system must of necessity recognize the respective sizes of the various nations in the world economy. It is also submitted that a uniform system of exchange rates, where all rates would be of the same nature, either all flexible or all fixed, could not work in a world comprised of states all having the same size—flexible rates—or in a world dominated by one nation—fixed rates.

In those circumstances, on an international scene made up of a super power, of several big states and a great many small nations, the system must provide for both fixed and flexible exchange rates.

It is suggested in financial circles that the formation of monetary unions is the solution to the problem of regulating currencies at the international level. Such unions would therefore have two features: fixed parities between the member states of the union and flexible parities between the union and the outside world, thereby allowing a uniformed monetary policy within the union.

The ideal solution for most seems to be the formation as soon as possible of a monetary union which would coincide with the creation of an institution regulating the co-operation of the various national economic policies. In that line of thought, we would end up with the following paradox: an Atlantic monetary union comprising the western European states and Canada—and also eventually Japan—which would have the right to intervene in decisions bearing on the monetary policy.

In its last issue the international economic review *Chase Manhattan* contained an article praising the recent decision by the Canadian government to take the necessary steps to support the exchange rate of the Canadian dollar up to a certain extent. The wisdom of such a decision is, however, questioned by some of our economists.

The teams of economists working for that review came up with the important conclusion that Canada and Quebec will remain safe places for American investments, that the separatist trend has already climaxed and that English Canada now has a much better understanding of the problems in that province than it had some two years ago.

Here is an extract of that review, and I quote:

● (2030)

[*English*]

> Stung by criticism that a "do-nothing" policy was being followed and convinced that the Canadian dollar has been undervalued, the Canadian monetary authorities have embarked on a new "strong dollar" course. Following the Bank of Canada's unexpected increase in the discount rate to 8.5 per cent a few weeks ago, the government has announced a new series of funding packages to increase usable foreign currency reserves.

[*Translation*]

And this, I might add, to provide better protection for our Canadian dollar.

There is no arrangement on the level where the Canadian dollar could be seriously undervalued. There is some sort of consensus that a value of 90 cents U.S. for our Canadian dollar would very substantially help our national economy by considerably helping Canadian exports and, in addition, by increasing the cost of imports and thus making them less competitive on our domestic market.

Those promising factors in the climate of a resurging American economy allow us to anticipate an important revival of our exports.

Restricted as we are by our small population spread over a huge area, we too often forget that in fact we are a nation of dealers and that it is impossible for us to maintain our high standard of living without massive trade and intensive exports of our Canadian manufactured and unmanufactured goods.

Therefore, our economic survival dictates our return to an intensive export trade which from now on would allow us to reduce progressively the deficit of our international balance of payments.

● (2040)

[*English*]

The recent rapid rate of decline in the value of the Canadian dollar can only be artificially slowed by the administration's new and sincere effort. This effort will not cure the present sickness. Changes in the interest rate imposed by the central bank cannot help very much beyond a certain point to curtail the deterioration, or halt the erosion, of the value of the Canadian dollar.

The present high cost of the artificial float—what we have come to call the "dirty float"—to the Canadian treasury, incurred by the borrowing of billions of dollars at high rates of interest in an attempt to firm up the Canadian dollar, will, unfortunately, increase the federal deficit. Surely, but quite unwillingly, we will fuel the fires of inflation by responding to pressures to bring the dollar back to an international value of 100 cents, and hold it there at all costs.

Our unfavourable balance of international trade, which is the really important factor in what is happening to the value of our currency, has been building up these last few years, in good part, because of our imports and our economic policies. For instance, we permitted in the name of free trade, and without control or restraint, heavy importations and dumpings of products we were already manufacturing here. The manufacture of these products provided employment for many Canadians. In exchange, we were able to export products whose manufacture provided fewer jobs. In the process we created a net job deficit which added to our unemployment and welfare problems. We have helped, in this way, to develop gigantic disparity problems in some areas, and large welfare and unemployment insurance fund requirements which have cost the Canadian taxpayer billions of dollars. We have thus created considerable economic insecurity and instability in our country.

We now know that much of the cause of these problems is traceable directly to some wrong and erroneous GATT arrangements made on behalf of Canada in recent years; to policies, as I said before, that required the sacrifice of our labour-intensive manufacturing industries in favour of other manufacturing industries which provided fewer jobs and which could scarcely subsist by themselves without continuous and direct government support so as to be in a favoured exporting position, which was supposed to help the international trade in certain of our products but failed.

This attitude, of course, brought forth some direct angry intervention and protest by at least one provincial government at the GATT meetings in Geneva. Our negotiators were informed of the damage they had been causing in this way to important areas of Canada, and of the grave problems of unemployment, disparity and welfare they were thus adding to the Canadian economy, with little offsetting result.

We must become more realistic and more practical in our ways. We should stop nonsensical accusations on all occasions and become more concerned and more watchful. We must adopt policies that we know can better serve Canadians. It will then take little time to find our way to total full recovery and the resumption of our place among the industrialized nations of the world. It will then take little time for the Canadian dollar to become stable again and assume the place where it can best serve our international commerce which will keep our economy prosperous.

I believe that the cause of the present poor assessment of our currency on the international markets is the poor handling of economic policies by some of our economic arrangers and advisers. It must be more generally realized that our young federated nation is in real need of strong, energetic and constructive economic policies that are capable of helping in the next few decades. We must be prepared to support unreservedly such policies in the best interests of Canada. Policies like FIRA are creating a bad image for Canada internationally. Moreover, they are questionable as to their real value to our country.

Policies that assist foreign firms to become more competitive, while not giving the same advantages to Canadian firms, are not serving Canada as well as it could and should be served. Yet, we have just seen this happen in our pulp and paper industry. I believe there should be no place in our nation for unsound, untried, unproven maverick theories in governing and guiding our economic destiny.

There is now a real need for us to revalorize the great wealth we have been blessed with, and which we find so well distributed over the whole of Canada—the great treasures of culture that we possess, and the extraordinary vitality and achieving spirit of our people. It is all of this that constitutes the true value of our currency. It is its guarantee, and it exceeds many times its present quoted value in comparison with the values of the other currencies.

The actual drifting of the value of the Canadian dollar to a point below the value of the United States dollar has, I believe, served rather well our national interests, our international export commerce, our industries and the whole of our national economy at this time.

● (2050)

No other nation in the world presently can, in reality, offer as much collateral to guarantee its currency, its stability as a federated nation, its promise of future achievements of great-

ness in its developments, and the preservation of its nationhood and its social and economic accountability.

Much of our national indebtedness has been for investments in good income-producing projects. We have been fortunate with our crown corporations. They have grown and become profitable. We presently have an accumulation of far-reaching and challenging projects.

The Canadian people have not yet become indifferent and lazy; so far they have retained the spirit and urge to respond quickly to national challenges and have thus made great achievements for Canada.

I find that no matter how hard we look for a cause outside Canada for the discount of the Canadian dollar, we have to admit that whatever caused its devaluation was of our own doing. The world markets have only reacted to what they have seen. It is up to us to straighten out our own situation and redress the wrongs, the reprehensible things we have done to our economy. Indeed, the possibility of Quebec separating, or for that matter some other parts of Canada breaking up, makes little sense to any of the participating Confederation members, because, in its objectives and goals, separatist thinking is recessive and shared by only a few. Personally, I believe there is less likelihood of Canada breaking up than there is of a break-up of either Belgium or Switzerland, both of which are comprised of three peoples.

In my opinion it would be easier to solve the complicated problems we have internally, as among the participating members of Confederation, or even through the central government that the two pioneer peoples formed, than it could ever be through either a disassociation or a separation of those participating members. There is everything to lose and nothing to gain from a separation of any one or more parts from the rest of Canada.

Surely no one can believe in his own heart that to reduce our nation's cultures to just one official culture is the kind of promise we should hold out either to people wishing to become Canadians or to Canadians now. Surely Canadians want to be tolerant and broadminded. In my opinion, strong, factual statements should be made with respect to the real value of Canada's currency, Canada's ability to master its present problems, and its capacity to fulfil its world obligations. Such statements should be repeated over and over again. At the moment the separatist movement, which is supposed to have been one of the main causes of the devaluation of our currency, is waning rapidly. Indeed, in my opinion it never really truly endangered the unity of this country.

Honourable senators, right now all of the factors needed to guarantee a general Canadian economic recovery are here, and even now are working to guarantee our prosperity in the coming decades.

The devaluation of the dollar, which led many Canadians to condemn Canada's present economic policies, has actually made it possible for Canadian exporters to start a turnaround of the economy—a turnaround that will eventually lead to a strong Canadian economy. Because of devaluation, certain Canadian businesses which were only marginally non-competitive before are now reconsidering their positions and are renewing their efforts to sell and export to the other industrialized countries of the world.

I believe there is now a chance to improve the balance of our international indebtedness, which over the last few years has increased by billions of dollars, and that this problem, which understandably although wrongly has come to be regarded as hopeless, is capable of solution, and that eventually we will level off the large Canadian accumulated export deficit. When that happens the Canadian economy will recover normally and the tremendous problems of unemployment and currency devaluation will gradually disappear.

In my opinion, the Bank of Canada, the institution to which we have given the responsibility for regulating credit and currency in the best interests of the economic life of Canada, is second to none in the world. That is partly because we have conferred on it the specific powers for discharging that responsibility. Surely no one can deny that.

At its present quoted price on international markets, the Canadian dollar has in fact much more backing, value and guarantee than most other currencies of the world. What, therefore, is the real significance of the present value of our currency? Let me quote a passage from a recent article by Mr. Earle McLaughlin, Chairman and Chief Executive Officer of the Royal Bank of Canada. He is one of the world's most highly regarded and ablest practical economists. The article appeared in the last issue of *Chimo*:

● (2100)

> The value of currency reflects the strength and competitiveness of an economy. It is an indication, not a cause. And when world markets dictate a weaker currency, and we do not like this verdict, then we must strengthen our domestic economy, not try to prop up the exchange rate artificially. To do the latter would be like redrawing the scale on a medical thermometer in order to arrive at a better reading. Our friend the dollar is undergoing a badly needed cure. It will recover if the unexperienced medical students can be kept at bay. So, let's not talk about the Canadian dollar being devalued, or overvalued or undervalued. It has weakened because of most understandable, natural market forces. I am not sure that I am pleased that it has weakened; but that is what the marketplace tells us and we have no alternative but to accept that verdict.

Mr. Jean-Paul Langlois, Professor of the University of Quebec, in Montreal, wrote a good article in the May 25, 1978, edition of *Le Devoir*. I recommend its reading. Here is a quotation from this article:

> It remains true that our currency is the reflection of two forces which determine its actual oscillation on the electronic boards of the foreign exchanges. They are, on one part, the pulsations of our internal economy (that is its productivity, its rate of inflation, its political stability, etc.) and, on the other part, the external factors (that is

the movement of capital, the devaluation of the other currencies, the economic cycle of the foreign markets, etc.). So, if any currency is sensitive to the pressures coming from the outside, it will be so all the more if the economy it represents is open to the outside.

This shows us our own vulnerability because of the weaknesses in our national economy and warns us that we can and must control them at all times. To let our national economy weaken is to let the value of the Canadian dollar weaken. This, unfortunately, we have let happen in the past. This we must now correct and redress if we now want our Canadian dollar to stabilize on its own merits and resume a place where it will be most helpful to the nation's economy. Our careful and intelligent Canadian economic behaviour can give us the results we want.

On motion of Senator Austin, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, June 14, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

THE ESTIMATES

REPORT OF NATIONAL FINANCE COMMITTEE ON MAIN ESTIMATES FOR 1978-79 PRESENTED

Senator Everett, Chairman of the Standing Senate Committee on National Finance, presented the following report:

Wednesday, June 14, 1978

The Standing Senate Committee on National Finance to which the estimates laid before Parliament for the fiscal year ending March 31, 1979, were referred has in obedience to the order of reference of Thursday, February 23, 1978, examined the said Estimates and reports as follows:

(1) The Committee was authorized by the Senate, as recorded in the Minutes of the Proceedings of the Senate of February 23, 1978, "to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending March 31, 1979, in advance of bills based upon the said Estimates reaching the Senate."

(2) In obedience to the foregoing, the Committee made a general examination of the Estimates and heard evidence from the Honourable Robert Andras, President of the Treasury Board, and from the following officials of Treasury Board: Mr. R. L. Richardson, Deputy Secretary, Program Branch; Mr. L. J. O'Toole, Assistant Secretary, Program Branch; Mr. E. A. Radburn, Director, Estimates Division, Program Branch.

Also Mr. W. M. McLeish, Administrator and Mr. L. G. Potvin, Director General, Policy, Planning and Program Air from the Canadian Air Transportation Administration of the Department of Transport and Mr. J. M. DesRoches, Deputy Minister; Mr. A. R. Bailey, Assistant Deputy Minister, Corporate Management and Mr. R. W. Jones, Comptroller from the Supply Administration of the Department of Supply and Services appeared before the Committee to give evidence concerning their respective departments.

(3) The Committee is continuing its detailed examination of the Department of Regional Economic Expansion and expects to complete its report on the Accommodation Program of the Department of Public Works shortly.

(4) The Main Estimates for 1978/79 amount to $48,732 million. Of this amount, $46,476 million is for budgetary items and $2,256 million is for non-budgetary items (loans, investments and advances). These Estimates are also divided into statutory requirements amounting to $27,979 million which represents 57.4 per cent of the total and non-statutory amounting to $27,953 million representing the remaining 42.6 per cent. Of the total budgetary Estimates, $19,875 million represents funds for which Parliament is asked to provide new authority. The following table summarizes this breakdown of the total Main Estimates for the year 1978/79.

BUDGETARY AND NON-BUDGETARY
MAIN ESTIMATES

BY TYPE OF AUTHORITY 1978-79

($ MILLIONS)

Expenditure Authority	Budgetary	Non-Budgetary	Total
Statutory	26,601 57.2%	1,378 61.1%	27,979 57.4%
Non-Statutory	19,875 42.8%	878 38.9%	20,753 42.6%
Total	46,476 100%	2,256 100%	48,732 100%

(5) The President of the Treasury Board informed your Committee that the target ceiling for the total spending for 1978/79 is expected to be $48,800 million which would represent an increase of 9.8 per cent over the projected total expenditures for 1977/78 of $44,450 million.

(6) The Committee expresses its concern about the erosion of Parliamentary control which results from a practice related to the means of provision of resources to programs, that is, the financing of a program by foregoing tax revenue. The practice of financing a program by foregoing tax revenues amounts to a 'tax expenditure' in lieu of a direct budget expenditure.

The Committee recognizes that the tax system has long been used as an instrument of government policy in addition to its primary role as a source of revenue. The government's commitment to publicly announce expenditure targets, which constrain expenditure growth to less than the nominal growth of GNP, places the practice of using the tax system for non-revenue purposes in a new

context. The commitment provides a strong incentive for the government to forego tax revenues as the means of financing the introduction of new programs and/or continuation of old ones. Thus government expenditures can literally be kept within the stated target. Yet government activity is not constrained to the same degree.

The Committee believes that an assessment of the actual and potential impact of this practice on parliamentary control as exercised by the estimates process should be undertaken to determine what, if any, changes are now required.

(7) The Committee was informed that the majority of the grants made by the Canadian International Development Agency (CIDA) did not meet the criteria for grants spelled out in Treasury Board Circular 1977-50, titled Grants and Contributions. In this circular a grant is defined to mean an unconditional transfer payment made to a recipient, for which the government receives no goods or services. In the case of CIDA, funds are in fact dispersed as a part of a procurement of specialized goods and services. To illustrate, monies labelled as a CIDA grant might be given to a foreign government with the condition that they purchase grain from the Saskatchewan Grain Pool.

The Committee suggest that where a transfer payment (grant or contribution) is made to a foreign country with a stipulation that part or all the funds be spent in Canada that the program description indicate this fact.

(8) The Committee expresses its continued opposition to the practice of using funds originally voted for capital investment for operating purposes while still maintaining that expenditure targets have been met, because the capital commitment has merely been deferred.

(9) The Committee is pleased to note that progress has been made in the continued reduction of net voting. The Committee looks forward to being informed of the outcome of the studies on the five remaining cases of net voting.

Respectfully submitted,

D. D. Everett,
Chairman.

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Everett moved that the report be placed on the Orders of the Day for consideration on Tuesday next.

Motion agreed to.

TRANSPORT

MOVEMENT OF GRAIN IN WESTERN CANADA—QUESTION

Senator Roblin: Honourable senators, I would direct the attention of the Leader of the Government in the Senate to the announcement last week by the Minister of Transport that he is convening a new committee to inquire into the movement of grain in western Canada. Might I ask the honourable leader when we may expect to get the terms of reference of that committee?

Senator Perrault: Honourable senators, this question will be taken as notice. I have no information immediately available with respect to a possible date.

Senator Roblin: Perhaps I may follow that up with a supplementary question. Will this information be available to us in time for consideration before we conclude our review of Bill C-17, which deals with the financing of the Canadian National Railways?

Senator Perrault: I can only say that an inquiry will go forward immediately to determine whether information can be brought to this chamber today or tomorrow.

AGRICULTURE

RISING COST OF BEEF—QUESTION

Senator Austin: Honourable senators, on June 8 last I asked the Leader of the Government a question with respect to the rising cost of beef to consumers in Canada. I should like to follow up that question by drawing attention to this morning's announcement by Statistics Canada that food prices soared in May by 3.3 per cent, led by beef. Prices of beef rose by 10.5 per cent in the month of May and were 52.5 per cent higher than a year ago.

Could the leader inform the Senate whether the government is prepared to set export quotas on Canadian beef to the United States at levels not higher than they have traditionally been, so that the value of the Canadian dollar is not unduly attractive to United States buyers of Canadian beef?

Senator Perrault: Honourable senators, I have on my desk certain information with respect to beef exports which has been prepared in partial reply, at least, to the question posed by Senator Austin on June 8.

Beef exports are controlled under the Export and Import Permits Act and beef exports to the United States and imports from all sources are subject to individual permit requirement.

Canada's quota under the U.S. Meat Import Law (1964) for 1978 was 76.2 million pounds to June 3, 1978. With 42.3 per cent of the year elapsed, Canada has exported 44.2 per cent of its quota—that is, 33.7 million pounds. Shipments to date in 1978 are 13 million pounds below 1977 level.

Live exports of slaughter cattle, predominantly cows, for manufacturing quality beef, have increased. In the face of increased cow exports domestic cow slaughter has declined by nine-tenths of one per cent from year-earlier levels.

The expansion of Canadian exports of dressed beef to the United States by 11.8 million pounds is unlikely to have a significant impact on the Canadian domestic price in view of the fact that beef exports are below 1977 levels. The expanded access into U.S. markets for Canadian beef could have a

beneficial economic effect in that cows now being exported could be slaughtered in Canada thus creating increased employment and enabling exporters to take advantage of the value-added element that would accrue from export boxed beef rather than from live cattle.

Total beef slaughter in North America is down from 1977 levels by approximately two per cent; however, the demand pull in recent weeks has been considerably stronger than in 1977. More people with increased disposable income, coupled with increased purchasing for consumer freezers, has sparked this demand.

Senator Flynn: When you speak of disposable income, are you speaking of the U.S. citizen?

Senator Perrault: Honourable senators, I am pleased to speak as well of Canadian citizens.

Senator Flynn: That would have no effect on exports.

[*Translation*]

NATIONAL FINANCE

PROVINCIAL SALES TAX—QUESTION

Senator Asselin: Honourable senators, I have a question for the Leader of the Government. Could he tell the Senate whether the Honourable the Minister of Finance, Mr. Chrétien, has decided to accept either one of the two proposals made by the Quebec government regarding the sales tax?

[*English*]

Senator Flynn: Has he made up his mind?

Senator Perrault: Honourable senators, I will bring to the Senate a statement on that subject just as soon as it is available from the Honourable the Minister of Finance.

Senator Flynn: Are you sure he made no announcement in the house today? Last week I asked if the Minister of Finance had received a proposal from Mr. Parizeau, to which the Leader of the Government replied, "Not to my knowledge", and at the same time Mr. Chrétien was confirming in the other place that he had received a letter from Mr. Parizeau.

Senator Perrault: Honourable senators, it is conceivable that the Minister of Finance made a statement in the other place this afternoon. If a statement has been made, I will ascertain whether, in fact, this has taken place, and that information will be communicated to this chamber.

Senator Flynn: Does the Leader of the Government not think he should be informed of what is happening in the other place so far as the government is concerned?

Senator Perrault: As the Leader of the Opposition is aware, that is customarily the case unless there have been late-breaking events which make it impossible.

Senator Flynn: I suggest the government should take into consideration the responsibilities of the Leader of the Government in this house, and inform him of what is going to happen.

Senator Grosart: They do not always know.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, June 15, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

BUSINESS OF THE SENATE

Senator Perrault: Honourable senators, I apologize for the delay in commencing today's sitting of the Senate. A meeting of considerable importance was scheduled to be held at 1.45 p.m. The meeting was late in starting, and as a result certain supporters of the government, including the Leader of the Government in the Senate, were unable to be present here at 2 o'clock. I sincerely hope all honourable senators will believe me when I say that the matter under discussion was of great importance.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of letters dated June 12, 1978, from the Prime Minister of Canada to the ten provincial Premiers concerning the document entitled "A Time for Action: Toward the Renewal of the Canadian Federation".

Report of the Correctional Investigator for the period from 1 June, 1976 to 31 May, 1977, issued by the Department of the Solicitor General.

CANADIAN NATIONAL RAILWAYS CAPITAL REVISION ACT RAILWAY ACT

BILL TO AMEND—REPORT OF COMMITTEE

Senator Smith (Colchester), Chairman of the Standing Senate Committee on Transport and Communications, presented the following report:

Wednesday, June 14, 1978

The Standing Senate Committee on Transport and Communications, to which was referred Bill C-17, intituled: "An Act to amend the Canadian National Railways Capital Revision Act and the Railway Act and to amend and repeal certain other statutes in consequence thereof", has, in obedience to the order of reference of Wednesday, May 24, 1978, examined the said Bill and now reports the same without amendment.

However, your committee wishes to observe that it noted the apprehension expressed on behalf of the Canadian Trucking Association that the passing of this bill might encourage Canadian National Railways from time to time to engage in acts of "acquisition or unfair pricing" in order to eliminate or reduce trucking competition. The committee wishes to record its view that such conduct would not be in the public interest, and that the proper authorities should give this matter careful and continuing attention.

Your committee also heard evidence concerning the funding and management of the Canadian National Railways employees' pension plan. Witnesses included representatives of the Canadian Railways Employees' Pension Association and of the Pension Benefits Division of the Department of Insurance. Your committee noted the importance of proper funding and management of such plans.

Respectfully submitted,

George I. Smith,
Chairman.

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

Senator Langlois moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

BANKING, TRADE AND COMMERCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois with leave of the Senate and notwithstanding rule 45(1)(*a*), moved:

That the Standing Senate Committee on Banking, Trade and Commerce have power to sit while the Senate is sitting on Wednesday next, June 21, 1978, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, June 20, 1978, at 8 o'clock in the evening.

Before Her Honour the Speaker puts the question I should like to give a brief summary of the work in the Senate for next week.

First, I shall deal with committees. On Tuesday the Banking, Trade and Commerce Committee will meet at 2.30 p.m. to consider the subject matter of Bill C-56, to amend the statute law relating to income tax and to authorize payments related to provincial sales tax reductions, and, if time permits, the Committee will consider the subject matter of Bill C-59, to amend the Income Tax and the Excise Tax Act in matters relating to the ownership and operation of small businesses. The Foreign Affairs Committee will hold *in camera* meetings at 10.00 a.m. and 2.15 p.m. to consider its report on Canada-United States relations; the Special Committee on the Northern Pipeline will meet at 2.00 p.m., and the Subcommittee of Health, Welfare and Science on Childhood Experiences will meet at 4.00 p.m.

On Wednesday the Banking, Trade and Commerce Committee will hold a meeting at 9.30 a.m. The matters to be considered have not yet been decided upon.

On Thursday at 9.30 a.m. the Banking, Trade and Commerce Committee will hold another meeting to consider the subject matter of Bill C-13, to amend the Combines Investigation Act and to amend the Bank Act and other acts in relation thereto or in consequence thereof, or Bill C-57, the Banks and Banking Law Revision Act, 1978. The Special Committee on the Northern Pipeline will meet at 10.00 a.m., and the Standing Joint Committee on Regulations and other Statutory Instruments will meet at 11.00 a.m.

The Foreign Affairs Committee may also meet on Wednesday and Thursday for further consideration of its Canada-United States report, but no times have yet been set for these meetings.

In the Senate we shall proceed with third reading of Bill C-17, to amend the Canadian National Railways Capital Revision Act and the Railway Act and to amend and repeal certain other statutes in consequence thereof, and consideration of the report of the Standing Senate Committee on National Finance on the main estimates for the 1978-79 fiscal year. My information is that the supply bill based on these estimates will pass in the other place next Thursday night, and it is possible that we shall also receive Bill C-56, the income tax bill, late next week. In view of the foregoing, it may be necessary for the Senate to sit on Friday next.

● (1410)

Senator Flynn: What! On the eve of St. Jean Baptiste Day?

Senator Langlois: Yes. We will celebrate here.

Motion agreed to.

THE CONSTITUTION

RENEWAL OF THE CANADIAN FEDERATION—QUESTION

Senator Flynn: Honourable senators, last Tuesday I asked the Leader of the Government a question relating to the intention of the government to proceed with legislation which would replace this Senate by another type of second chamber. I was wondering at that time if in the opinion of the government that could be done without the concurrence of the provinces. Following a rather vague answer by the Leader of the Government, Senator Forsey put a question inviting the leader to agree that this type of legislation was exclusively within the power of the Parliament of Canada, and the leader replied that Senator Forsey was entirely correct. He did not say, "for once," but said he was entirely correct.

I wish to ask the Leader of the Government today what the interpretation of the government is of the amendment to which Senator Forsey referred, which says that the amendment from time to time of the Constitution of Canada is within the powers of Parliament "except as regards matters coming within the classes of subjects by this Act assigned exclusively to the Legislatures of the provinces,"—and I understand that refers to section 92 of the British North America Act—"or as"—and this is the important part—"regards rights or privileges by this or any other Constitutional Act granted or secured to the Legislature or the Government of a province—"

What would be, in the opinion of the government, the rights and privileges, outside section 92, which are to be protected and which would need the consent of the provinces?

Senator Perrault: Honourable senators, the comments of the Leader of the Opposition—

Senator Flynn: Not comments, but questions.

Senator Perrault: Well, the question and comments will be taken under careful review and consideration. I know that the honourable senator would not wish me to offer a reply anything less than complete on such an important question.

Senator Flynn: I agree with that.

Senator Perrault: I shall endeavour to have a statement made available to the chamber.

Senator Flynn: Thank you.

ENERGY

POSSIBLE CHANGE IN CONTROL OF ASSETS OF HUSKY OIL COMPANY—QUESTION

Senator Austin: Honourable senators, I should like to put a question to the government leader regarding one of Canada's great natural resource treasures. I am referring to the heavy oil deposits in Alberta and Saskatchewan which contain billions of barrels of oil vital to Canada's future needs. The crown corporation Petro-Canada is seeking to obtain control of certain heavy oil properties for Canadian development in accordance with Canadian energy policy.

I should like to ask the leader whether he can assure the Senate that the government will follow its own precedent in the case of Denison Mines and Home Oil and thus ensure that neither Occidental Oil nor any other foreign-controlled company would be allowed to control the Husky heavy oil deposits in the event of a decision by Husky directors and/or shareholders to sell control of those assets.

Senator Perrault: Honourable senators, that question had been anticipated. However, with no pun intended, may I say that the situation is extremely fluid. There have been further

developments this morning: reports of a further counter offer by Occidental Petroleum, and then a counter counter offer by Petro-Canada. I really feel that under the circumstances some of the material which I had available yesterday to bring to honourable senators may be dated in view of developments in recent hours. Therefore I shall endeavour to obtain from the minister responsible for Energy, Mines and Resources further information within the next few minutes to see whether something can be reported to the Senate.

It can be said, however, that any proposed transaction of the kind contemplated by Occidental Petroleum would come under the review of the Foreign Investment Review Agency and would be carefully scrutinized to determine whether or not real and substantial benefits would exist for Canadians.

SPORTS

CBC TELECAST OF PEARSON CUP BASEBALL GAME—QUESTION ANSWERED

Senator Perrault: Honourable senators, I have a reply to a question asked by Senator Davey on June 7. He wanted to know whether the CBC planned to telecast the Pearson Cup baseball game to be played on June 29 between the Montreal Expos and the Toronto Blue Jays.

There were some reports that the game would not be televised. I am now able to report to the house that both the French and English television networks of the CBC will indeed be carrying the game, starting at 7:30 p.m.

Senator Flynn: My wife will be very happy.

Senator Perrault: It should be pointed out that Senator John Connolly has been particularly instrumental in bringing into existence the Pearson Cup, this competition between Canada's two major league baseball teams. I hope that perhaps next week an appropriate description can be given of the Pearson Cup and the reason for its existence.

Immense credit goes to our colleague, the Honourable Senator Connolly, for the work he has undertaken to bring this fine trophy into existence.

Hon. Senators: Hear, hear.

CROWN CORPORATIONS

NAMES, RESPONSIBLE MINISTERS, 1976-77 SURPLUS OR DEFICIT—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 14—**By Senator Fournier (Madawaska-Restigouche):**

1. What are the names of all Canadian crown corporations or agencies answerable to the Federal Government?

2. Who are the ministers responsible for such corporations or agencies?

3. What is the total amount of the surplus or deficit of each of such crown corporations or agencies as shown in its annual report for 1976-77.

Reply by the President of the Treasury Board:

(1) Canadian Crown corporations or agencies answerable to the Federal Government	(2) Responsible Minister	(3) Surplus (deficit) as shown in 1976-77 annual report
Schedule "B" Corporations-F.A. Act		
Agricultural Stabilization Board	Hon. E. F. Whelan	1
Atomic Energy Control Board	Hon. A. Gillespie	1
Canada Employment and Immigration Commission	Hon. B. Cullen	1
Director of Soldier Settlement	Hon. D. J. MacDonald	1
The Director, Veterans' Land Act	Hon. D. J. MacDonald	1
Economic Council of Canada	Rt. Hon. P. E. Trudeau	1
Fisheries Prices Support Board	Hon. R. LeBlanc	(1,343,209)[1]
Medical Research Council	Hon. M. Bégin	1
Municipal Development and Loan Board	Hon. J. Chrétien	1
National Museums of Canada	Hon. J. Roberts	1
National Research Council	Hon. J. J. Buchanan	1
Science Council of Canada	Hon. J. J. Buchanan	1
Schedule "C" Corporations-F.A. Act		
Atomic Energy of Canada Limited	Hon. A. Gillespie	(183,706,000)[2]
Canadian Arsenals Limited	Hon. J. P. Goyer	(1,233,020)[2]
Canadian Commercial Corporation	Hon. J. P. Goyer	(2,765,885)[2]
Canadian Dairy Commission	Hon. E. F. Whelan	(159,718,170)[2]
Canadian Film Development Corporation	Hon. J. Roberts	2,849,984[2]
Canadian Livestock Feed Board	Hon. E. F. Whelan	(283,191)[2]
Canadian National (West Indies) Steamships Limited	Hon. O. E. Lang	227,712[3]
Canadian Patents and Development Limited	Hon. J. H. Horner	166,471[2]
Canadian Saltfish Corporation	Hon. R. LeBlanc	nil[2]
Centennial Commission	Hon. J. Roberts	3
Crown Assets Disposal Corporation	Hon. J. P. Goyer	111,304
Defence Construction (1951) Limited	Hon. B. Danson	(1,679,602)[2]
Loto Canada Inc	Hon. I. Campagnolo	nil
The National Battlefields Commission	Hon. J. H. Faulkner	dependent on appropriations
National Capital Commission	Hon. A. Ouellet	dependent on appropriations
National Harbours Board	Hon. O. E. Lang	(216,553,000)[2]

(1) Canadian Crown corporations or agencies answerable to the Federal Government	(2) Responsible Minister	(3) Surplus (deficit) as shown in 1976-77 annual report
Northern Canada Power Commission	Hon. J. H. Faulkner	(4,530,000)
Royal Canadian Mint	Hon. J. P. Goyer	3,696,847
Uranium Canada Limited	Hon. A. Gillespie	Nil-company acts as Canada's uranium sales agent
Schedule "D" Corporations-F.A. Act		
Air Canada	Hon. O. E. Lang	18,916,000
Canada Deposit Insurance Corporation	Hon. J. Chrétien	22,625,013
Canadian Broadcasting Corporation	Hon. J. Roberts	dependent on appropriations
Canadian National Railways	Hon. O. E. Lang	11,764,000
Cape Breton Development Corporation	Hon. M. Lessard	dependent on appropriations
Central Mortgage and Housing Corporation	Hon. A. Ouellet	6,008,000[2]
Eldorado Aviation Limited	Hon. A. Gillespie	257,039
Eldorado Nuclear Limited	Hon. A. Gillespie	49,283,549
Export Development Corporation	Hon. J. H. Horner	57,098,000
Farm Credit Corporation	Hon. E. F. Whelan	(1,449,974)[2]
Federal Business Development Bank	Hon. J. H. Horner	43,534,675
Federal Mortgage Exchange Corporation	Hon. J. Chrétien	3
Freshwater Fish Marketing Corporation	Hon. R. LeBlanc	95,063[2]
Northern Transportation Company Limited	Hon. O. E. Lang	(8,011,961)[2]
Petro-Canada	Hon. A. Gillespie	3,333,000
Pilotage Authorities:		
Atlantic Pilotage Authority	Hon. O. E. Lang	(583,496)[2]
Laurentian Pilotage Authority	Hon. O. E. Lang	1,069[2]
Great Lakes Pilotage Authority Ltd.	Hon. O. E. Lang	(713,450)[2]
Pacific Pilotage Authority	Hon. O. E. Lang	(200,282)[2]
St. Lawrence Seaway Authority	Hon. O. E. Lang	(172,838,827)[2]
The Seaway International Bridge Corporation Limited	Hon. O. E. Lang	nil
Teleglobe Canada	Hon. J. Sauvé	(103,770,000)

[1] Operations financed as departments considered part of Government of Canada accounting system.
[2] Includes Government appropriations.
[3] Inoperative.

THE ECONOMY

VALUE OF CANADIAN DOLLAR—DEBATE CONCLUDED

The Senate resumed from Tuesday, June 13, the debate on the inquiry of Senator Desruisseaux calling the attention of the Senate to the question of the devaluation of the Canadian dollar.

Hon. Jack Austin: Honourable senators, on February 21 last I initiated an inquiry in the Senate regarding the Canadian dollar, the floating exchange rate and its relevance to the Canadian economy. A few days later, Senator Desruisseaux provided additional views and comments to my own.

I think we were both right to be concerned with the matter of the impact of foreign exchange trading in the Canadian dollar and its influence on Canadian economic performance, and I believe that Senator Desruisseaux is correct to report again to the Senate his views on events which have taken place in the meantime in this critical area of national policy. For my part, I have a few comments to add of a reflective kind.

Economics combines within its nature both the empiric data of past performance and the subjective qualities that go with the future. We know from empiric data that in the last three quarters the economy has been in a recovery and growth phase. It is not a buoyant, bouncing, optimism-generating kind of recovery, but one that is careful and hesitating.

Each kind of recovery brings with it separate kinds of problems, but I for one prefer the present slow acceleration in our recovery, because I believe it gives us pause to think about and understand some of the real inherent and underlying issues of our society.

We have a little time yet available to us to evaluate the nature and effect of the demands of different components of our society on our available economic resources. It gives us the opportunity to place longer term responses in motion. Hopefully, we can continue the recovery without climbing on a roller-coaster which will zoom us up or down abruptly and leave us having to contend again with the much more difficult problems associated with major extremes of economic behaviour.

● (1420)

The present hesitation in the rate of economic growth in Canada is based on those general subjective qualities that are so important to future performance. There is a withholding of confidence at the industrial and commercial levels, and a hesitating confidence at the consumer level. Nonetheless, the present position of the Canadian dollar in foreign currency terms has enhanced our export balances, added to employment in manufacturing and other labour-intensive sections of our economy, and generated a sense of confidence in Canadian ability to compete for world markets.

Let us look for a moment more closely at the reasons for the caution and hesitancy. I believe that the single most important

reason is the continuing concern of Canadians with respect to the inflationary factors within the economy. It may well be that the assurances of some economists that wage-push inflation is no longer an important factor in the economy is the case. It is the view of government economists that pay increases should be limited to 6 per cent this year, but many Canadians will wait for the demonstration of the evidence over the next few months, as the Anti-Inflation Board controls are removed. What Canadians are also aware of is the 12-month inflation rate, now standing at 9 per cent, and on a three-month basis, year over year, at an annual rate of 11.3 per cent.

A second important factor regarding inflation relates to the public's subjective belief as to whether government and private sector employees will have the courage, toughness and perseverance to resist inordinate claims for higher wages and higher profits. There have been some notably determined and successful fights recently for maintenance of a competitive profit and/or wage balance in Canada, but the major challenges are ahead of us. I refer, in the public sector, to such matters as the challenge from postal unions, and, in the private sector, to such demands as that for 32-hour week by trade unions. Future improper profit claims are harder to point to, but we all know that the problem is there.

At another level Canadians are hesitating in their confidence because they believe that the devaluation of the Canadian dollar in terms of the United States dollar—it is trading at about the 89-cent level—is a demonstration that there is something seriously wrong with the Canadian economy. We are all familiar with the phrase "Our Canadian dollar is worth less than the American dollar." I am not certain that those responsible for the education of the Canadian public about public-interest issues—and, in particular, I presume that honourable senators are supposed to be both teachers and students—have done a good job of explaining what is happening in the world and what has happened at home to bring about this result.

Senator Desruisseaux had an excellent theme in his speech on June 13 last. He placed responsibility for the condition of the Canadian dollar in terms of the United States dollar entirely on the Canadian people, and I believe he is essentially correct in this. I would like to quote from his speech, as reported at page 869 of *Debates of the Senate* for June 13, 1978, as follows:

> I find that no matter how hard we look for a cause outside Canada for the discount of the Canadian dollar, we have to admit that whatever caused its devaluation was of our own doing. The world markets have only reacted to what they have seen.

Senator Desruisseaux went on to quote from an article by Mr. Earle McLaughlin, Chairman and Chief Executive Officer of the Royal Bank of Canada, in which he wrote:

> The value of currency reflects the strength and competitiveness of an economy. It is an indication, not a cause.

[Senator Austin.]

To some extent it is true that Canadian industry and labour priced themselves out of world markets by making too many demands for economic rewards. Our largest market is the United States, with approximately 70 per cent of our exports sold in that market. If we push our competitive costs to a level higher than the costs of production of the same products in the United States, then obviously the United States consumer is not going to feel any obligation to recognize our commodities. If our over-all productivity is only as good as that of our competitors, then we can only be paid as much as our competitors receive for their productivity.

I believe there was a period following the onset of the energy crisis in 1973-74 when, because of Canadian government policies, the economy was shielded from the impact of increases in the price of energy. This shielding did not take place to the same extent in the United States or in other parts of the western industrial world. They took the higher cost burden of international energy more quickly into their economy, and absorbed the shocks sooner. The result was that the adjustment process to the new economic realities began sooner in those countries, and therefore their recovery began sooner.

In Canada we sought to maintain and enhance our competitive position for an interim report, but instead of using this advantage to become more competitive by making critical priority changes in the structure of the economy, the Canadian people scooped up much of the advantage of low energy costs for 1974 and 1975 in the form of higher claims, and thereby raised the cost base of what we do to earn a living in the world.

When the crunch came, it was all the more surprising and painful to Canadians because, I think, we thought, briefly, that we were smarter than our competitors—and perhaps we thought we were luckier.

By the same token, as we had postponed the crunch we had also postponed the time for recovery and the way in which we could recover. We saw, therefore, the American economy begin to recover at a time when the going was rough for us, and in making comparisons the critics lost their perspective. Today the American economy is still ahead of us in the recovery cycle, although we are now beginning to catch up—thanks, in part, the present fiscal and monetary policies, and to the world free marketplace for currency which has pushed on us the devaluation of the Canadian dollar, and with it a second opportunity to readjust our competitive position in the world economy.

While part of our problem was caused by too aggressive claims placed by Canadians on their own economic pie, another part of the cause of the inordinate swing in the Canadian dollar, from its high of approximately $1.03 in 1976 to its low of 86 cents earlier this year, in terms of the United States dollar, has been the result of what I believe is the excessive and very short-sighted behaviour by Canadians in the international money marketplace of a year or two ago.

Senators are aware that in 1975 and 1976 provinces and other borrowers raced to the United States and other capital markets, and the resultant total borrowing was in the range of

$10 billion. Naturally, the Canadian dollar went to a premium based on this substantial bunching of Canadian purchases of Canadian dollars from abroad. Claims on foreign capital markets that should, in the ordinary course, have been made over a period of four or five years were perhaps made over a period of one or one-and-a-half years. When these claims were satiated, how could anyone expect that the Canadian dollar could do anything but drop—and drop dramatically. In a supply/demand situation the demand had been removed, and the supply of Canadian dollars was over-balanced.

It is my view that the federal government has a responsibility to prevent these boom/bust cycles in the demand for Canadian dollars purchased abroad by Canadian borrowers, and thus prevent the building up of the kind of shock waves which Canadians have felt in the last few months as a result of the rapid devaluation of the Canadian dollar. I believe the federal government should maintain a three-to five-year target of what would be acceptable limits to foreign borrowing by Canadian borrowers. The usual borrowing institutions should be asked to give notice, perhaps six to nine months ahead of time, of foreseeable borrowing requirements. The Canadian government should then look at the over-all demand and decide whether any restraint in borrowing is necessary or, alternatively, whether any acceleration in borrowing is advisable in order to prevent the roller-coaster ride the Canadian dollar has experienced in terms of the United States dollar over the last three years. This is, of course, another field for federal-provincial consultation, or perhaps in some cases, conflict, but I cannot see how a federal state, devoted to the maximum good for the greatest number, can allow the transfer of costs within the economy to be vested so erratically and in such an uncoordinated way.

Had the Senate been prepared to accept my proposal for a substantial inquiry into the devaluation of the Canadian dollar, this is one of the recommendations whose validity might have been considered.

Senator Flynn: We would have done that if the Prime Minister had not led us to believe we were going to have an election.

Senator Austin: I hope when we meet again after the summer I will have your support to pursue this inquiry.

Senator Flynn: If you say there will not be an election soon, you can move that motion now and we will support it.

Senator Austin: You know that I have no such information.

Senator Flynn: There was a time when you had.

Senator Austin: Yes, but I no longer have it, and sometimes I thank God that I do not.

Senator Flynn: So do we.

Senator Austin: Thanks for the compliment.

As honourable senators know, leaders of the industrial western world, among whom is certainly our Prime Minister, will have a meeting in West Germany in mid-July to discuss world economic conditions. I doubt if anyone is naive enough to believe that if they work hard they can achieve a miracle. There simply are no remedies of that type available to us.

• (1430)

Their focus has to be on the middle-term, the early 1980s, and on the key questions of trade, international debt and liquidity, balance of payments, world peace and security and the equitable distribution of costs, prices and profits among peoples of the world. These are the megaton questions. They are the ones to be tackled. Canada has a key role to play in the search for international equity.

So far as Canada itself is concerned, I very much believe that we are in a basically sound economic posture. We have a well-educated and healthy work force capable of high levels of productivity when properly stimulated; we have increasingly more sophisticated investor and managerial leadership; we have adequate reserves of energy and basic material resources, although these are not cheap resources; and we have all the capital resources we need to enlarge our productive capacity. Now what we need is to feel more sure of ourselves. Now what we need is to agree on our goals. We must ask: What kind of society do Canadians want? We must project the optimism about ourselves that the real facts of Canada make eminently justified.

What are those facts? In brief, they are:

1. Between 1967 and 1976 the Canadian GNP in constant dollar terms grew by 53 per cent, while by contrast the United States GNP grew by 26 per cent.

2. Real disposable income in Canada grew by 73 per cent, and in the United States by 33 per cent.

3. In each country the consumer price index grew by about the same percentage for that period—in Canada by 72 per cent and in the United States by 70.5 per cent.

4. In 1978 the GNP of Canada will grow by between 3 per cent and 4 per cent.

5. Canada's rate of job creation has been the highest in the western industrial world. According to Statistics Canada, 525,000 new jobs were created from January to May, 1978—an historic high.

Senator Flynn: Unemployment also.

Senator Austin: Honourable senators, as in all subjective matters, I think that the way we look at ourselves is the way we will in fact perform. I can understand, but I cannot accept, the attitude of Canadians over the last two or three years toward themselves. We have been a bitching, miserable, carping society; we have put ourselves down when the facts do not justify putting ourselves down; and we have been anxious about our present, yet we have never in any snapshot of Canada been more prosperous, had more personal freedom, or had more choices with respect to our time and our activities. We are a lucky society. While we have social and political problems in Canada, which sometimes are extremely difficult, I am absolutely convinced that if we so desire we can be a great society.

The Hon. the Speaker: As no other honourable senator wishes to participate, this inquiry is considered as having been debated.

The Senate adjourned until Tuesday, June 20, 1978, at 8 p.m.

THE SENATE

Tuesday, June 20, 1978

The Senate met at 8 p.m., Hon. Jean-Paul Deschatelets, P.C., Speaker *pro tem*, in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Copies of document entitled "Public Service and Public Interest: Submissions of the Public Service Commission of Canada to the Special Committee on Personnel Management and the Merit Principle".

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans, as follows:

1. McAllister Towing and Salvage Company Limited, Montreal, Quebec and two of its groups, namely, the captains and engineers, represented by the Canadian Marine Officers Union. Orders dated June 9, 1978.

2. Abex Industries Ltd., Joliette, Quebec and two of its groups, namely, the hourly-rated production and maintenance employees, represented by the United Automobile Workers Local 1951, and the hourly supervision and clerical employees. Orders dated June 9, 1978.

3. Croven Limited, Whitby, Ontario and the group of its plant employees, represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (U.A.W.) Local 1090. Order dated June 9, 1978.

Copy of Proceedings of the Royal Society of Canada, 1977, together with a copy of the 1977-78 Calendar and a copy of the Report of Council containing the financial statements of the Society for the year ended February 28, 1978, and the auditors' report thereon, pursuant to section 9 of An Act to incorporate the Royal Society of Canada, Chapter 46, Statutes of Canada, 1883.

Copies of correspondence between the Prime Minister of Canada and the Premier of New Brunswick concerning the publicity arrangements for the respective contribution towards shared-cost programs and certain joint activities in New Brunswick.

Copies of letters, dated June 16, 1978, from the Prime Minister of Canada to the ten provincial Premiers concerning the implementation of the proposals for action in Chapter IV of the document entitled "A Time for Action: Toward the Renewal of the Canadian Federation".

Document entitled: "The Constitutional Amendment Bill", with text and explanatory notes, published to encourage public discussion of proposed changes in the Canadian Constitution, as set out in a bill introduced in Parliament by the Government of Canada—June, 1978.

FOREIGN AFFAIRS

COMMITTEE AUTHORIZED TO PUBLISH AND DISTRIBUTE VOLUME II OF ITS REPORT ON CANADIAN RELATIONS WITH THE UNITED STATES

Senator van Roggen, Chairman of the Standing Senate Committee on Foreign Affairs, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on Foreign Affairs be authorized to publish and distribute Volume II of its Report on Canadian relations with the United States as soon as it becomes available, even though the Senate may not then be sitting.

Motion agreed to.

NATIONAL FINANCE

COMMITTEE AUTHORIZED TO PUBLISH AND DISTRIBUTE ITS REPORT ON THE ACCOMMODATION PROGRAM OF THE DEPARTMENT OF PUBLIC WORKS

Senator Everett, Chairman of the Standing Senate Committee on National Finance, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the Standing Senate Committee on National Finance be authorized to publish and distribute its Report on the Accommodation Program of the Department of Public Works as soon as it becomes available, even though the Senate may not then be sitting.

Motion agreed to.

FOREIGN AFFAIRS

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Standing Senate Committee on Foreign Affairs have power to sit while the Senate is sitting tomorrow, Wednesday, June 21, 1978, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

THE CONSTITUTION

QUESTIONS

Senator Flynn: Honourable senators, I should like to ask the Leader of the Government in the Senate whether he has any comment to make on the document entitled "The Constitutional Amendment Bill," which he has just tabled, especially as it relates to the replacement of the Senate by a House of the Federation?

Senator Perrault: Honourable senators, naturally there is a great deal of interest in this bill which has been tabled in both houses today, and the documentation in connection with the bill. The process of constitutional reform is of deep interest to Canadians of all political persuasion and, indeed, to Canadians wherever they live.

• (2010)

A few days ago the government issued a white paper on the subject of constitutional reform and constitutional change. The bill tabled in Parliament today is, in a sense, a form of white paper in itself. It is proposed that the proposals it contains and the variations and options open for the Constitution of Canada be given detailed and serious consideration by Parliament. Indeed, a decision will be made within the next few days as to whether Parliament will establish a joint committee of both houses to study the proposals and, perhaps, possible variations and alternatives. I favour the participation of the Senate in such a joint committee, and I think most honourable senators may feel the same way.

There will be many, many opportunities for honourable senators of all political persuasions to participate in the work of the committee and to participate in what may be termed the constitutional "dialogue". I want to assure honourable senators that alternative options have not been closed. There is a great area for further creative thinking and possible action with respect to the final form of any proposed legislation. The government is not adopting a "take it or leave it" attitude; the government is not taking the position that the contents of the bill tabled today represent the final words on the subject of constitutional reform, including changes in the Senate. However, there is a conviction on the part of the government that, after long years of discussion on the subject of constitutional reform, after the many statements made by various governments, political parties and individuals on the subject of reform, the time has arrived to make available in a more tangible form specific proposals detailing a set of constitutional proposals which could be adopted by Parliament.

I want to assure honourable senators that there will be no undue haste in the passage of this bill, or in efforts to have it approved by either house of Parliament. There will be time for consideration, time for reflection. I think that all parliamentarians are dedicated to the view that we must achieve in the ultimate that which is clearly in the interest of our great country and of all the provinces which make up our Confederation.

Senator Greene: I would ask the leader if it is true that this joint committee is to be known, on this side of Parliament at least, as the Kamikaze Committee?

Senator Flynn: May I ask a supplementary question? Does the leader suggest that the government, after having proposed the abolition of the Senate and its replacement by the House of the Federation, can then withdraw and consider only the reform of the Senate?

Since he is a member of the government, can we assume that the leader approves of the idea of abolishing the Senate as we know it, and replacing it by some other body? I am not saying it is wrong in itself, but does the leader believe that the government, having moved to abolish the Senate, can then propose an alternative that would result in the continuation of this house as we know it.

Senator Perrault: Honourable senators, what I am saying is that in the second stage it will be for parliamentarians of all political persuasions, representatives from both the Senate and the other place, to meet, to confer, to study the practicability and the desirability of the proposals set forth in this draft legislation. However, I repeat, the government is not bound and committed unalterably to these proposals to the exclusion of all other options. I suggest to you that the final bill which we may be called upon to consider and debate may be different in some respects from the measure tabled in this place tonight. I believe that many senators have constructive ideas with respect to the future of the Constitution, including the Senate. For example, I know that from time to time the Honourable Leader of the Opposition has spoken of the Senate and the institution of Parliament. He has spoken with great persuasion on that subject, just as have other honourable senators who serve here. Their views should be made known to any joint committee.

Perhaps the point to be made is that there is now a draft bill containing specific ideas which can be considered. I can provide assurance on behalf of the government that an opportunity will be provided for all of these proposed provisions to be brought under the closest possible scrutiny of Parliament. The provisions of the bill will be altered, changed and amended if Parliament so determines. The end purpose of this process is to develop a more effective Constitution, including a more responsive and representative parliamentary system.

That is the object of the operation, and I hope I will have an opportunity in the next few days to meet with the Honourable Leader of the Opposition to discuss ways in which the resources of the Senate can be brought to bear in this process of discussing the bill and considering the proposals which it contains. As members of this place, I think we should approach some aspects of this task on a co-operative basis.

[*Translation*]

Senator Asselin: A supplementary question. The Minister of State for Federal-Provincial Relations, the Honourable Marc Lalonde, a few days after the tabling of the white paper, said that the proposed changes concerning the first stage—that is, the replacement of the Senate by a chamber of the provinces

and appointments to the Supreme Court—did not especially attract the attention of Canadians. More precisely, he said people did not seem very interested in that part of constitutional reform and would rather see constitutional changes introduced in the federal and provincial jurisdictions, which would constitute the second stage of the constitutional amendments. Considering also that the issue of Quebec participation in Confederation is, I believe, the only element which is really important for Canadians as far as national unity is concerned, would it not be wise, in view of the fact that the government has drafted legislation on the referendum, to recommend to the federal government, before rushing through constitutional amendments unwanted by Canadians, as the Minister of Federal-Provincial Relations, Mr. Lalonde, suggested, to ascertain the real wishes of Canadians with respect to constitutional changes, as they will have to live with the new Constitution and, in a democratic country, like Canada, they should be consulted through a referendum?

● (2020)

[*English*]

Senator Perrault: Honourable senators, I know that all of us appreciate the views expressed by Senator Asselin. Indeed, I think that many of his colleagues may wish to see him serve on any joint committee formed to consider the subject of the Constitution, in view of his interest in the subject and his experience in both chambers of Parliament.

There will be a meeting of first ministers in September of this year. The Government of Canada will not proceed unilaterally to impose upon provincial governments, or upon the Canadian people, any constitutional "package" to which there appears to be substantial opposition. There will, then, be discussions with the premiers. Their ideas will be sought. Of course, already there have been preliminary discussions and meetings with respect to the contents of the white paper. We appreciate that constitutional change is a sensitive and vital matter which will touch upon the lives of all Canadians, whether they live in Ontario, Quebec, the west, the Atlantic provinces, northern Canada or the prairies. So during the preparatory, deliberative and consultative process, full consideration will be given to the sensitivities of the Canadian people, the views of the provincial governments, and other opinions.

We quite appreciate the fact that the process of "re-Confederation" must be considered carefully, and the reactions of all provincial governments must be gauged and assessed. We hope that the results of our labours will not be an intensifying of confrontation between the federal government and any of the provinces, but rather the development of a new co-operative spirit involving the federal government and provincial governments and Canadians from coast to coast. Greater unity and understanding are two of the major motivations of this constitutional package.

Again, honourable senators, I want to repeat that none of the proposals contained in the white paper, or contained in this draft bill, are etched in stone. The essence of the position of the government is flexibility, because flexibility may be required to achieve, finally, a good and acceptable set of constitutional changes.

Senator Manning: May I ask the Leader of the Government whether it is the government's intention that there be a formal debate, both in the other place and in this house, on the general principles of the legislation that was tabled in the two houses today, before the matter is considered by the proposed joint committee of the two houses?

It seems to me that if the matter is to be the subject of consideration by such a committee it would be advantageous to ascertain the general viewpoints of both houses of Parliament before the committee undertakes its deliberations.

I wonder if there is any intention on the part of the government along that line.

Senator Perrault: Honourable senators, there might be real merit in having a debate of the kind suggested by Senator Manning. It is my understanding that consideration is now being given to the possibility of a two-day debate in the other place. I do not know whether a final decision has been taken in that regard.

I think it would be quite remarkable if a chamber of Parliament, which it is proposed be transformed and changed, did not wish to debate its own future.

Senator Molson: Honourable senators, I should like to ask a supplementary question of the Leader of the Government. He has just said that he hopes, if a joint committee is set up, that the Senate will be represented and will play its full part on that committee.

If, in keeping with our practice, we do appoint members to this joint committee, will their terms of reference and responsibilities be fully set out in the motion setting up the committee?

As the leader knows, rule 74 provides that the Senate may appoint a special committee and may set the terms of reference and indicate the powers to be exercised and the duties to be undertaken by that committee. I am really asking if our representatives on that joint committee will go from here with terms of reference, instructions, or a point of view, if nothing else, of the Senate?

Senator Perrault: Honourable senators are aware, of course, that members of the Senate have made a very important and distinguished contribution to past committees on the subject of the Constitution. Indeed I think it can be said that the main impetus behind the last report on the Constitution, produced by a joint parliamentary committee formed for that purpose, was provided by members of the Senate.

I would not wish to offer an opinion until after adequate study, but it seems to me that it may be too much to ask that there be some unanimous position adopted in advance by members of the Senate who may participate in the deliberations of any joint committee formed to consider constitutional changes.

What is being suggested by the honourable senator is a possible bipartisan policy achieved in advance of meetings of

the joint committee. It would be the kind of bipartisan policy that I think we have not sought to achieve in the past. There are strong individual opinions held by various senators on a number of subjects, and probably more particularly the subject of constitutional reform.

I hope that now this bill has been tabled I will have the opportunity to meet with the Leader of the Opposition tomorrow to discuss the contributions which the parties represented here may be able to make to this process. But unless the distinguished Leader of the Opposition holds a contrary opinion, I would think it rather difficult to hope to achieve bipartisan unity on some positions to be taken by senators serving on any committee.

Senator van Roggen: I have a question for the Leader of the Government. In view of the persistent rumours that Parliament may adjourn for the summer next week, and in view of Senator Manning's comment that there should be a formal debate on the general principles of this legislation before it is considered by the proposed joint committee, which would then have the benefit of the views of all members of Parliament during its deliberations, can the leader assure us that this joint committee will not be appointed to meet during the summer months and bring in a report with undue haste, and that the committee will meet during normal sitting hours when Parliament reconvenes in the fall, whenever that may be?

Senator Perrault: Honourable senators, I would certainly be prepared to make a statement tomorrow on the subject of a possible debate on the white paper and the draft legislation tabled this evening. I see merit in the proposal advanced by Senator Manning, Senator van Roggen and others who have suggested that course of action.

Senator Flynn: Honourable senators, there will be opportunity for debate when the Senate is invited to join with the House of Commons to form a committee to study this document. But has the leader any idea how many senators will be appointed to the committee? Usually there are 30 members on a joint committee, with 20 being appointed by the House of Commons and 10 by the Senate. I would suggest that under the circumstances 10 members from the Senate might be too few, and that 20 from the House of Commons and 15 from the Senate would be more appropriate for this committee.

● (2030)

Senator Perrault: That suggestion and others have come to my attention today. There is certainly validity in the argument advanced by the Leader of the Opposition tonight that in view of the importance of this particular subject the committee numbers might well be expanded. There are other initiatives with respect to party membership that I hope we can discuss tomorrow at our meeting.

Senator Argue: Honourable senators, I would think, on an issue of this importance to the country, and in view of the fact that there are two houses of Parliament, that consideration might be given to making an exception in this case, namely, of having equal representation from each house of Parliament so that a fair and reasonable examination of the matter can be made in every way, and so that this house would not be at the mercy of a large majority of the other place.

I should like to ask a further question of the leader. I am wondering—and I am not necessarily looking for a definitive answer—if under the circumstances there might be merit, in addition to having a joint committee, in having a committee of the Senate look into these broad questions in order to give this examination the widest possible scope, in the greatest detail, so that the particular contribution that the Senate has made over the years, and can still make today, will be brought to light. The country can thus be made aware of the role that the Senate has played, and of our views as to how this role may be improved.

Senator Flynn: So that they can regret us!

Senator Perrault: All of the proposals that have emanated from the ranks of honourable senators have value. They are being noted and will be discussed, and I am sure we will have information with respect to committee participation by honourable senators, and the committee's structure generally, within the next day or two.

Senator Denis: Honourable senators, perhaps I could ask the Leader of the Government why, if the bill could be completely changed, the legislation was not presented first in the form of a white paper, or proposal, instead of in the form of a bill.

Senator Perrault: Honourable senators, during the long history of Parliament a number of bills have been completely changed and altered, some even beyond description. I am not suggesting that that will be the scenario for this particular bill, a draft of which has just been tabled; but I do suggest that there could be a substantial difference between the final form of the bill and the form in which we see it this evening. There is that possibility. It is government policy, however, to effect a change in the form of the second chamber of Parliament. From time to time senators have suggested their proposals for Senate reform, just as members of the other place have suggested many ideas for reform of that chamber, which is also necessary.

Hon. Senators: Hear, hear.

Senator Perrault: I do not think that a single senator in this place would suggest that we should maintain the *status quo.* All of us are aware that any institution, in order to remain effective, relevant and useful, must change from time to time. What we want to do is to make sure that constitutional changes are going to be constructive and helpful, and that they are going to advance the parliamentary process. That is the total dedication of honourable senators.

We must consider whether the proposals before us meet these objectives. I feel sure that honourable senators of all parties will be vigorous in their activities on the proposed committee in considering the draft proposals and in advancing the ideas which they espouse. Honourable Senator Denis asked: Why did we not have solely a white paper and, by implication, why should we not have a bill later in the year? I can only say that this was a decision made by the government

to add, I think, some credibility to the white paper process. A number of white papers have been produced in the past. Indeed, I think four or five have been produced on the subject of parliamentary reform and consititutional reform.

There was a determination on the part of the Right Honourable the Prime Mnister and the government to carry this one step beyond previous processes—in other words, to produce a bill which would lend itself to more specific and detailed consideration by a committee, and more detailed and specific consideration of the options which may be open. I think that is the only explanation that any government can give.

Senator Flynn: Is it true that Senator Davey was instrumental in this decision?

Senator Denis: It looked as if it were part of the amending of the Constitution. If Phase II is defeated or it fails to proceed, what are we going to do? We are going to stick with Phase I, which means the federal government will lose half of the nomination of senators.

Senator Perrault: Honourable senators, that is an observation the honourable senator may well wish to make before the joint committee when the joint committee has been established. Frankly, we are looking for a positive response in various ways from the provincial governments. In my view, there has to be a positive response from these other jurisdictions for this package to be carried forward to implementation in anything approaching its present form.

Senator Walker: Cheer up, honourable senators. I remember spending an hour listening to Mackenzie King during the 1925 election in a little town in Bruce County. He was going to abolish the Senate, and I can tell you he held the attention of the farmers for about 15 minutes, and then they lost interest. We never heard another word of it.

My leader and honourable senators on this side have felt all along, just as the Leader of the Government has, that there have to be changes. There is no question about that. It is not right that one party should be represented here by 15 senators, while the other party should be represented by 75. That is one thing. Whether the Senate should be an elected house is another question.

Let me say this, that Mr. Pierre Elliott Trudeau's initials are P.E.T. If this legislation goes through, people will be appointed for one term; then, if they are good boys, they will be appointed for another term, and all that sort of nonsense. In other words, we are going to have PET's pets. They are the only people who are going to last for two terms. It is obviously ridiculous.

When the government is licked—as it is inevitably going to be licked in the forthcoming election—we will then have some proper reform of the Senate, not these ridiculous high-flown ideas that we have listened to today.

We must not forget this: Nero fiddled while Rome burned, and now Trudeau is fiddling with constitutional reforms to take the heat off the economic chaos which we are in—a million unemployed clamouring for jobs and, what is most important of all, galloping inflation.

My question of the Leader of the Government is: Don't you think that we are worrying unnecessarily about this latest of many fantastic ideas?

Senator Perrault: Well, Senator Walker may make his own judgment on this subject. Indeed, he has commenced the debate on the subject, and he may wish to speak again or conclude his speech next week. I am not critical of that fact. He always has strongly held opinions on subjects.

● (2040)

I want to say that the government is sincere in its determination to effect changes in the Canadian Constitution and Canadian institutions which are going to serve to improve and unite the country. I can only say that by any standard the motives are, I think, fully supportable.

Senator Smith (Colchester): I did not wish to make a comment, but merely to ask a question for information. I thought I heard the Leader of the Government say, when he said he was tabling the document entitled "The Constitutional Amendment Bill," that he was also tabling some other documents in connection with it. I wonder if he would mind telling us what the other documents are, and what the effect of them is.

Senator Perrault: They are explanatory notes of the type that accompany budget presentations in synopsis form. They are auxiliary documents to aid in the explanation of the bill. I understand they were delivered to all senators' offices today. If the honourable senator has not yet received his, I shall undertake to obtain a set for him.

Senator Smith (Colchester): Thank you. I would appreciate that. I have not received it, although from experience I have learned that sometimes things are in transit for quite a while, so it may be on the way.

Senator Williams: When this institution becomes the House of the Federation will it lessen the participation of the monarchy?

Senator Perrault: There is reference to Her Majesty the Queen in the bill that has been tabled this evening. The Queen remains the Sovereign of Canada. There is really no change in the role of the Queen as Sovereign of this nation.

Senator McDonald: Honourable senators, I am a little confused especially since the question asked by Senator Manning with respect to the debate on this bill. In both this house and the other house, a bill is normally debated on second reading. I am confused as to whether this bill is going to have second reading or not; whether it is to be referred to committee after first reading. Did it receive first reading tonight, and does it go directly to committee, or do we have second reading following which it will be referred to committee? At what stage does this bill go to committee?

Senator Perrault: As far as a discussion of the subject in the Senate is concerned, the proposal was advanced by the Leader of the Opposition—a proposal which, is perfectly valid and supportable—that debate on the subject of the white paper and the bill which we have tabled in this house could well take

place in connection with the resolution to participate in a joint committee. So there will be ample opportunity for a debate in this house on the subject of these documents.

Senator Forsey: I should like to ask for a little clarification of that. Do I understand the Leader of the Government is replying to Senator McDonald's question by saying that it is not a question of second reading before this goes to committee? I want to be clear on that.

Senator Perrault: Yes, honourable senator, that is correct.

● (2050)

FOREIGN AFFAIRS

CANADA-UNITED STATES NEGOTIATIONS ON FISHING BOUNDARIES—QUESTION

Senator Marshall: Honourable senators, while it is obvious that constitutional reform has priority, there are other problems facing the nation, and I wonder if I may ask the Leader of the Government if he can give us a progress report on the negotiations between Canada and the United States which took place today to reconcile their differences with respect to fishing rights within the 200-mile limits, keeping in mind the need to establish reasonable negotiations between those two neighbouring countries.

Senator Perrault: Honourable senators, I must take the question as notice. No late information has arrived with respect to those negotiations which, as the honourable senator has pointed out, have taken place within recent hours. I shall endeavour to bring that information to the Senate at tomorrow's sitting. If time permits this evening perhaps I shall have a short statement to make, depending on the information received.

THE ECONOMY

YOUNG CANADA WORKS PROGRAM—QUESTION

Senator Marshall: Honourable senators, I would like to move to another area of concern. In view of the fact that unemployment figures emphasize the growing percentage of youth unemployment, now at 15.6 per cent in Canada, would the Leader of the Government use his influence in cabinet to point out the need to consider the allocation of additional funding under the Young Canada Works program? Since I am sure he will agree with the short-term measures that must be taken, will he direct his attention to this matter and report cabinet's reply at the very earliest opportunity?

Senator Perrault: Honourable senators, the subject of student unemployment has been a source of concern and interest on the part of the Government of Canada for many weeks. I shall certainly communicate to the responsible minister the views of the Honourable Senator Marshall with respect to this subject.

SPORTS

CBC TELECAST OF WORLD CUP SOCCER GAMES—QUESTIONS ANSWERED

Senator Perrault: Honourable senators, the following questions have been received from the Honourable Senator Bosa:

1. Considering the great following there is in Canada for the game of soccer, why did the CBC not broadcast the World Cup Games now being played in Argentina?

2. What is the criteria which the CBC uses to determine whether or not to broadcast sporting events of this nature?

3. Is the CBC aware that the World Cup Games are presently shown on closed circuit TV in the major cities of Canada at admission prices ranging from $10 to $15?

4. Will the CBC arrange to show, on its network, at least the final game which will take place this coming Sunday, June 25?

The answer is as follows:

Rights for 1978 World Cup Soccer were awarded by the Federation Internationale de Football Association (FIFA), the world soccer body, to the various broadcasting organizations around the world which had formed a consortium for the purpose of obtaining them. The CBC among others was invited to bid by OTI (Organization de la Television IberoAmericana), which held rights for the Western Hemisphere, but was outbid by Magnaverde, which is a New York Company which deals primarily in closed circuit television. Magnaverde bought North American rights to the World Cup matches and entered into an agreement with Mascia Enterprises of Canada which is presenting the games on closed circuit television. Mascia Enterprises was prepared to offer the CBC some games that were not being carried on closed circuit, but would not include the semi-final and final matches which the CBC was interested in carrying. Price was not discussed because the CBC could not accept the selection of games Mascia Enterprises was willing to make available.

Senator Bosa: Honourable Senators, I have a supplementary question to ask of the government leader. The final game will be played next Sunday in Buenos Aires. Will the CBC consider broadcasting that particular game, in view of the fact that it did not broadcast any of the preceding games?

Senator Perrault: Honourable senators, in my reply I stated that price was not discussed because the CBC could not accept the selection of games that Mascia Enterprises of Canada was willing to make available. Earlier on in the negotiations, Mascia Enterprises apparently offered to make certain games available to the CBC for broadcast, but because it was not able to make a selection the CBC terminated negotiations. That seems to be the essence of the reply.

Senator Bosa: But it is still possible for the CBC to negotiate with that company for the final game in view of the considerable following that there is in Canada for the sport in question.

Senator Perrault: Honourale Senators, it may well be that it is possible for the CBC to negotiate, but there seems to be a lack of willingness on its part because of some other aspect of the negotiations which it apparently feels has been unsatisfactory.

Senator Forsey: If I understood the answer of the Honourable Leader of the Government a while ago, this enterprise declined to make the final game or the semi-final game available to the CBC. Was I correct in my hearing of that, or have my ears failed me once again?

Senator Perrault: Allow me to repeat part of the text, honourable senators:

> Mascia Enterprises was prepared to offer the CBC some games that were not being carried on closed circuit, but would not include the semi-final and final matches which the CBC was interested in carrying. Price was not discussed because the CBC could not accept the selection of games Mascia Enterprises was willing to make available.

The honourable senator may have information which indicates that Mascia Enterprises is now willing to negotiate on the semi-final and final games, but apparently it has not been up to this time.

Senator Rowe: May I ask the Leader of the Government if he could find out from the CBC, directly or indirectly, how it is that these difficulties the CBC experiences in respect of international soccer tournaments do not seem to apply in respect of international golf, curling, and other games of one kind and another? This is a mystery that people such as myself and others of the probably several million people in Canada interested in soccer would like to have explained. There must be some explanation somewhere.

Senator Perrault: Honourable senators, I do not wish to place myself in the position of attempting to explain all the myriad aspects of CBC policy. However, it can be said that because of the great interest in World Cup soccer apparently it has been possible to arrange theatre television for that important international event at prices, as the Honourable Senator Bosa pointed out, ranging from $10 to $15 a seat. I understand that the same type of theatre alternative is not available ordinarily for those who wish to watch golf and certain other sports on television.

PROVINCE OF BRITISH COLUMBIA

PROPOSED TREATMENT FOR HEROIN USERS—QUESTION ANSWERED

Senator Perrault: Honourable senators, Senator Austin asked a question on May 16 with respect to the drug program in the Province of British Columbia. The honourable senator was mistaken in his assumption and in the question which he put to the deputy government leader. I can now report as follows:

> The provincial government in British Columbia has introduced legislation to implement a treatment relating to individuals dependent on heroin or related chemical substances.
>
> That form of treatment will be administered by medical specialists and individuals will have, we understand, the full benefits of due process of law including rights of appeal and recourse to the provincial statutory judicial review procedure.
>
> The government considers the plan to be innovative and looks forward to examining the success of it.

[Senator Bosa.]

• (2100)

AGRICULTURE

WHEAT EXPORTS—QUESTION

Senator Olson: I should like to ask the Leader of the Government whether he will give an undertaking to obtain an updated report on the present situation with respect to the "catch-up", if that is the right word, on wheat exports, particularly those going out of the west coast ports? This is a very important matter now, as we are coming to the close of the crop season and in view of the additional significant sale to the Republic of China.

Senator Perrault: I shall take that question as notice.

ENERGY

POSSIBLE CHANGE IN CONTROL OF ASSETS OF HUSKY OIL COMPANY—FURTHER QUESTION

Senator Austin: Honourable senators, on June 15, I addressed a question to the Leader of the Government in the Senate with respect to the heavy oil properties in Alberta and Saskatchewan owned by Husky Oil. At that time I pointed out to the leader that the government, in the case of Denison Mines, and again in the case of Home Oil, had made it clear that it was not prepared to see control pass to foreign-owned entities.

I should like to ask the Leader of the Government whether, indeed, the government is prepared to see, in the case of Husky Oil, a foreign-owned entity obtain control of those particular properties which are held by Husky Oil, or whether the government will follow its previous precedents?

Senator Perrault: Honourable senators, the decision as to the final conclusion of these takeover bids rests with the shareholders of Husky Oil Ltd., subject to review by the Foreign Investment Review Agency. It would be inappropriate to in any way prejudge the FIRA process. However, the government is concerned that Canada's heavy oil deposits be developed on a timely basis. In this regard developments will be closely scrutinized in the next few weeks prior to any decision being taken with respect to the government's position on the proposed takeover.

NATIONAL FINANCE

PROVINCIAL SALES TAX—QUESTION ANSWERED

Senator Perrault: Honourable senators, on June 14 the following question was asked by Senator Asselin:

> Could the government leader tell the Senate whether the Honourable the Minister of Finance, Mr. Chrétien, has decided to accept either one of the two proposals made by the Quebec government regarding the sales tax?

In reply to that question, Mr. Chrétien has indicated in *House of Commons Debates* that he is proceeding with Bill C-56 without amendment. As honourable senators are aware, this is a matter of history now. He had earlier announced that the federal government will be making payments to Quebec taxpayers this year of up to $85.

COMMUNICATIONS

BELL CANADA RATE CHARGES FOR PAY TELEPHONE CALLS—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 12—**By Senator Marshall:**

1. What is the rate charged by Bell Canada for pay telephone calls (a) in Newfoundland, and (b) in other parts of Canada?

2. If the rate charged in Newfoundland differs from those charged elsewhere in Canada, what is the explanation therefor?

Reply by the Minister of Communications:

Insofar as the Canadian Radio-television and Telecommunications Commission is concerned:

1. (a) Bell Canada does not provide telephone service in the Province of Newfoundland.

(b) The rate for pay telephone service in Bell Canada's serving area elsewhere in Canada (parts of Quebec, Ontario and the Northwest Territories) is ten cents ($0.10) per call.

2. Not applicable.

Note:

Telephone service in the province of Newfoundland is provided by three different companies.

1. The Newfoundland Telephone Company Limited, a Bell Canada subsidiary operating under the jurisdiction of The Board of Commissioners of Public Utilities of the Province of Newfoundland, serves approximately 70% of the population of the Province. Its rates for coin-operated telephones are ten cents ($0.10) per call for pre-pay type coin telephones, and twenty cents ($0.20) for post-pay type telephones that provide for free emergency calls. The number of telephones of each type in operation are about equal.

2. Telephone service in the town of Labrador City is provided by The Labrador Telephone Company Limited, a subsidiary of The Iron Ore Company of Canada, operating under the jurisdiction of The Board of Commissioners of Public Utilities of the Province of Newfoundland. We have no knowledge of the rates charged for pay telephone service by this company.

3. Canadian National Telecommunications, a department of the Canadian National Railway Company, provides telephone service to the remainder of the population on the island of Newfoundland. It operates under the jurisdiction of the CRTC and its rate for pay telephone service is ten cents ($0.10) per call.

NATIONAL REVENUE

CUSTOMS DUTIES APPLICABLE TO FOLKLORIC COSTUMES IMPORTED BY ETHNO-CULTURAL ORGANIZATIONS—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 13—**By Senator Bosa:**

1. What is the position of the Department of National Revenue with respect to customs duties on folkloric costumes imported into Canada by ethnocultural organizations?

2. Is the Department of National Revenue contemplating changes to the Customs Tariff regulations to permit the duty-free importation of folkloric costumes by ethnocultural organizations?

3. How many requests for exemption from duty have been made to the Department of National Revenue?

4. What is the duty now charged on folkloric costumes?

5. Are folkloric costumes imported into Canada commercially?

6. Do the criteria used in establishing the duty on folkloric costumes imported by ethnocultural organizations differ from those used for commercial importers?

Reply by the Minister of National Revenue:

1. Under the terms of Tariff Item 97012-1, as set out in paragraph 4 of the Budget Resolutions tabled in the House on 10 April, 1978, a drawback of 99% of the duty payable is authorized on costumes or parts thereof, designed or decorated in a manner reflecting a specific ethno-cultural heritage, when for the use of bonafide ethno-cultural groups who require such costumes for the public manifestation of their ethno-cultural heritage.

2. The Department of National Revenue is prepared to allow a drawback of 99% of the duty payable on folkloric costumes, under the terms of Tariff Item 97012-1, when the necessary regulations have been established by the Governor in Council.

3. Departmental files show no record of any requests for exemption from duty on folkloric costumes during 1976 or 1977. One such request has been received in 1978.

4. Ethno-cultural costumes are dutiable at time of importation according to material viz.

Tariff Item		British Preferential Tariff	Most Favoured-Nation Tariff	General Tariff	General Preferential Tariff
52305-1	(Cotton)	22½p.c.	22½p.c.	35p.c.	N/A
53305-1	(Wool)	22½p.c.	25 p.c.	55p.c.	N/A
54305-1	(Vegetable fibres, in part)	22½p.c.	22½p.c.	35p.c.	N/A
55303-1	(Silk)	25 p.c.	25 p.c.	45p.c.	10p.c.
56300-1	(Man-made fibres)	20 p.c.	25 p.c.	50p.c.	N/A
56805-1	(Knitted)	20 p.c.	27½p.c.	55p.c.	N/A

Except that in the case of any such goods that are the manufacture of the United Kingdom of Great Britain and Northern Ireland, the Channel Islands, the Isle of Man, or Eire, the Most-Favoured-Nation Tariff applies.

It will be noted that the Budget Resolutions introduced in Parliament on April 10, 1978 provide for 99 per cent drawback under item 97012-1 for these costumes which qualify thereunder.

5. Yes.

6. As noted in the answer to question 4, the rate of duty is established by the material of which the costumes are made, and this criterion will be applied identically to importations, whether by ethno-cultural organizations or commercial importers. Eligibility for drawback under Tariff Item 97012-1 will depend upon the intended use of the costumes in Canada.

CANADIAN NATIONAL RAILWAYS CAPITAL REVISION ACT RAILWAY ACT

BILL TO AMEND—THIRD READING—DEBATE ADJOURNED

Senator Langlois moved the third reading of Bill C-17, to amend the Canadian National Railways Capital Revision Act and the Railway Act, and to amend and repeal certain other statutes in consequence thereof.

The Hon. the Speaker *pro tem:* It is moved by the Honourable Senator Langlois, seconded by the Honourable Senator Perrault, P.C., that this bill be now read the third time.

Is it your pleasure, honourable senators, to adopt the motion?

Hon. Senators: Agreed.

The Hon. the Speaker *pro tem:* Adopté, carried.

[*Translation*]

The Clerk Assistant: Bill C-17, an act to amend the Canadian National Railways Capital Revision Act and the Railway Act, and to amend and repeal certain other statutes in consequence thereof.

[*English*]

Senator Smith (Colchester): Honourable senators, I wonder if I might inquire at what stage we are on this particular bill at the moment. Is Senator Langlois going to speak, or is he satisfied with just making the motion?

Senator Langlois: As I understand it, the bill has been read the third time.

The Hon. the Speaker *pro tem:* Honourable senators, when this order was called, the Honourable Senator Langlois moved the third reading of the bill, and since no other senator indicated that he wished to speak, I put the question, and then I said, "Adopté, carried."

Senator Smith (Colchester): That happened with unusual expeditiousness, I am sure, because I thought I had my ear well tuned to what was going on. I then suddenly thought I heard His Honour the Speaker say what he has just now announced.

I am sure honourable senators would like to be aware of what the situation seems to be from our point of view. It was anticipated that Senator Roblin would make a speech on third reading. We received a message not long ago, although it may have happened some time ago, that, although Senator Roblin had been confirmed on a flight from Winnipeg to Ottawa, a flight which would get him here in plenty of time to attend tonight's sitting, when he showed up at the airport, Air Canada refused him the seat. Consequently, he found himself in Winnipeg, and he can hardly make his speech from there.

The Hon. the Speaker *pro tem:* If Senator Smith would allow me, I would suggest this time that he speak on a question of privilege to explain certain aspects, because the bill has already been passed. If he wishes to give some additional information, I would suggest that he do so by means of a question of privilege.

Senator Smith (Colchester): I would be delighted to accept the timely suggestion of the Speaker. If I had anticipated I would imediately follow Senator Langlois, I might have been more alert and intervened in time to avoid this particular situation.

On the question of privilege, I would certainly like to convey to the house that according to our information, which I am informed came from Senator Roblin himself, this is what

happened and this is why Senator Roblin is not here. He informed me previously that he intended to make a speech on third reading. If by some slackness I have impaired his opportunity to do so, I should like to see what can be done to remedy the situation, whatever the technical process may be.

The Hon. the Speaker *pro tem:* Honourable senators, as I indicated, as far as the Chair is concerned, the bill has already passed. On a question of privilege, Senator Smith has given some further information. It is now up to the Senate to decide. Perhaps it would be in order at this time to have the sponsor of the bill make a motion. Otherwise, I will have to stand by what has already happened—that is, the bill has been read a third time. If there is no unanimous consent to adjourn this debate, this will be the situation.

Senator Langlois: Honourable senators, I am sorry, but I do not think I am in a position to replace the Chair. The Chair has already declared this bill passed. It is passed, and there is no way I can change that.

Senator Grosart: Perhaps I might suggest to honourable senators that it is not unusual in this chamber for us to revert to a previous point in our proceedings. It is often done, and I would respectfully suggest that it would be appropriate to move that we revert to the motion for third reading, because obviously there has been an oversight. Senator Smith has made it very clear on a point of privilege that it was the understanding of a senator who is absent that he would be in a position to speak on third reading.

I therefore move that we revert to the motion for third reading.

Senator Forsey: I second that motion.

● (2110)

Hon. Léopold Langlois: Honourable senators, I have no objection to reverting to the motion for the third reading of this bill. In fact, I do have some comments to make on it.

I thought I had exhausted the subject in the two speeches I have already made on this bill. I was even reproached the other day for having spent too much time in closing the debate on the motion for second reading. Having explained the bill, in moving the motion for second reading, I then spent some 55 minutes in closing the debate. As a consequence, there is not much left to be said.

However, I should like to bring to the attention of the house that, following the second reading debate in the chamber, a lengthy and interesting debate took place in the Transport and Communications Committee, which met five times to consider the bill, hearing some nine witnesses in the process. The first witness was Dr. Bandeen, President and Chief Executive Officer of the Canadian National Railways Company. Dr. Bandeen was accompanied by Mr. J. H. Spicer, Corporate Vice-President; Mr. G. M. Cooper, Vice-President and Secretary; and Mr. S. D. H. Thomas, Corporate Comptroller. Following Dr. Bandeen and his associates, the committee heard from Mr. J. Earl White, National President of the Canadian Railways Employees' Pension Association.

The Committee then heard from the Honourable Otto Lang, Minister of Transport, who was accompanied by Mr. Ralph MacGougan, his Assistant Deputy Minister, Finance. Then, at the request of your humble servant, Mr. G. W. Poznanski, Director of the Pension Benefits Division, Department of Insurance, was invited to appear before the committee. Mr. Poznanski gave us his comments on the testimony offered by Mr. White, following which he answered the many questions posed by members of the committee. Following Mr. Poznanski's evidence, Mr. White was recalled and asked for his comments.

The final witness heard by the committee was Mr. A. K. MacLaren, Executive Director of the Canadian Trucking Association.

Bill C-17 was the subject of very thorough study indeed, both in the house and in committee. After having heard this extensive and very interesting evidence, the committee decided unanimously to report the bill without amendment. It did, however, include two recommendations in its report, and those are recommendations with which I am in full accord.

The first recommendation concerned the possibility of unfair competition vis-à-vis the trucking industry as a result of acquisition of equipment and unfair pricing by Canadian National Railways resulting from the better financial position in which it will find itself after the passage of this bill. That recommendation is in full accord with what the minister said in the other place when he requested that the Canadian Trucking Association report to him and to the Canadian Transport Commission any unfair practices or unfair competition, or "dirty tricks", as it was described by the truckers in the committee of the other place. I am in full accord with that recommendation. I think it is fair warning to the minister to be mindful and watchful of what transpires in that respect.

The second recommendation had to do with the railway employees' pension plans. In this respect, I include both the CP and CN plans. The recommendation draws the attention of the government, and of the railway companies, to the importance of having the liabilities of the pension funds well-funded and well-managed. The committee did hear evidence from Mr. Poznanski to the effect that these plans were administered and managed in accordance with the law, and in accordance with the regulations made thereunder.

That, in substance, covers what transpired in committee. To the credit of this chamber, the study by the Transport and Communications Committee of this bill was one of the best studies I have had the occasion to participate in during my time in Parliament, which includes 13-some years in the Senate and 12 years in the other place. That is something of which I am proud. Senate committees generally do a splendid job, a thorough job, and this one was no exception.

I do not think there is very much more I can say in support of the motion for third reading. I will be very pleased, of course, to hear from my colleagues on the other side, especially my honourable friend, Senator Roblin, and the distinguished Chairman of the Transport and Communications Committee,

Senator Smith (Colchester). We have a splendid chairman in the person of Senator Smith, and I hope he will be with us for a long time to come.

The Hon. the Speaker *pro tem:* Honourable senators, there was a motion by Senator Grosart, seconded by Senator Forsey, requesting that the Senate revert to the original motion for the third reading of this bill. A motion of this kind requires unanimous consent, so I shall now put the question—

Senator Langlois: Mr. Speaker, I agreed to revert to the motion for third reading. That being so, I do not think the motion is now necessary.

The Hon. the Speaker *pro tem:* I should like to have the matter perfectly clear. Do I understand that the Honourable Senator Langlois, the sponsor of the bill, agrees that the Senate now revert to the motion for third reading of the bill?

Senator Asselin: He had already agreed.

Senator Langlois: I have already agreed, Mr. Speaker, and in fact spoken on the motion for third reading.

The Hon. the Speaker *pro tem:* It is moved by the Honourable Senator Langlois, seconded by the Honourable Senator Perrault, P.C., that this bill be now read the third time.

Is it your pleasure, honourable senators, to adopt the motion?

Hon. George I. Smith: Honourable senators, I am grateful for two things: First, that the Senate should bear with me in the dilemma in which I found myself; and, secondly, for the extremely kind and complimentary words of the Deputy Leader of the Government, which I appreciate very deeply.

An Hon. Senator: They are very deserving.

Senator Smith (Colchester): I had not intended to speak on this matter at all this evening; rather, I had intended to speak some time after Senator Roblin. However, since Senator Roblin is not here, and since we have reached the stage that we now have, I should perhaps make the few comments I had intended to make.

I do not want in any way to disagree with what Senator Langlois has said with respect to what transpired in committee. His remarks were thorough and complete. I do not think Senator Roblin, who is not a member of the committee but who did attend all of its meetings on this bill, disagrees with anything the committee did either. And certainly it would not become me to do so, and I do not have any wish to do so. There are, however, two or three points I want to draw attention to, one of which was the subject of some comment before the committee and was, indeed, the subject of one of the paragraphs in the report by way of observation or recommendation. It has to do with the trucking industry.

● (2120)

It will be recalled, of course, that there is a paragraph in the report which draws particular attention to the apprehensions of the trucking industry that it might be subjected to unfair competition from CN by virtue of some of the financial resources and benefits which might accrue to CN as a result of this bill. I should say that some of the information that we obtained was to the effect that if this bill passes—and perhaps even if it does not—CN expects to expend by way of capital moneys in the trucking arm of its activities something like $51 million during the next five years. This, of course, is a very substantial expenditure and exceeds that which all but four or five of the independent companies in Canada could make. I suppose this is one of the sources of apprehension—apprehension that this would make pretty rough competition for the independent trucker whether he be large or whether he be small.

In this respect also I should draw attention to the fact presented to the committee that the greatest expenditure required of trucking companies is their capital investment in rolling stock which, to use their own rather picturesque words, "rots away every five years." So when they have to compete with capital expenditures of $51 million over a five-year period, this does indeed pose for them a very serious question.

There is also the fact that when CN purchases franchises it becomes able to go into almost every substantial community in Canada by truck, by virtue of the distribution of the purchases it makes. When these franchises are operated in conjunction with the railway, which can go to a great many places in Canada—but, for some of us, not enough—you have some very substantial competition indeed. I think it is also desirable to emphasize, and to ask all honourable senators to keep in mind, that the independent truckers, for the most part, must operate entirely within the constrictions imposed by provincial jurisdictions, while the CNR can exploit its combined rail and truck franchise structure in a fashion which, in view of the truckers at least, creates most unfair competition.

I would also like to draw attention to the fact that the CNR indicates that over the next few years it is going to spend a very large amount of capital in improving its ability to serve some parts of the country, and it is a matter of considerable regret to those of us who live in the Atlantic provinces—not envying those who live in other parts of the country—that very little of this, indeed almost none of it, is going to be spent in our region. One would almost think from that fact and the replies given by some witnesses, when this question was put to them in committee, that everything is rosy in the Atlantic provinces with respect to railways, rolling stock and roadbeds. On behalf of those who live in the Atlantic provinces I should like to make it very clear that this is not so. And while there may be perfectly good reasons—and I have no doubt that there are—why large capital expenditures should be made to meet increasing traffic in other parts of the country, heavy capital expenditures are needed, and badly needed, to improve the railway facilities in the Atlantic provinces.

There is another point which was not made during the committee hearings, but which has since been brought to my attention. It concerns the fact that the CNR plans to spend about $250 million in the next five years in the field of communications. This is a very large sum of money, and creates concern for those of us who depend on the use of the telephone. Of course, there is a body which has to authorize

what is proposed by CN, and I do not know whether that body will authorize it, but it is pretty clear, to some people at least—and I do not pretend to any first-hand knowledge of this, but I believe what I am saying to be well justified by such information as I do have—that it is the intention to spend a large proportion of that money on facilities, or installing new facilities, which are primarily to serve the larger centres of the country. That is understandable, but it should also be remembered that people who live in places other than the larger centres of Canada are just as concerned about having adequate communication facilities and systems at their disposal as anybody else. Indeed, today the ability to communicate quickly and accurately from any part of the country is a necessary adjunct to the development of that part of the country, and a necessary adjunct to the development of business and commerce. Anything which tends to denigrate these communication services which are available to the smaller communities of our country is something to be looked at very carefully.

● (2130)

Now, this gets to be a somewhat involved argument as to how expenditure on servicing large areas can adversely affect the communications available in smaller areas, but really it runs something like this. The provision of what one might call bulk communication services to areas of large population allows the people who own those facilities to charge very inexpensive rates as compared with the rates that are charged in areas of less concentrated population. Thus, the people who serve the smaller areas are not able to take advantage of what one might call economies of scale in terms of the customers they serve and the volume of communications they carry. The ultimate effect of this is that the home subscribers and the small business subscribers in the smaller communities of the country find themselves in the position of sustaining the telephone networks of Canada without access to the more economic rates which might be offered by what some people call a bare backbone operation, such as is, I believe, contemplated by CN-CP.

Another point which was not made before the committee—although it could well have been, because certainly the chairman should have been aware of it—has to do with the passage of this bill resulting, or being likely to result, in a lessening of the opportunities available to Parliament to scrutinize the activities of the CNR. This is bound to lessen the influence of Parliament over CN's activities. When one considers the scope of those activities one realizes that there is certainly a wide spectrum of business covered by them.

Honourable senators, if you look at page 22 of Canadian National's annual report for 1977 you will find a list of its subsidiaries. There are 52 subsidiaries, the accounts of which are contained in the consolidated accounts of CN. There are 24 others in which the CNR has investments, or which are operated by CN with other companies. So there is a total of 76 subsidiaries and related companies besides the main organization of CN itself. It is pretty clear, therefore, that this Crown corporation reaches into a great many more aspects of our lives throughout the whole country than perhaps at first we readily realize. This, I feel, makes it all the more important that the scrutiny of CN by Parliament should be further facilitated rather than lessened.

I do not raise this in any way to oppose the passage of the bill, because, as Senator Langlois said, we have debated it at length and the committee has spent a considerable amount of time dealing with various aspects of it; but I do think it is a point which ought to be put on record as one to engage continuously the attention of Parliament in both houses.

Honourable senators, that completes the comments I had intended to make after Senator Roblin's speech, had he spoken, and which I have now made. I conclude by thanking you again for allowing the situation to be remedied so that this debate may continue and Senator Roblin is afforded an opportunity to speak tomorrow, should the adjournment of the debate be moved and the house agree.

On motion of Senator Grosart, for Senator Roblin, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Wednesday, June 21, 1978

The Senate met at 2 p.m., Hon. Jean-Paul Deschatelets, P.C., Speaker *pro tem* in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the National Farm Products Marketing Council, including a statement of expenses, for the fiscal year ended March 31, 1978, pursuant to section 16 of the Farm Products Marketing Agencies Act, Chapter 65, Statutes of Canada, 1970-71-72.

ENERGY

GARRISON DAM, NORTH DAKOTA—QUESTION

Senator Roblin: Honourable senators, I should like to draw the attention of the Honourable Leader of the Government to the fact that an appropriation bill is proceeding in the House of Representatives of the American Congress to provide funds for the completion of the Garrison Dam in North Dakota, a subject about which he and I have had conversation in the recent past. I should like to know if it is the intention of the Government of Canada to take any action with respect to the hearings that are proceeding in the United States on this matter.

Senator Perrault: Honourable senators, I must take that question as notice. I do not have that detailed information available.

Senator Roblin: If I may ask a supplementary question, could the honourable leader also ascertain whether it is the intention of the Government of Canada to enlist the support of the Government of Manitoba in any representations it might be making with the Congress or with others in the United States?

Senator Perrault: A supplementary inquiry will go forward immediately.

FOREIGN AFFAIRS

CANADA-UNITED STATES NEGOTIATIONS ON FISHING BOUNDARIES—QUESTION ANSWERED

Senator Perrault: Honourable senators, yesterday Senator Marshall asked a question regarding Canada-United States negotiations on fishing boundaries. The information was not available yesterday, but it has become available this morning.

The question was:

> I wonder if I may ask the Leader of the Government if he can give us a progress report on the negotiations between Canada and the United States which took place today to reconcile their differences with respect to fishing rights within the 200-mile limits—

The answer is that delegations from the two countries met Monday and Tuesday of this week to discuss a long-term fisheries agreement. While some progress was made, wide differences remain. But we are confident that future meetings can narrow those gaps. Progress can be made. Canada will be prepared to consider the resumption of reciprocal fishing.

PUBLIC SERVICE

MOVEMENT OF EMPLOYEES FROM SAINT JOHN, NEW BRUNSWICK—QUESTION ANSWERED

Senator Perrault: Honourable senators, on May 23 Senator Riley asked why the Government of Canada is moving, as he said, "so many federal public servants out of Saint John, New Brunswick." He said, "I understand some employees of the Department of Transport are being moved to Halifax, and that some Revenue Canada employees are going to Newfoundland."

Senator Marshall: Good!

Senator Flynn: Oh, no. No.

Senator Perrault: Honourable senators, I can scarcely believe that there is a split in the opposition caucus on this subject.

Senator Flynn: I am saying that I would not want to go.

Senator Perrault: I am informed that there were only three employees concerned who were given the option of either remaining in Saint John or moving to Halifax. They chose to remain in New Brunswick.

THE CONSTITUTION

RENEWAL OF THE CANADIAN FEDERATION—QUESTION ANSWERED

Senator Perrault: Honourable senators, a great rash of replies has come in recent moments.

On June 15, Senator Flynn, speaking about the renewal of the Canadian Federation, asked the following question:

> What would be, in the opinion of the government, the rights and privileges, outside section 92, which are to be protected and which would need the consent of the provinces?

To identify, such as by reference to this or that section of the British North America Act, what are the rights and privileges granted by the act to the legislature or government of a province could be very difficult. For example, opinions may differ as to what sections constitute "rights and privileges" and what sections constitute matters "assigned exlcusively to the legislatures of the provinces."

However, a discussion of what parts of the Constitution of Canada may or may not be amended by Parliament acting on its own may be found, in the view of the government, in the introduction to a document tabled in this house yesterday, intituled: "The Constitutional Amendment Bill", together with text and explanatory notes. I understand that a copy of the document has been distributed to all senators.

It should be pointed out that the phrase "may not be amended by Parliament acting on its own" is not, strictly speaking, equivalent to "would need the consent of the provinces," which is the wording used by Senator Flynn in his question.

The first phrase means that action would also be needed by Westminster and that, in asking Westminster to act, Parliament would, if it followed previous practice, seek a consensus of the governments of the provinces affected.

Honourable senators, perhaps we can keep the balance of the replies for tomorrow.

FOREIGN AFFAIRS

CANADA-UNITED STATES AUTO PACT—QUESTION

Senator Roblin: Honourable senators, I should like to address a question to the Leader of the Government with respect to the announcement last Friday by the Minister of Industry, Trade and Commerce about a special inquiry into the automotive pact that we have with the United States. Are the terms of reference of this study available?

Senator Perrault: Honourable senators, the terms of reference have not as yet been made available. However, I shall undertake to bring a statement to the chamber about the proposed inquiry and provide any information which may be available.

Senator Roblin: Honourable senators, that reply encourages me to suggest to the honourable leader that he use his good offices to make sure that in those terms of reference there is a provision that will allow the commissioner to examine the possibilities of extending the geographical compass of this agreement from the central provinces in Canada to other provinces; and I am so bold as to suggest that Manitoba might be one.

Senator Perrault: Honourable senators, I can give the assurance that that constructive proposal will be brought to the attention of the minister responsible for the enterprise.

AIR CANADA

THREATENED STRIKE BY PILOTS—QUESTION

Senator Olson: Honourable senators, I should like to ask the Leader of the Government if there is anything new to report respecting the threatened strike by Air Canada pilots, and whether or not Air Canada will be announcing any contingency plans for alternative means of transportation, especially for those people who have made reservations with Air Canada over the very busy period of next week.

Senator Perrault: Honourable senators, I have no recent available information on the subject of the possibility of an Air Canada strike. As honourable senators are aware, initiatives are going forward to avert a work stoppage; but I think that to be of some importance to honourable senators, in view of the travel plans which will be necessary for next week, we should attempt to obtain information as quickly as possible. An inquiry will go forward during the next few minutes to find out if any useful information can be made available.

● (1410)

Senator Smith (Colchester): Honourable senators, I wonder if I might ask a supplementary question of the Leader of the Government. In view of the fact that many senators will have commitments which they have to keep in their home territories over the weekend, in view of the fact that there may be an Air Canada pilot strike which would prevent Air Canada from bringing honourable senators here next week, and in view of the fact that in some areas there are no alternatives to travelling by Air Canada—at least by air—is some special thought being given to dealing with such a problem?

Senator Perrault: Honourable senators, Senator Smith has voiced sentiments shared by many senators. As I have stated, inquiries are under way at this very moment to determine what travel options may be available for the first of the week.

Senator Smith (Colchester): Perhaps I did not understand the honourable leader, or I did not phrase my question properly. I understood him to say that an inquiry is going forward, but I am concerned whether anything else is being done. In other words, is some positive action being taken to ensure that we will be able to return here next week?

Senator Perrault: Honourable senators, the desirability of having some travel alternative available is part of the inquiry which is under way at the present time. Certainly, if any emergency transportation is to be made available to parliamentarians, honourable senators will share in those arrangements. The same treatment will be accorded to senators as to members of the other place.

NATIONAL REVENUE

DUMPING DUTY ON WIDE-FLANGE STEEL BEAMS—QUESTION

Senator Austin: Honourable senators, this question is addressed to the Leader of the Government. As the leader well knows, the Government of Canada rescinded the dumping duty in respect of the import of wide-flange steel beams for

British Columbia and, I believe, Alberta. The effectiveness of that decision terminates at the end of six months, and I wonder whether the leader can, in view of the present market situation with respect to wide-flange steel beams, assure this house that that particular action will be continued for at least another six-month period.

Senator Perrault: Honourable senators, the question will be taken as notice.

CANADA WEEK

SLOGAN—QUESTION

Senator Godfrey: Honourable senators, I have a question for the Leader of the Government in the Senate.

Recently the country has been inundated with billboards and television commercials heralding the approach of "Canada Week" with a slogan designed to make every teacher of English grammar wince, and Senator Forsey have apoplexy, namely, "Canada, It's You and Me".

My question for the leader is: Does the government really think that it is impossible to stay united and grammatical at the same time, or does the slogan simply demonstrate the inadequacies of our educational system in English-speaking Canada? In the latter case, would the government consider establishing for certain officials of the Secretary of State Department a crash course in elementary English grammar to supplement their immersion courses in French?

Some Hon. Senators: Hear, hear.

Senator Perrault: I am sure that the honourable senator's advice, backed by a round of enthusiastic support, will come to the attention of the appropriate officials.

Senator Forsey: Can the honourable senator offer me any security against an attack of apoplexy?

THE CONSTITUTION

RENEWAL OF THE CANADIAN FEDERATION—QUESTIONS

Senator Flynn: Honourable senators, supplementary to the question to which the Leader of the Government replied earlier, does he suggest that the abolition of the Senate is something that could be done unilaterally by the federal Parliament, and does not involve any right or privilege granted to the governments or legislatures of the provinces?

Senator Perrault: Honourable senators, the changes proposed in the draft bill tabled yesterday in this house are changes of a type which, it is believed, can be proceeded with unilaterally by the Parliament of Canada. However, in the spirit of co-operative federalism, the intention is to have full and widespread prior discussion with the provinces and with many Canadians of all political persuasions. I want to say again, and say very explicitly, that the government policy is changeable and everything is negotiable.

Senator Flynn: Do you feel that the government would go along with the proposed changes even if several provinces objected?

[Senator Austin.]

Senator Perrault: I can hardly conceive that if there is massive opposition to this proposal to alter one of our basic parliamentary institutions in the ways proposed, the government would wish to proceed with this measure in its present form. That is a matter of personal opinion.

Senator Smith (Colchester): Honourable senators, another supplementary, if I may. I should like to ask the Leader of the Government if, in the spirit of co-operative federalism, consultation with the provinces took place concerning the contents of the bill introduced yesterday, entitled: "The Constitutional Amendement Bill"?

Senator Perrault: Honourable senators, as I endeavoured to explain yesterday, the bill which was tabled represents the determination of the government to place something tangible in front of the Canadian people and the provincial governments of Canada. These proposals can now be considered and discussed in tangible form at the forthcoming First Ministers' Conference in September. They can be discussed in at least some tangible form—if not, perhaps, in their final form—by members of both houses of Parliament. I repeat that if better solutions can be developed, the government will analyze those proposed alternatives very carefully and, if necessary, make the appropriate changes with Parliament's support.

Senator Buckwold: A supplementary to the question asked by the Leader of the Opposition. Should the Government of Canada in its wisdom decide to proceed with the constitutional amendment which would literally result in the abolition of the Senate as we know it, what would be the position of the government if the Senate itself were to reject the amendment?

I see Senator Grosart is, as usual, shaking his head. The fact is, that some of us feel very keenly about this matter, and I would be interested to find out whether we may be our own executioners. I apologize for not being here last night. This question may have been asked.

Senator Perrault: Honourable senators, the bill in its present draft form represents government policy. As far as the Senate is concerned, perhaps it can be stated more accurately that government policy supports the view that there be some degree of provincial participation in the second chamber of Parliament. However, the content of the measure before Parliament and before the Canadian people may not necessarily be in the final form of any bill which ultimately finds its way to Parliament, and indeed in any final bill developed by parliamentarians and which, in the regular process of our deliberations, will come before the other place and come before the Senate.

I would not wish to speculate what consequences would follow from a rejection by the Senate of a bill designed to alter radically the shape and nature of this chamber. It would be wrong to speculate at this time.

We do know that the Senate does have the right to consider measures which come to it from the other place and it does have a right to exercise a veto power. At the same time I am aware of the fact that parliamentarians who serve in this chamber are, above all, good Canadians and will take that

action which is clearly in the interests of this nation, for the reducing of regional differences and the lessening of tensions and alienation in Canada. I have no doubt whatsoever that those who serve in this chamber will act clearly in the interests of the Canadian people in the ultimate.

• (1420)

Senator Smith (Colchester): Honourable senators, I should like to ask the Leader of the Opposition whether, in making that statement—

Senator Grosart: You are a little premature.

Senator Smith (Colchester): I am sorry, I was looking ahead to next fall. I regard it as inevitable that if the honourable gentleman occupies any position of leadership after the next election, it will be that of the Leader of the Opposition. But that is not what I rose to say.

I rose to ask the Leader of the Government whether he is indicating by his reply to Senator Buckwold that in his opinion the view of the government as to what is good for the country is necessarily the correct view and a view acceptable to the people of Canada.

Senator Perrault: Honourable senators, I have attempted to indicate over the past two days that we have before us in the Senate and in the other place a great challenge to do some constructive work on the subject of the Constitution. We will do that constructive work and I hope that down the line a consensus can be achieved which will be approved both by parliamentarians and by the Canadian people.

Senator Smith (Colchester): I must observe that today there does not seem to be as much good as usual in asking the honourable gentleman a question and expecting an answer in response to it. I asked him two questions which were capable of a straightforward yes or no answer, but in each case he insisted on delivering a dissertation which had little or nothing to do with the question but which enabled him, I suppose, to feel that he had delivered a homily to the members of the Senate and, no doubt, he was glad of the opportunity to do so.

Senator Bosa: I should like to ask the Leader of the Government in the Senate if he has any further information as to when the joint committee which is to study the proposed constitutional amendments is going to be constituted, and, if so, will that committee meet during the summer recess?

Senator Perrault: Honourable senator, I have no information as yet with respect to the exact date that the proposal will be advanced for a joint committee. I expect it will be before the end of next week. However, I hope to have some information available for honourable senators on that subject tomorrow.

Senator Flynn: Honourable senators, I have a pragmatic question which is somewhat related to the question just asked by Senator Bosa. If this joint committee and the Special Senate Committee on the Northern Pipeline should sit during the summer, would the leader agree to amending our rules so that changes in the membership of these committees could be effected by a notification thereof, signed by the whip, being filed with the Clerk of the House? That is the procedure followed in the House of Commons.

I would put the question to Senator Molson if he were here, but if the leader were to be in agreement with that procedure we could ask the committee to draft an appropriate amendment to our rules. This would make it much easier for these committees to operate should they meet during the recess.

Senator Perrault: Honourable senators, it may be necessary to undertake the initiative proposed by the Leader of the Opposition. Personally, I see a good deal of merit in the suggestion if those two committees should sit simultaneously.

Senator Flynn: Particularly if they are sitting during the recess, because if the Senate is not sitting we cannot make a motion for replacement of one member of the committee by another.

Senator Perrault: I feel that serious study should be given to the proposal. I see merit in it.

Senator Flynn: Immediately.

Senator Yuzyk: Honourable senators, I have a question to ask of the Leader of the Government. A few days ago I read in the papers that the Honourable Ron Basford visited the Queen, purportedly to discuss matters of either the patriation of the Constitution or something concerning the new Constitution. Would the leader have some information for this house regarding Mr. Basford's mission, and what was achieved in the course of that mission?

Senator Perrault: Honourable senators, the Minister of Justice has reported to me that he had a very constructive, useful and amiable meeting with Her Majesty the Queen. The Government of Canada felt that it was very important that the Sovereign of Canada should be fully apprised of those changes anticipated for the Constitution of Canada. I understand that the meeting went very well. Of course, it was a private conversation and the exact contents of the meeting, as honourable senators can appreciate, cannot be made public at this time.

Senator Phillips: Honourable senators, is there any specific reason why the Governor General was not able to inform Her Majesty of the proposals?

Senator Perrault: Well, the Minister of Justice played an active role in the formulation of many of these proposals and knows in great detail the content of the draft bill and the white paper, and it was felt that he was the person who could discuss with Her Majesty the minute details of the proposal, and the rationale for the proposal. Her Majesty has a very lively, intelligent and informed interest in events which take place in the Commonwealth, and it was felt that she should have available to her this kind of detailed information.

Senator Forsey: Honourable senators, is it not true that the ministers of the Government of Canada are Her Majesty's Canadian ministers, and is it not quite normal that advice to the Queen and information to the Queen should be conveyed by a minister, one of her own Canadian ministers, to her? Am I not correct in this assumption?

Senator Perrault: Yes, honourable senator, of course.

Senator Flynn: You want to check your knowledge of the Constitution.

Senator Phillips: Lack of knowledge!

CANADIAN NATIONAL RAILWAYS CAPITAL REVISION ACT RAILWAY ACT

BILL TO AMEND—THIRD READING

The Senate resumed from yesterday the debate on the motion of Senator Langlois for the third reading of Bill C-17, to amend the Canadian National Railways Capital Revision Act and the Railway Act and to amend and repeal certain other statutes in consequence thereof.

Hon. Duff Roblin: Honourable senators, I feel obliged in the first instance to apologize for my failure to attend the sitting of the Senate last night when I had hoped to take part in this debate, and to report that I had with due diligence last Friday secured what I thought was a confirmed reservation, and, indeed, was a confirmed reservation, on Air Canada to get me here in time. I must also report that when I got to the airport I found there was no room for me on the airplane and that they were unable to honour the guarantee that had been given. I offer that as an excuse, as a reason for my failure to be present here last night.

I am also afforded the opportunity of thanking Senator Smith (Colchester) and all members of this house for their courtesy in dealing with the rules in such a way as to allow me to make a brief statement this afternoon. I wish I were certain that the content of what I have to say is worthy of that consideration.

● (1430)

However that may be, there are a few more things I want to say about this bill. On second reading I gave reasons why in my opinion the arguments advanced in support of the legislation really failed to convince me that the bill was required for any vital purpose of the Canadian National Railways or, indeed, of the Government of Canada. I report to the House that the examination in the committee did little to remove my doubts. In my view, it advanced no new arguments for the bill, but it did do much to substantiate the case which I had concluded could be made against it.

First, I want to say that the hearings were very helpful to me. I thank the chairman and the members of the committee, because they gave me an unrestricted opportunity to take part in the proceedings. I express as well my appreciation for what I thought were the frank and responsive attitudes of the witnesses, from the Canadian National Railways and the government and from other sources, who appeared before the committee.

I propose now to touch briefly on some of the major items which were of concern to me. The depreciation argument is probably a difficult one to follow. We all know that the government intends, or that the Canadian National Railways intends, to write off, or indeed has written off, the $808 million of depreciation. This is important because, as Senator Godfrey was quite right in stating when he spoke in this debate the other day, this action reduced the earnings or increased the loss, and it certainly affected the debt-equity ratio that appeared on the balance sheet.

[Senator Forsey.]

My concern before the committee, as it was in the House, was whether we were being asked to approve an unreasonable write-off, or whether it was indeed a reasonable thing to do. In my view, the testimony on depreciation that was placed before the committee brought out the point that if the Canadian National Railways had followed the same write-off policy on depreciation as the Canadian Pacific Railway, in respect of the three categories of depreciation which were under debate on second reading and in the committee, the amount would not have been $808 million; it would have been $125 million. I must also say that in their written statement to the committee, the Canadian National stated that during the period from 1940 to 1955 the Canadian Pacific had a supplementary depreciation account of $629 million. That fact was thrown into the mix. But, in my opinion, we had no evidence as to its relevance to the particular point that was under discussion. I must think there is very little relevance.

Indeed, the testimony of the witnesses from the Canadian National Railways was to the effect that they were not making an argument to justify the transfer of debt based on the level of depreciation. That is an important change in the impression that I received about the importance of the depreciation matter, because the railway made it clear that they did not think there was that direct link between depreciation and what was in the bill. In fact, they said they were not basing their argument on the justification to transfer the debt because of the level of depreciation.

I conclude, therefore, that the Canadian National Railways may provide any depreciation they think may be justified. But it is certainly no argument at all, and no reason why we should support the bill. Indeed, we have their word for it. I am willing to take it.

With respect to access to money markets and the discipline of the market, which formed an important part of the advocacy for this bill, we found in the committee that this was really an unsatisfactory aspect of the rationale of the bill. Neither the president of the Canadian National Railways nor the Minister of Transport made any claim when being questioned that the bill would improve or better the financial ratings of the railway—except perhaps in the sweet bye-and-bye. I am not surprised that they took that view, because the Canadian National Railways has an AA rating, as we know, at the present time. It is of interest to know that the Canadian Pacific Railway, which they want to emulate in terms of their balance sheet, has also an AA rating. So it is quite understandable that the witnesses were cautious in claiming that they would be able to do any better than an AA rating when this bill came in, and, indeed, I think that anything better is most unlikely. So on that count the need for the bill is not apparent to me.

What of access to market, apart from the rating that is offered? I think no case was made. The witnesses strengthened my feeling that the implied guarantee of the Government of Canada is the real credit rating basis for the national railway. Indeed, when Dr. Bandeen confirmed that the government approves the Canadian National capital and operating budget, what more needs to be said about that particular aspect of where the financial strength of the CNR is coming from at the present time.

It follows that, if the argument is right in this case, the suggestion that the railway needs the Canadian Pacific debt-equity ratio as an essential instrument in their financing purposes also falls completely to the ground.

Canadian National finance is not based on a debt-equity ratio like the Canadian Pacific at all. If it were, after this bill is passed CNR might be persuaded to do without the government back-up or the government safety net. That would be the logical conclusion that one would come to. But when I questioned the witness as to whether he would accept this proposal, he resolutely declined to do so. Therefore, if the debt-equity ratio is not central to the issue in the need to cancel the $808 million-worth of debt and substitute common equity for it, then I fail to see the requirement for the legislation that is before us now.

On a further point of some consequence, I want to refer again to the forecast that was submitted in the committee by the Canadian National Railways with respect to their five-year projection of profits. It might interest the house to know that the assumption they made in making that forecast was quite reasonable. They had an inflation rate in Canada varying from 5.3 per cent to 6.2 per cent over the period. Perhaps that is a little on the bright side. They had an inflation rate for the United States of 4.9 per cent to 6.6 per cent—perhaps also optimistic, but I did not quarrel with it. They said that there would be an increase in freight rate charges that the consumers would bear in their projection of 4.7 per cent per year; that they looked forward to an increase in volume of 3.7 per cent per year; and that they had calculated an interest rate of 9¼ per cent. You can always argue about the basis on which profit projections are made, but under the circumstances I saw no reason to quarrel with these. However, these figures showed that without this bill, as I said on the previous occasion, over the next five years the Canadian National profit would be over $400 million. With that profit, and without this bill, the debt-equity ratio, if left alone for the natural effluxion of events, would substantially improve from 61½ per cent to 55½.

But I want to go further than that, because I say that the Canadian National Railways is highly likely to do very much better than this forecast indicates. If we accept the forecast itself as being reasonable—and in the circumstances I do—then they will do very much better. I make that assertion because of the policy that the government has established of compensating the railways for their non-compensatory activities that the government mandates for them—this user-pay proposition and the consequences that flow from it, that you cannot ask users to pay for non-compensatory activities which the government mandates the railways. We have had one example of that already, as members of the house know, in connection with VIA, the passenger service. The witnesses in committee confirmed that VIA was worth about $100 million, plus or minus, on the profit side over the five-year period. Honourable senators can see that this is a substantial element of their profit forecast.

● (1440)

I submit to the house that the financing of VIA by the government is just the beginning. We have a clear policy that non-compensatory rates will be made good to the railway, and certainly the railway has a very clear expectation that that will happen.

The most prominent item under this heading is the Crowsnest funding by the government, which I believe is to come. One of the key recommendations of the Hall commission on grain handling and transportation in western Canada rests on the proposal that the government should pay the railways the difference between the actual cost of moving export grain and what they receive under the Crowsnest rates.

The next step was to establish the quantum, how much, and another body took an interest in that. It was run by a gentleman called Snavely, a cost fact-finding commission with respect to the movement of Crowsnest rate grain, and they established the variable costs of moving that grain. Variable costs, of course, are costs that are calculated before any reference is made to capital requirements, or to regular overhead requirements that the railway may have anyway.

When the Minister of Transport was before the committee he gave a very clear statement of what his policy was. He said he would carry out in full the recommendations of the Hall commission that the railways be compensated in relation to grain. If honourable senators look at page 13:6 of the testimony before the committee, they will find the full statement that the minister made. At the same time, the president of the railway made it clear that he would be claiming $64 million, plus or minus, as his share of those costs which are not so far covered by any government subsidy.

To make the argument a little more solid, the Minister of Transport, speaking last Friday in Saskatoon, is reported by the Canadian Press as indicating that the federal government would soon accept a major recommendation of the Hall commission regarding compensation to railways to cover the actual costs of moving grain.

That is a pretty clear statement, and it is a pretty clear forecast of what we may expect. This item is to be over and above payments that have already been established with respect to the purchase of grain hopper cars, for the rebuilding of lines in western Canada, and one to two other things that are already in force.

So I suggest to the chamber that the federal government is fully committed in this respect. I think they are also similarly committed to pick up the non-compensatory costs of the Canadian National Railways in Newfoundland amounting to $22 million, a figure which was confirmed by the Canadian

National Railways as their estimate of what the sum involved would be. In the relatively near future the Canadian National Railways can reasonably expect added government payments to cover these non-compensatory costs of up to $86 million per year. Honourable senators can imagine what that will do to the forecast of the profit of this railway before this bill passes, to say nothing of what will happen after it passes.

We were also told by Dr. Bandeen in committee—I found it interesting; it is on page 12:67—that the Canadian National Railways lost a rather large sum last year in operating its express services, namely, some $33 million. Dr. Bandeen, in my view, quite properly followed that statement with the comment, "We should be able to compete or else get out of it."

That is another factor that should be taken into account. This house should not underestimate the determination of Dr. Bandeen to do a first class job in running the Canadian National Railways. I am quite willing to take his word that he will either make that express operation financially respectable or else he will find some other way of discharging that obligation or getting out of the very large deficit which the present operation involves.

I conclude that one could add some portion of the $33 million to the Canadian National profit and loss account in the next five years when—and I say "when" advisedly, and not "if"—this hemorrhage is staunched.

Therefore, this bill has little to commend it—certainly little to commend it to me. So far as depreciation is concerned, they can do what they like. They say it is not relevant to the bill, and I am willing to agree with their view on that, although it is debatable. It is clear, I think, from what we heard in committee, that the debt-equity ratio is not an issue on which anything in particular hinges insofar as the financing of the railway is concerned—either the rate of money it may get, or its access to the money market—and I think we could also conclude that the profit prospects are seriously understated, or underestimated, because of the $86 million per year, or some amount approaching that figure, that we may expect to be paid to the railway in line with present stated government policy, very clearly reiterated by the minister before the committee and confirmed by his statement in Saskatoon last Friday. When we add the possibilities of reducing the loss in the express department, on which Dr. Bandeen has given his opinion, I think the railway has a bright future. Indeed they say so themselves, and I am willing to take their word for it.

Now they want this bill. Well, I shall simply resume my seat while making the comment that they are asking this house to paint the lily unnecessarily and I think we should decline the invitation.

Motion agreed to and bill read third time and passed, on division.

[Senator Roblin.]

THE ESTIMATES

REPORT OF NATIONAL FINANCE COMMITTEE—DEBATE ADJOURNED

The Senate proceeded to consideration of the report of the Standing Senate Committee on National Finance on the estimates laid before Parliament for the fiscal year ending March 31, 1979, which was presented on Wednesday, June 14, 1978.

Hon. Douglas D. Everett moved that the report be adopted.

He said: Honourable senators, before I begin, I should like to congratulate the honourable Senator Roblin on what I consider was a succinct and lucid speech on a bill of some considerable complication. I listened to a number of the arguments, but found his the easiest to understand and, I believe, the most persuasive.

We are dealing here with the examination by the National Finance Committee of the spending estimates of the Government of Canada for the year ending March 31, 1979. This book, *Estimates for the Fiscal Year Ending March 31, 1979*, as honourable senators are aware, is some three inches thick and details expenditures of in excess of $48 billion.

● (1450)

As honourable senators will understand, it is very difficult for any group of people, no matter how they may be buttressed by staff and expertise, to wrap their minds around $48 billion, and the Auditor General of Canada has stated that the Parliament of Canada is having difficulty in doing so. You will note, therefore, that the report we have put together is a short one. It is short because it tries to do only that which can reasonably be done by a committee of the Senate—or, indeed, by a committee of the House of Commons—in respect of spending of this magnitude. It is because the estimates involve such huge amounts of money that the National Finance Committee embarked some time ago on detailed examinations of the operations of government departments, which is an undertaking that I believe has proved, and will continue to prove, to be worthwhile. The committee is now completing its study of the Department of Public Works, and has already commenced its study of the Department of Regional Economic Expansion.

In dealing with these estimates I will be brief, and mention only some highlights in which I think honourable senators will be interested.

There is a good side to the government's intentions in all this spending. The planned spending target for this fiscal year of 1978-79 is $48.8 billion, which represents an increase of 9.8 per cent over the spending of last year of $44,450 million.

That is within the nominal increase in the rate of growth of the GNP, which is estimated to be 11 per cent. If we compare that to previous growth estimates, we find that in 1973-74 the increase over the previous year was 22.7 per cent; in 1974-75 it was 28.3 per cent; in 1975-76, 18.4 per cent; in 1976-77, 10.2 per cent; in 1977-78, 8.2 per cent; and in 1978-79, as I have said, it is 9.8 per cent. Therefore, the rate of increase of spending by government has been decreasing. In addition to that the expenditure by the federal government in these estimates on actual goods and services—that is, without taking

into account transfer payments to individuals and other jurisdictions—will be 30.9 per cent of budgetary costs, which is down from 31.4 per cent in the previous year.

Man-year increases have been held to six-tenths of 1 per cent this year over last year, despite the fact that the labour force in Canada in that period is estimated to grow at 2.4 per cent.

Honourable senators will recall that the Standing Senate Committee on National Finance made a strong recommendation against net voting in government spending. This has now been discontinued in six cases. There are five cases left to go, and we understand that the government is going to discontinue the practice in those five cases.

That is the good side of the estimates, but we ought to have a brief look at the other side, at some of the implications of this spending, and we ought to start by examining the major increases and the major decreases in spending this year over last year.

The major decreases are as follows: Central Mortgage and Housing Corporation will reduce its spending by $569 million, due to repayment of loans; Energy, Mines and Resources will save $224 million because of reduced oil compensation payments; the CNR, because of the refinancing that Senator Roblin was discussing earlier, will require $154 million less; the Canadian Transport Commission will save $122 million because the subsidy that is paid to it will be paid to VIA Rail; and the Federal Development Bank, due to reduced loans and repayments, will save $80 million.

The major increases, on the other hand, are as follows: hospital and extended health care, up $999 million; old age security and guaranteed income supplement, up $487 million; Canada assistance plan, up $347 million; medicare, up $121 million; family allowances, up $83 million; public debt charges, up $1,150 million; post-secondary education supplements and bilingualism education, up $58 million; unemployment insurance payments, up $371 million; and Department of National Defence purchases of equipment and increased personnel costs, up $331 million.

What is interesting in all this is that the decreases are, in almost every case, one-time decreases, and are all very undependable—in other words, we cannot look forward next year to those decreases—yet every one of the increases is probably repeatable in some form and in some magnitude in the following year, so at this stage the outlook for spending is not all that good.

Let us look further at the man-year increase of six-tenths of 1 per cent. That means that year over year the addition was only 1,848 man-years, but it should also be recognized that 1,276 of those man-years belonged to the Department of Veterans Affairs, and were transferred to the provinces when the veterans' hospitals were transferred to that jurisdiction. In addition to that, while the number of man-years is only up six tenths of 1 per cent, the federal government personnel costs have gone up by 11.3 per cent.

We should also look at the public debt. The gross debt of Canada in 1977 was $67 billion. The estimated gross debt in 1978 will be $76½ billion. Our annual interest charges are $6½ billion and, as I said, they have increased by $1,150 million in the last year alone. Since the early debt is the first to roll over, and since that early debt is at lower interest rates, without increasing the debt we will increase the cost of carrying it.

Finally I want to express some concern over spending targets. The government has stated that its spending will not increase faster than the increase in the nominal rate of growth of the gross national product. They are to be congratulated for that because it is a departure from what we had before. I have given the decreases in expenditure over the last five or six years. I feel the government is to be congratulated for taking that on and fulfilling it.

● (1500)

However, this raises a new issue in examining these spending estimates because that target can be accomplished in two ways. It can be accomplished by a reduction in actual spending; it can also be accomplished by reducing income. Let me explain how. Last year the Export Development Corporation, for example, decided to finance its activities through private borrowings instead of through government appropriation. That meant a saving in the estimates of $365 million. The La Prade heavy water plant was delayed for one year. That was a saving in last year's estimates of $72 million.

The committee has noted that the delaying of a number of smaller capital projects has reduced the estimates, but they will reappear at a later time and be part of spending at that time. Last year we transferred tax points to the provincial governments. That reduced the increase in planned expenditures of the federal government by two per cent.

I am not saying that anything is wrong, but I am saying that where there is an expenditure target we must be careful in ensuring that the realization of that target actually means a reduction in expenditure, and is not a transfer of revenues of the kind that I have just listed.

This puts a new obligation on Parliament, in looking at government spending, not only to look at the blue book of estimates, but to look very carefully at the annual budget of the government to see that both sides of the equation are balanced and that expenditures are not reduced by adding them into the budget.

On motion of Senator Grosart, debate adjourned.

The Senate adjourned until tomorrow at 2 p.m.

THE SENATE

Thursday, June 22, 1978

The Senate met at 2 p.m., Hon. Jean-Paul Deschatelets, P.C., Speaker *pro tem* in the Chair.

Prayers.

INCOME TAX ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker *pro tem* informed the Senate that a message had been received from the House of Commons with Bill C-56, to amend the statute law relating to income tax and to authorize payments related to provincial sales tax reductions.

Bill read first time.

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

Senator Perrault moved, with leave of the Senate, that the bill be placed on the Orders of the Day for second reading on Monday, June 26.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the President of the Medical Research Council, including accounts and financial statement certified by the Auditor General, for the fiscal year ended March 31, 1978, pursuant to section 17 of the Medical Research Council Act, Chapter M-9, R.S.C., 1970.

Report on proceedings under the Canada Labour Code, Part III (Labour Standards), for the fiscal year ended March 31, 1978, pursuant to section 75 of the said Code, Chapter L-1, R.S.C., 1970.

INTERNAL ECONOMY, BUDGETS AND ADMINISTRATION

REPORTS OF COMMITTEE BUDGETS TABLED

Senator Laird, Chairman of the Standing Committee on Internal Economy, Budgets and Administration, tabled reports approving budgets of the following committees:

Banking, Trade and Commerce,

National Finance,

Foreign Affairs,

Northern Pipeline (Special).

(For text of reports, see today's *Minutes of the Proceedings of the Senate.*)

REPORT APPROVING SALARY REVISIONS TABLED

Senator Laird, Chairman of the Standing Committee on Internal Economy, Budgets and Administration, tabled a schedule of authorized salary revisions for certain Senate positions, effective April 1, 1978, as approved by the Standing Committee on Internal Economy, Budgets and Administration, at its meeting of Thursday, June 22, 1978.

BANKING, TRADE AND COMMERCE

COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(a), moved:

That the Standing Senate Committee on Banking, Trade and Commerce have power to sit while the Senate is sitting on Wednesday next, June 28, 1978, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Monday, June 26, 1978, at 8 o'clock in the evening.

In moving this motion to adjourn to Monday evening, we have taken into consideration the fact that we have at long last received from the other place Bill C-56, to amend the statute law relating to income tax and to authorize payments related to provincial sales tax reductions, and the fact that the main supply bill will pass the other place tonight. In addition, it is expected that Bill C-36, to amend the Export Development Act, will reach us early next week.

The committee schedule for next week is already heavy, and for that reason we are suggesting that the Senate should sit on Tuesday evening in order to leave Tuesday afternoon free for committee meetings.

On Tuesday the Standing Senate Committee on Banking, Trade and Commerce will meet at 10 a.m. and probably 2.30 p.m., to hear the minister on the subject matter on Bill C-56, to amend the statute law relating to income tax and to authorize payments related to provincial sales tax reductions. The Joint Committee on Regulations and other Statutory Instruments will meet at 9.30 a.m.; the Standing Senate Committee on National Finance has called *in camera* meetings for 9.30 a.m. and 2.30 p.m. to consider its report on the

Accommodation Program of the Department of Public Works. The Health, Welfare and Science Subcommittee on Childhood Experiences will meet at 4 p.m.

On Wednesday there will be meetings of the Banking, Trade and Commerce Committee at 9.30 a.m. and 2.30 p.m. on the subject matter of Bill C-57, the Banks and Banking Law Revision Act, 1978. Also on Wednesday there will be a meeting of the Standing Senate Committee on Agriculture when the Senate rises, and the National Finance Committee will hold another *in camera* meeting with respect to its report on the Accommodation Program of the Department of Public Works.

On Thursday the National Finance Committee will meet *in camera* at 9.30 a.m. to continue its consideration of the aforesaid report. At 9.30 a.m. on Thursday the Banking, Trade and Commerce Committee will continue its study of the subject matter of Bill C-57, and the Joint Committee on Regulations and other Statutory Instruments will meet at 11 a.m.

• (1410)

[*Translation*]

Senator Flynn: Might I ask the assistant leader if that program is meant to precede the summer adjournment of Parliament, and, if so, whether it is expected that the Senate will be able to pass all those bills, and the committees to complete the work they have been entrusted with from here to Friday of next week? As I understand it, the objective of the government is to adjourn for the summer on June 30. Is it expected that the Senate will have to sit beyond that date?

Senator Langlois: In reply to the question of the honourable Leader of the Opposition, I must say that is exactly what is expected—that is, a summer adjournment at the end of next week, possibly Thursday, or probably Friday. There is hope the Senate can dispose of the work I have just outlined for next week. That is precisely why we have suggested that the Senate come back for Monday evening.

Senator Asselin: If we adjourn on June 30, when will the Senate resume its sittings in the fall?

Senator Langlois: The Senate would resume its sittings when Parliament does, possibly early in the fall, but I cannot give you the date for the time being.

Senator Asselin: Does the Leader of the Government have a date in mind, so that we shall know when we are to come back in the fall?

Senator Perrault: No, the Leader of the Government cannot say.

[*English*]

Senator Asselin: Perhaps the Leader of the Government should answer the question.

Senator Perrault: The government is now reviewing a range of dates on which Parliament may be reconvened after the summer recess. Certainly, there is an intention to have the recess commence at the end of next week, but, of course, honourable senators are aware that the first priority is to make sure that legislation is given proper and detailed consideration. The reconvening of Parliament will be at some point in the fall, but the exact date I cannot present at this time.

Senator Flynn: Which fall, the fall of the government?

Senator Asselin: Would it be before October 15?

Senator Perrault: There is a very real chance it will be just before October 15.

Senator Flynn: On the same subject, may I ask the Chairman of the Standing Senate Committee on Banking, Trade and Commerce if he expects that his committee will be able to complete, before next Friday, the workload that has been assigned to it? There are at least four bills before the committee, if I am not mistaken.

Senator Hayden: I can tell my friend that we do not except to complete our study of the bank bill because there is not enough time, even if our sittings were to run into the month of July. Witnesses who have indicated that they wish to make submissions have also indicated that they will not be ready until towards the end of July or the beginning of August. Therefore, we have ruled out the possibility of being able to complete the study of the bank bill before the fall.

The bankruptcy bill, which is in committee, is to stand until the fall because several of the companies or institutions that wish to make submissions will not be ready to do so until after June 30, and they have requested that they be heard early in the fall.

We expect to table the report of the committee on the study of the subject matter of the competition bill next week. When it is tabled here, some explanation will be given, if the Senate permits. Then it will have to stand until the fall.

On Bill C-56, the income tax bill, I would expect that after the committee hears the Minister of Finance on Tuesday morning at 10 o'clock, we will be able, later that day, to table our report on the subject matter of the bill.

On Bill C-59, which is a companion piece of income tax legislation, we will be ready on Tuesday of next week to table a report on the subject matter of the bill. There is no indication yet as to whether that bill will come forward from the House of Commons before the end of June, so I cannot tell you what its course may be after that.

• (1420)

Senator Flynn: At this time, therefore, the chairman does not contemplate that the committee will sit during the recess?

Senator Hayden: If the urgency of sitting during the recess can be indicated, we have, of course, established a precedent in the past, when we have sat during a recess.

Senator Lang: May I ask a question of the Leader of the Government, which is really basically a supplementary question to the question put by the Leader of the Opposition a week ago?

Senator Langlois: We are not on the Question Period. We are on Notices of Motions.

Senator Flynn: Is it on the motion?

Senator Langlois: Is this a question on the motion?

The Hon. the Speaker *pro tem:* I was wondering if the question has to do with the motion now before us, which is that the Senate do adjourn until Monday next, June 26.

Senator Lang: No.

Senator Marshall: Honourable senators, with respect to the bills to be dealt with, I wonder if I could ask Senator Hayden whether it is expected that Bill C-56 should be completed and receive royal assent by June 30. Is this a demand from the other place?

Senator Hayden: I see no reason why not.

Senator Marshall: Would Senator Hayden clarify what he means when he says he sees no reason why not?

Senator Flynn: It does not depend on him.

Senator Marshall: Would the Honourable Senator Hayden say that the other place is demanding that the bill be completed by June 30 and receive royal assent?

Senator Hayden: If the other place is demanding, all the Senate committee will do is, as and when the bill itself is referred to committee, deal with it very expeditiously, the reason being that we have already completed study of the subject matter.

Senator Perrault: It is hopeful expectation.

Motion agreed to.

NORTHERN PIPELINE

SPECIAL COMMITTEE AUTHORIZED TO SIT DURING ADJOURNMENTS OF THE SENATE

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(*i*), moved:

> That the Special Committee of the Senate on the Northern Pipeline have power to sit during adjournments of the Senate.

Motion agreed to.

[*Translation*]

LEGAL AND CONSTITUTIONAL AFFAIRS

CHANGE IN COMMITTEE MEMBERSHIP

Senator Flynn, with leave of the Senate and notwithstanding rule 45(1)(*i*), moved:

> That the name of the Honourable Senator Wagner be substituted for that of the Honourable Senator Macdonald on the list of senators serving on the Standing Senate Committee on Legal and Constitutional Affairs.

Motion agreed to.

[Senator Langlois.]

[*English*]

SENATE COMMITTEES

MEMBERSHIP CHANGES DURING SUMMER ADJOURNMENT—NOTICE OF MOTION

Senator Flynn: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(*i*), I move:

> That during the coming summer adjournment of Parliament changes in the membership of Senate Committees may be made by notification in writing to the Clerk of the Senate by the Leader of the Government in the Senate, or any senator named by him, with respect to government members, and by the Leader of the Opposition in the Senate, or any senator named by him, with respect to opposition members; and
>
> That such changes in the membership of Senate Committees shall be recorded in the *Minutes of the Proceedings of the Senate* when Parliament resumes.

The Hon. the Speaker *pro tem:* Is leave granted, honourable senators?

Senator Langlois: Honourable senators—

The Hon. the Speaker *pro tem:* May I put the motion first?

Senator Flynn: His Honour has asked whether leave is granted.

Senator Langlois: Honourable senators, I regret that I have to oppose leave being given at this time.

Senator Flynn: No objection.

Senator Langlois: This is a serious matter, which deserves consideration. I have discussed this with the Leader of the Opposition. He simply has to put it as a Notice of Motion, which will be considered early next week.

Senator Flynn: That is agreed.

The Hon. the Speaker *pro tem:* Is that agreed, honourable senators?

Hon. Senators: Agreed.

AGRICULTURE

COMMITTEE AUTHORIZED TO PUBLISH AND DISTRIBUTE REPORT ON THE CANADIAN BEEF INDUSTRY

Senator Argue, Chairman of the Standing Senate Committee on Agriculture, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

> That the Standing Senate Committee on Agriculture be authorized to publish and distribute a report on its inquiry into the Canadian beef industry, as soon as it becomes available, even though the Senate may not then be sitting.

Motion agreed to.

THE CONSTITUTION

RENEWAL OF THE CANADIAN FEDERATION—QUESTION ANSWERED

Senator Lang: Honourable senators, I should like to ask a question of the Leader of the Government in view of our imminent adjournment for the summer recess. My question relates to and is really a supplementary to a question asked by the Leader of the Opposition one week ago. The question deals with the powers of the federal government to amend the British North America Act unilaterally under section 91(1). I know we have a very definite opinion from our constitutional expert in the person of Senator Forsey. Could the Leader— I assume the government is acting upon legal advice from the Department of Justice—furnish this house, hopefully before we adjourn for the summer, with any opinion that the government has from the Department of Justice as to the powers of the government to amend under section 91(1) of the B.N.A. Act?

I note in Senator Flynn's question that he asked the opinion of the government. I would like that amplified so that it is not only an opinion of the government, but an opinion of the Department of Justice. My leader's reply was that he would have a statement made available to this chamber. I would hope that the leader might be able to furnish us with a copy of a legal opinion from the authority which is responsible for advising the government in these matters.

Senator Perrault: Honourable senators, I am pleased to inform Senator Lang that Senator Flynn's question was answered yesterday afternoon. The reply is to be found at page 892 of *Hansard*. I would be most pleased to receive his opinion on the views provided by the Ministry of Justice on that subject.

• (1430)

Senator Flynn: I don't think you answered the question as to whether the government has an opinion from the Department of Justice on this very point, and whether that opinion could be tabled.

Senator Perrault: Honourable senators, by way of clarifying my reply, the information I received was prepared by the Minister of Justice and, in fact, represents an opinion received from the Minister of Justice on that subject. If Senator Flynn requires further explanatory material or a firmer position which can be tabled in the form of a document, an inquiry will go forward. That is all I am able to say at this time.

Senator Flynn: Is the government prepared to refer the question to the Supreme Court?

Senator Perrault: Honourable senators, I can give no such commitment on behalf of the government that there will be a referral of this matter to the Supreme Court. Indeed, in view of the response received from the Honourable Ron Basford, Minister of Justice, there would appear to be no inclination on his part to undertake any referral of that kind.

Senator Flynn: No inclination. That is a good one.

AGRICULTURE

WHEAT EXPORTS—QUESTION ANSWERED

Senator Perrault: Honourable senators, on June 20 a question was asked by Senator Olson with respect to an undertaking to be given to obtain an updated report on the situation with respect to what he referred to as the "catch-up" on wheat exports, particularly those going out of west coast ports.

In reply to that question, I can state that a study of recent grain movement statistics indicates that exports are well ahead of last year at the same date. Exports of all grains are 13 per cent above those of one year ago while wheat exports are some 17 per cent higher. In spite of all the problems encountered this year, export movements are approaching those of the previous record year.

The number of ships waiting at Vancouver has recently been in the range of 17-20, down from the 24-25 of several months ago. Although the number of ships remains higher than we would like to see, we must bear in mind the severe winter conditions experienced this year. Severe snow conditions over a large part of the southern prairies closed lines which are not normally subject to snow problems. It would be unreasonable to expect the system to recover immediately from this blow.

The transportation system is working well with car turnaround times down to 17-18 days, compared with 23 days as late as two years ago. It is expected that the ambitious Canadian Wheat Board program will be completed this summer in time to embark on another similar program for next year.

FOREIGN AFFAIRS

CANADA-UNITED STATES AUTO PACT—QUESTION ANSWERED

Senator Perrault: Honourable senators, on June 21 a question was asked by Senator Roblin with respect to the Canada-United States Auto Pact. He asked that the efforts of the Leader of the Government in this respect be directed to making sure that the terms of reference of the special inquiry into the automotive industry allow the commissioner to examine the possibilities of extending the geographical compass of this agreement from the central provinces in Canada to other provinces. He suggested that Manitoba might be one of those areas to be brought within the terms of reference.

I took this matter up immediately with the Department of Industry, Trade and Commerce and have been provided with the terms of reference of the inquiry. I have been informed that this appears on page 2 of the terms of reference, and if it is possible to table this document I shall be pleased to do so.

Of particular concern to Senator Roblin will be subparagraph (c) on page 2 of that document.

Senator Flynn: Would the Leader of the Government in the Senate remind us of the name of the Minister of Industry, Trade and Commerce?

Senator Perrault: A very distinguished westerner, the Honourable Jack Horner.

Senator Flynn: You can have him.

Senator Perrault: He is a man of very firm conviction, and he is doing an outstanding job for Canada.

Senator Flynn: That was very funny.

ENERGY

GARRISON DAM, NORTH DAKOTA—QUESTION ANSWERED

Senator Perrault: Honourable senators, Senator Roblin directed an inquiry yesterday regarding the Garrison Dam Project in North Dakota. He drew the attention of the Senate to the fact that an appropriation bill is proceeding in the House of Representatives of the American Congress to provide funds for the completion of the Garrison Dam in North Dakota.

He asked whether it is the intention of the government to take any action with respect to the hearings that are proceeding in the United States on this matter, and whether efforts were being made to enlist the support of the Government of Manitoba in any representations it might be making with the Congress or with others in the United States.

I have been informed that the House of Representatives of the Congress of the United States is not voting new funds for the Garrison Dam project; rather, they are voting for the expenditure of funds previously appropriated. I am informed that the Canadian Ambassador recently called on the State Department of the United States in connection with this matter, so that the Government of the United States is fully aware of Canadian views.

Senator Roblin, and others, will be aware that the Canadian government, through the embassy in Washington, recently facilitated the transfer of a letter from the Premier of Manitoba to the United States Congress expressing the concerns of the Province of Manitoba with this project. The Government of Canada and the Government of Manitoba, I am pleased to report, have been co-operating and consulting closely in connection with this matter for some years, and such co-operation and consultation will very definitely continue.

[*Later:*]

Senator Roblin: Honourable senators, I have been trying to digest the answer which my honourable friend the Leader of the Opposition gave me in respect of the Garrison Dam situation in the United States.

Senator Flynn: Hah, hah; that's a good one.

Senator Grosart: The leader of what?

Senator Roblin: What did I call him?

Senator Grosart: The Leader of the Opposition.

Senator Roblin: My profound apologies, but coming events do cast their shadows before them.

Senator Langlois: Great expectations!

Senator Roblin: However, addressing him by his proper title—and I apologize for the *lapsus linguae*—I ask the Leader of the Government whether the answer that has been given to him does not imply a certain sense of complacency in respect of the matter. The suggestion that the amounts in the House of Representatives bill are merely reinstatements of previous amounts is really the whole substance of the matter, because they were cut out by the President and now the house is trying to get them back in again.

I wonder if the leader could obtain from the Department of External Affairs more information about the kinds of presentation our representatives are making to the American government so that we can be reassured in respect of the matter.

Senator Perrault: Honourable senators, of course this is an important matter for all Canadians, wherever they live. I shall be pleased to undertake further inquiries to see if this additional material can be made available.

TRANSPORT

MOVEMENT OF GRAIN IN WESTERN CANADA—QUESTION ANSWERED

Senator Perrault: Honourable senators, on June 14 Senator Roblin asked a question about the possibility of a new committee being convened to inquire into the movement of grain in western Canada. He asked when we might expect to get the terms of reference of that committee.

I now have those terms of reference. Unfortunately, they are too long to be read in full, but with the permission of honourable senators they could be printed as an appendix to today's *Hansard*.

The Hon. the Speaker *pro tem:* Is it agreed, honourable senators?

Hon. Senators: Agreed.

(*For text of terms of reference, see appendix, pp. 911-912.*)

Senator Perrault: As well, I have been informed that there was an involved discussion on this matter at the meeting of the Standing Senate Committee on Transport and Communications on Thursday, June 15, when the minister was present.

NATIONAL REVENUE

DUMPING DUTY ON WIDE-FLANGE STEEL BEAMS—QUESTION ANSWERED

Senator Perrault: Honourable senators, Senator Austin made an inquiry yesterday regarding the possibility of extending the action taken by the Government of Canada rescinding the dumping duty in respect of the import of wide-flange steel beams for British Columbia and Alberta.

At this time I am only able to repeat what the Minister of Finance said last Monday in the other place, which is that we are looking into the problem and examining the various alternatives which may be open. An announcement may be made in the very near future on the subject. When more specific information becomes available, it will be provided to honourable senators.

Senator Austin: Honourable senators, I wonder if I might direct a question to the Minister of National Revenue in connection with the issue of wide-flange steel beams coming into Canada.

The minister will appreciate that there are a number of fabricators in British Columbia who are directly affected by the policy of the government with respect to the remission of the dumping duty, and it will be very difficult for them to manage their businesses in a competitive and commercial fashion without early guidance from the government as to the continuity of the government's recision of the dumping duty. Accordingly, I would ask the minister whether he can advise us, on an interim basis at least, of the steps that may be taken to prevent a total disruption of the fabricating business in British Columbia and Alberta.

● (1440)

Senator Guay: Honourable senators, this has been discussed in cabinet. I realize this is a very important matter, and one of great concern to those two provinces in western Canada. I am also aware of the deadline thereof, and I hope to make an announcement before that date.

THE SENATE

CONSTITUENCY ALLOWANCES—QUESTION

Senator Marshall: Honourable senators, I have a question for the Leader of the Government. Some former members of the House of Commons recently had the distinction and honour of being appointed to the Senate, even though it might be only for a short period of time. In view of the fact that it appears there is going to be a delay in the calling of an election, and in view of the fact that senators in this position still have the duty of providing services to the many hundreds of thousands of their former constituents, and in view of the fact that senators do not have constituency allowances, is consideration being given to providing these senators with some allowance so that they are able to fulfill their responsibilities to their constituents?

Senator Perrault: Honourable senators, Senator Marshall has certainly raised an interesting point that is worthy of examination. I can give the assurance that inquiries will go forward immediately to determine what should be done and what can be done under those circumstances. Senator Marshall has always been very attentive to the needs of his constituents, as have many other senators, and I quite understand his desire to continue his previous level of service. I know that many other senators are engaged similarly in active regional work.

Senator Flynn: Honourable senators, in view of the question asked by Senator Marshall, I wonder if the Leader of the Government could assure us that when he invited Senators Guay, Haidasz and Marshall to join us, he indicated to them the possibility that within a few weeks he would propose the abolition of this body. I want to be assured that they did not come here under false pretenses.

FISHERIES

DESIGNATION AS STANDING SENATE COMMITTEE—QUESTION ANSWERED

Senator Perrault: Honourable senators, on May 10 Senator Marshall asked a question regarding the designation of fisheries as a standing Senate committee.

In the initial consideration of the proposal there appears to be a concern that it might involve a great deal of the time of senior officials of the department, who are already required to spend a good deal of time before the Standing Committee on Fisheries and Forestry of the other place. However, the Office of the Minister, Fisheries and Environment Canada, have not rejected the idea. They feel it is important that their officials be available for committee meetings of this kind, and indicate their availability to attend sessions of such a committee, if one is set up in the near future, although perhaps on a limited basis. So, from that standpoint, the idea certainly has the interest of the minister responsible.

Senator Grosart: Honourable senators, I should like to direct a question to the Leader of the Government which is supplementary to the answer which he gave to the question asked by Senator Marshall. It was, rather, a suggestion that the very important subject of fisheries might be referred specifically to a standing committee of the Senate. Did I understand the leader to say in reply that this would be in any way affected by the willingness or otherwise of officials of the Department of Fisheries to give time to such a committee, and, if so, does he seriously mean that the decision will be in any affected by whether or not officials of that department decide they want to come before a committee of the Senate?

Senator Perrault: Honourable senators, my reply was only a partial one and was intended to indicate the present availability of the officials of the Department of Fisheries and the Environment to provide the information that any such committee might conceivably require. Of course, the decision to establish such a committee would be one for the Senate, and the Senate alone, to take. Only honourable senators have the right to decide whether they wish to leave the committee system the way it is at the present time, or to establish new committees. I appreciate the opportunity to clarify that point.

Senator Flynn: This indicates the danger of having a reply made by someone else.

Senator Perrault: We have not as yet had an opportunity to discuss with members of the Rules Committee the proposal that Senator Marshall has advanced. I hope it can be done before we leave for the summer recess. But, as I have said, my reply was only partial and informational, and I would not want to create any other impression.

Senator Marshall: Honourable senators, as a supplementary question, I wonder if the government leader is keeping in mind that there is an intention on the part of the government to designate a department of fisheries and oceans, or oceans and fisheries, and that this should be collaborated with in whatever changes are made.

Senator Perrault: Honourable senators, Senator Marshall has advanced a persuasive argument. His point of view should most certainly be placed before the Rules Committee of the Senate. I state again: The reply given earlier was incomplete, but it was all the information I was able to provide at that time.

AIR CANADA

THREATENED STRIKE BY PILOTS—QUESTION

Senator Olson: Honourable senators, I should like to direct a question to the Leader of the Government respecting the question I asked yesterday about what was then a threatened Air Canada pilots' strike. I understand the leader did not reply to that question because of some news reports that have come through since then. Could the leader tell us whether all of the outstanding issues, in principle as well as in specific detail, have been resolved to the completion of the present contract so that we will not be faced with a similar situation during the course of the contract the pilots are operating under now?

Senator Perrault: Honourable senators, I had hoped to be able to present a full statement to the Senate this afternoon on the subject of the threatened Air Canada stoppage. However, that document has not yet been made available to me. Honourable senators will be pleased to know, of course, that air travel will continue as scheduled next week and into the foreseeable future, because the differences which threatened to cause a stoppage have, I understand, been resolved. Consequently, there will be no need for alternative transportation arrangements to be made. It is to be hoped that a statement can be obtained from the Minister of Labour on the situation, and that information will be provided as soon as it becomes available.

NATIONAL REVENUE

ILLEGAL IMPORTATION OF JEWELLERY INTO CANADA—QUESTION

Senator Austin: Honourable senators, while offering congratulations to the Minister of National Revenue for the very alert action of his officials in detecting an attempt to import into Canada illegally approximately $1 million worth of jewellery, I wonder if I could ask the minister whether that appears to be a single instance or whether there seems to be a pattern of attempts to import into Canada large quantities of jewellery illegally.

Senator Guay: Honourable senators, I have not received a complete report on this particular incident. All I know about it is that this person had been in Canada several times in the last few months. Other than that I am afraid I cannot give any information at all.

[Senator Marshall.]

NORTHWEST TERRITORIES

INSTALLATION OF TELEVISION RELAY EQUIPMENT—QUESTION

Senator Adams: Honourable senators, I should like to direct a question to the Leader of the Government about Telesat relay facilities at two places in the Northwest Territories, Coral Harbour and Chesterfield Inlet. Equipment for this purpose was supposed to have been installed last spring, but as yet nothing seems to have been done to provide television facilities to these two communities. I should like to know when it is hoped to have that equipment installed to provide TV services for those two communities.

Senator Perrault: Honourable senators, that question, because of its detailed nature, will be taken as notice and the information will be obtained.

• (1450)

TRADE

TEXTILES AND TEXTILE PRODUCTS—QUESTION

Senator Buckwold: Honourable senators, I should like to ask a question of the Leader of the Government. The Minister of Industry, Trade and Commerce recently announced that Canada has concluded a bilateral restraint agreement with seven countries involving the import of textiles and clothing. This will result in the elimination of quotas, but, in fact, they will be replaced by these restraints.

In view of the interest of this chamber in this particular question, as demonstrated by the fact that it was a matter of special study, I should like to have more information on what is involved and how these restraints will work. I should also like some information on the plan of the government to maintain the import permits. Apparently, import permits will be required, and I have been asked by an importer whether the government, in giving these import permits, will allocate them, or whether the allocation of the restraints will be done by the countries concerned rather than by the Government of Canada.

I realize this question may be beyond even the vast knowledge of the government leader. I am quite prepared, therefore, to wait for his answer.

Senator Perrault: Honourable senators, I am pleased to take that question as notice.

THE HONOURABLE DUFF ROBLIN, P.C.

QUESTION OF PRIVILEGE

Senator Roblin: Honourable senators, before the Orders of the Day are proceeded with, I wonder if I might make a statement of personal privilege which I trust may be summarized in a letter I have written to the Clerk of Senate. The letter reads as follows:

June 22, 1978

Mr. Robert Fortier,
Clerk of the Senate,
The Senate,
Ottawa.

Dear Mr. Fortier:

On being summoned to the Senate in April, 1978 I spoke with the Parliamentary Counsel to the Senate, Mr. R. L. du Plessis, to express my expectation to continue to take part in my regular business activities which I described to him. I requested his opinion as to whether or not these activities would involve a conflict of interest in the terms laid down in the Senate and House of Commons Act.

In his reply Mr. du Plessis has now given his opinion that there was nothing in the Senate or House of Commons Act that would prevent me, as a Senator, in carrying on the business activities I described. I have also had the benefit of other informal views to the same effect.

It seems advisable to me that as a matter of personal privilege I should acquaint the Senate with these facts and inform them that I have provided you with copies of the correspondence in the matter.

With appreciation for your cooperation, I am,

Sincerely yours,

Duff Roblin

I trust that this statement of my personal position in respect of these matters may be considered appropriate to the Senate in the circumstances.

THE ESTIMATES

REPORT OF NATIONAL FINANCE COMMITTEE ADOPTED

The Senate resumed from yesterday the debate on the motion of Senator Everett for the adoption of the report of the Standing Senate Committee on National Finance on the estimates laid before Parliament for the fiscal year ending March 31, 1979.

Hon. Allister Grosart: Honourable senators, I am speaking to the motion of Senator Everett that the report of the Standing Senate Committee on National Finance on the estimates be adopted. As a member of the committee, I have no objection, of course, to the adoption of the report.

I shall follow Senator Everett's example and make my remarks brief. I shall also follow his example in speaking to what he designated as the good and the bad in the presentation of the spending intentions of the present Government of Canada. I was interested to hear that he had four good things to say and four bad things to say.

Senator Flynn: He always balances these things.

Senator Grosart: Yes, he balanced the score, and I am sure that honourable senators will not expect me to maintain that same balance.

Senator Flynn: We certainly do not want you to do that.

Senator Grosart: Senator Everett drew attention to the fact that the government's spending intentions at the moment amount to about $49 billion. One of the good things he had to say about that was that it represented an increase in government spending intentions for the current year of only 9.8 per cent over the actual expenditures, or, to be more accurate, the forecast expenditures for last year.

The honourable senator found that good, because it is much lower than the annual percentage increases in the expenditures of the present government for some years now. I suggest that that is hardly a reason for finding an increase of almost 10 per cent a good thing.

Senator Lamontagne: Is that in current dollars?

Senator Grosart: This is in the dollars in which the main estimates are prepared, which are current dollars. It is assumed that we are dealing with the same dollars when calculating the increase in one set of estimates over another.

Senator Langlois: Except for inflation, which could have intervened between the two sets of estimates.

Senator Grosart: There could be a degree of inflation, I suppose, but it would be small because actually we are dealing with expenditures, from main estimates to main estimates. However, in the calculations put before us we do have the forecast of expenditures, which would be very close to being the amount that appears in the public accounts as the actual expenditures for the last calendar year. There would be a small differential in respect of inflation in certain items, particularly goods and perhaps services, which had taken place in that interim period, but I think honourable senators will agree that it is not cause for complimenting the government because they have not continued the fantastic increases in expenditures that were seen in former years.

It is all very well to say, "The estimates are increased by only 9.8 per cent," which is the actual amount this year, because naturally one asks, "Increased from what level?" For example, there was an increase of 22.7 per cent in 1974-75 over the previous year, and there was an increase of 28.3 per cent in 1975-76 over the previous year. Then there was a drop to 8 per cent; it then went to 10 per cent, back to 8 per cent, and it is now up again to 9.8 per cent. For them to say now that these increases are not very great because they used to be 28 or 29 per cent is no cause for paying any compliments to the government.

Indeed, the fact is that we are on an upward trend once again. Once again we are seeing higher year-to-year increases in government spending than we have had in the last few years. There may be explanations for that, but they do not alter the fact that the trend is on the way up again. This is alarming, because those huge increases of 28 per cent and 29 per cent a few years ago were a major cause of one of the most serious problems facing us today, and that is inflation.

● (1500)

As honourable senators are aware, inflation is again on the way up. We had an official government estimate that the rate would be 6 per cent this year. The President of the Treasury

Board revised that upward to 7 per cent. It is now generally revised upward to 8 per cent, and my own view is that that 8 per cent will be less than the actual inflation when all the figures are in for this year.

I am glad to see that a very distinguished senator with great expertise in this field, Senator Lamontagne, is listening carefully, because only the other day he made a speech, which was widely reported, in which he said that if we are not very careful, and even if we are, we may be faced not merely with another recession but with a depression. I believe I am quoting him correctly; I am certainly quoting the press version of his remarks. I know he has held those views for some time. Perhaps the spending intentions and spending decisions of the government have a good deal to do with the difficulty which Canada is facing at the present time in dealing with these serious problems.

The second point that Senator Everett found good in the estimates is a slight drop in government expenditures on goods and services—that is, taking out transfer payments, transfers to individuals and to governments, from the total figures and narrowing them down to basic expenditures on goods and services. The drop is small. This year that amount is 30 per cent of budgetary costs, which is down from 31.4 per cent last year. That, however, may not be a very realistic figure in view of the drastic change which took place last year in the relationship of transfer payments, particularly to provinces, on a year-to-year basis.

Senator Everett also found some satisfaction in the nominal decrease, or the low level of increase, in man-year expenditures projected by the government. According to the main estimates, that increase this year would be merely 0.6 per cent—that is, six-tenths of 1 per cent—which, of course, is very much lower than the levels of increase in government employment that we have been used to.

However, as Senator Everett himself pointed out, this is not a very realistic figure, in view of the fact that it is only accomplished by substantial transfer of manpower requirements and obligations from the federal government to the provinces. If those transfers were taken out, it is certain that that increase would be higher. So Senator Everett himself has qualified his optimism on that particular point.

The fourth thing that Senator Everett found good in the main estimates this year is a change that has taken place in what is called net voting. I will not go into it in detail because we have discussed it before in this house. It is a device that was used by certain departments to hide—that is the only word that can be used here—the actual expenditure by the government. Honourable senators are aware that net voting is merely a system by which a department makes levies, and spends them without a direct vote from Parliament authorizing the expenditure.

Senator Everett has found in some six cases that that practice has been discontinued by order of the Treasury Board. There are about five cases left, and we have the assurance of the Treasury Board that it is the intention to completely do away with net voting as practised in those cases.

There are some other cases of what might be called net voting, which the committee found to be understandable and, in accounting terms, permissible.

However, it will be remembered, in connection with these very estimates this year, that when the Senate inquired whether a particular department intended to carry on net voting despite the prohibition by the Treasury Board, the answer given was yes, the department did intend to carry on the practice. As a result of the activities of this house and one of its committees, the department changed its mind. That is an indication of the fact that the Senate does on occasion—and perhaps on many occasions—exercise an influence on the expenditure decisions and intentions of the government.

On the bad side—I am paraphrasing Senator Everett; he called it the "other side". After indicating these four items on the good side, he suggested we should take a look at the other side. His first consideration, strangely enough, was for decreases in spending in this year's estimates. It may seem extraordinary that these should appear on the bad side of the estimates, but the reason is that these so-called decreases are highly suspect. In the first place, they are *ad hoc*, or one-shot, decreases which will not carry on into next year, and, as Senator Everett himself said on behalf of the committee, we have to watch out; the outlook for spending at this stage is not all that good.

In these decreases we notice some approaches that can only be called devices to hide the real nature of expenditures, and I will speak of them in a moment. The decreases that Senator Everett noted are: $224 million in Energy, Mines and Resources, because of reduced oil compensation payments; $154 million as a result of the CNR capital revision bill, which was discussed by Senator Roblin and others; $122 million which—

Senator Roblin: That is the gross amount. The net amount is much less.

Senator Grosart: That is right. The amount that has to be provided for in the estimates, whether as a requirement for a vote or, as in this case, a non-budgetary item, is $154 million less.

Senator Roblin: But the revenues go down too.

Senator Buckwold: Who wrote that speech—Senator Roblin or Senator Grosart?

Senator Grosart: No one wrote it. That is a very good question. I think it is quite obvious that no one wrote the speech. I am not reading a speech; that is not my custom. I am making some comments, and I am very happy, as I always am, to welcome interjections, particularly interjections which improve the comments I am making, as Senator Roblin's interjection has done. I am very glad that Senator Buckwold asked that question. It was a good question because it gave me an opportunity to give him two good answers.

Senator Buckwold: That is your opinion.

Senator Grosart: Before that interesting interjection, and before I was interrupted, I was about to say that there was a decrease in spending as a result of a lowering of the demands for funds on the Federal Development Bank.

● (1510)

As I indicated, Senator Everett and the committee found that these decreases were one-shot decreases which were unlikely to carry on. They are, therefore, nothing to be very enthusiastic about. If Senator Everett put them on the bad side, it was probably because he wished there would be more such decreases decided upon by the Treasury Board and the departments, but I gather that he and the committee consider it unlikely that another billion dollars will be lopped off government expenditures next year.

The second bad point, if I may call it that, is the qualification, as I have already indicated, that has to be made on the nominally low level of increase in man-year expenditures.

The third matter that concerned the committee very much was the increase in the public debt. The increase this year alone is over a billion dollars, and it represents 20 per cent of the entire increase year to year. This is surely an alarming situation for any entity. I doubt if any business could survive today if 20 per cent of its expenditure increase was on its debt. However, that is the situation. There is an increase in the public debt of over $1 billion, because of increased expenditures and government deficit. The deficit this year is actually more than what the total national budget was when the present government took office. That is the situation we are faced with.

The government has suggested some ways by which it might reform some of the institutions of Canada, and there are some of us who feel that those suggested reforms will not do the kind of job that is needed to be done if Canada is going to survive economically.

The fourth and last of the minuses that Senator Everett found were on what I call "the manipulation side". We can no longer rely on the main estimates for a clear and distinct picture of the actual spending intentions of the government. In a situation such as has recently developed, where the government has been forced to realize that its excessive spending has been a tremendous drag on the economy, certain things happen. On the good side, there is no question that the government suddenly realized that it had to exercise restraint. It could not go on increasing its expenditure year by year at rates as high as 28 per cent. This brought them down, for some years, within the scope of the year-to-year increase in the gross national product. This is now government policy, and I am sure we all hope that the government will hold to that policy. It would appear that this will be done this year when the expectation is that the GNP will increase by perhaps 11 per cent, and the government's spending intentions will increase by just under 10 per cent.

However, the government is now coming out roughly half way through the year with what they call a new ceiling or a new target. This is a reassessment of the budgetary proposals with emphasis on such things as lapsing. For the first time the government actually estimates the lapse in the estimates. This has never been done before. This year the estimated lapse is $1 billion; otherwise, the $48.8 billion would be $49.8 billion. The government says there will be a lapse of $1 billion; that is, they say they will see to it that departments do not spend all the money that they may think they are entitled to spend under the main estimates. I commend the government for this.

Lapsing has had very interesting effects. The committee heard evidence from Mr. Andras, the President of the Treasury Board, that many deputy ministers are now coming to his department towards the end of the year, and actually indicating pride in the fact that they have not spent all of the money that they might have spent. Of course, this is a complete reversal of the practice in earlier years when there was a tremendous rush in the last few months to make sure the department spent all the money that appeared to have been allotted to them.

Senator Langlois: That is good news indeed.

Senator Grosart: I am complimenting the government on having this effect on deputy ministers who are, perhaps, the hardest set of nuts to crack in the whole spending circle—but it has been done.

On the other side, the non-spending challenge appears to have brought out all of the ingenuity of the spenders. They have come up with all kinds of devices to make the spending look less than it actually is, and I am glad to say that the committee's report deals at some length with one of these devices which has come to be called "revenue expenditure." This is a way of spending money without its showing as an expenditure. In other words, a tax remission to an industry or a group of industries will decrease the revenue side, and will have exactly the same effect as an expenditure on the budget side. There are several examples of this.

Another type of hiding of the actual expenditure situation is exemplified in such cases as the decrease for the Export Development Corporation. The Export Development Corporation has, up to this year, obtained its funds from the government. Therefore, the amount required would appear as a non-budgetary expenditure by the government. In this case, it is some $365 million. The Export Development Corporation, either on its own initiative or by persuasion, decided to go to the public markets for these funds.

However, there is no fundamental difference. They are still borrowing over $300 million, but borrowing it in the open market rather than from the government. Therefore, it appears as a decrease in government expenditure, which, indeed, it is, but the problem that this creates is that this could be done almost anywhere, even by the CBC. It would be a marvellous thing if we could say to the CBC, "You go and borrow in the public market." This would not only greatly decrease government expenditure, but it would do a lot of other things also. However, that is a matter of opinion not directly related to the subject of the motion.

Honourable senators, it may be that some further comments will be forthcoming on this whole matter when we debate the supply bill which, I understand from the deputy leader, we will probably have early next week. Until then, those are my comments on the motion. As the report is a report of a committee, there is no requirement that it be dealt with other than in the chamber.

• (1520)

Senator Langlois: It is expected that the supply bill will reach us early next week.

Motion agreed to and report adopted.

The Senate adjourned until Monday, June 26, 1978, at 8 p.m.

APPENDIX

(See p. 904)

TRANSPORT

GRAIN TRANSPORTATION OPERATIONS ANALYSIS—TERMS OF REFERENCE

1. BACKGROUND

In recent years the Federal Government has made major investments in the purchase and rehabilitation of railway rolling stock in order to retain in service a fleet of cars adequate in type and number to respond to the requirements of grain traffic originating in Western Canada. This results from the inability of the railways under current arrangments to finance major investments in railway rolling stock for the movement of grain.

Throughout this winter there were numerous complaints expressed by the Canadian Wheat Board, the Grain Companies and other groups concerning the alleged inability or unwillingness of the railways to respond adequat&ed145;-1e transportation requirements imposed by current grain sales on the export market.

In addition, grain company management representatives and certain producer organizations have expressed uncertainty as to whether the present grain car allocation, control and co-ordination system, is functioning as efficiently as possible.

A continuing dilemma from the Federal Government perspective has been the difficulty in determining the validity of these criticisms in general.

Furthermore, in view of the production and export projections prepared by the Canadian Wheat Board, the scale of Federal Government investment, reductions in the size of the boxcar fleet predicted by Canadian National Railways and C.P. Rail, and in the light of present institutional and operating arrangments, the time is now appropriate for a comprehensive assessment of any operational and administrative inefficiencies that may exist in the transportation system.

2. OBJECTIVES:

a) To make an assessment of the operational efficiency of specified components of the contemporary grain transportation system in Western Canada.

b) To define key institutional, operational and capacity constraints in the present system and prescribe cost minimizing remedies in accord with a range of alternative export volume and system configuration scenarios.

c) To identify probable operating and capital equipment needs for the movement of grain over the next several years under these scenarios.

d) To establish an improvement plan which would:

i) minimize-institutional and operational constraints;

ii) be based on specified techniques (e. g. systems analysis and management, computer applications, etc.)

e) To establish the appropriate implementation mechanism; i.e.

i) The role of key personnel

ii) The required level of expertize and training

iii) The reporting relationship most appropriate for the overall control function.

3. DEFINITION:

For the purpose of this study the grain transportation system shall be defined as the interrelated process whereby grain is called forward from on-farm storage, collected by means of quotas imposed by the Canadian Wheat Board and forwarded via the grain block system and regional rail network to export terminal position for cleaning prior to loading on vessels. The focus will be restricted to movements within Western Canada hereby defined as the area bounded by the ports of Vancouver, Prince Rupert, Thunder Bay and Churchill.

4. METHOD OF APPROACH:

The study shall be undertaken in two sequential parts.

Phase I. INITIAL IMMERSION

In recognition of the fact that the consultant must be permitted adequate time to develop familiarity with the complexities of the Western Canadian grain transportation system there will be an initial period of approximately one month allowed for this purpose. This will enable the consultant to have discussions with the following:

Grains Group	—Ottawa
Canadian Wheat Board	—Winnipeg
Canada Grain Commission	—Winnipeg
United Grain Growers Ltd.	—Winnipeg
Manitoba Pool Elevators	—Winnipeg
Cargill Canada Ltd.	—Winnipeg
Pioneer Grain Co. Ltd.	—Winnipeg
Canadian National Railways	—Winnipeg, Edmonton
C.P. Rail	Winnipeg, Vancouver & Montreal
Northern Alberta Railways	—Edmonton
Saskatchewan Wheat Pool	—Regina
Prairie Rail Action Committee	—Regina
Weyburn Terminal Co.	—Weyburn
Alberta Wheat Pool	—Calgary
Canadian Transport Commission	—Vancouver and Thunder Bay

Other Organizations or Groups as Specified by the Client

No formal written report will be required at the conclusion of this initial stage although the consultant will be required to give a satisfactory briefing to the client that will demonstrate the acquisition of an adequate basis of understanding of the system and its problems. The consultant will not proceed on the Phase II of the study until the client is satisfied that an adequate level of understanding has been developed.

Phase II. THE MAIN STUDY

In this phase the consultant shall undertake an evaluation of the following aspects with respect to the effectiveness and efficiency of the whole system.

A) Canadian Wheat Board

i) Grain and oilseeds traffic projections both export and domestic.

-volume

-directional flow

-seasonal variation

-origins and destinations by type of grain

The consultant will base the analysis on a range of optimistic, median and pessimistic volume assumptions.

ii) Quota System

—inventory control

—producer responsiveness

—grading system

iii) Block Shipping System

-car allocation formulae

-definition of blocks and possible rationalization

-producer cars

-efficiency (matching terminal requirements with country originations by grade and type of grain)

-efficiency (railway operations)

iv) Movement of Non-Board Grains

—C.W.B. control of non-board grains

—car allocation

—switching of board and non-board grains

v) Liaison

—Canadian Wheat Board and the railways

—Grain Companies and the Wheat Board

—Grain Companies and the railways

All of the above to be reviewed in relation to selected demand scenarios.

B) Railway System

i) Collection Network (Overview)

—ultimate configuration (basic network)

—present and planned capacity

—rehabilitation

—car cycles

—relationship of grain to other bulk traffic

ii) Branch Line Network

—operating practices and constraints

—seasonal restrictions

—car spotting and waiting time

—demurrage

iii) Line Haul

—capacity constraints

—interlining/reciprocal agreements

—joint track usage

—routing practices

iv) Terminal Operations

—constraints

—assessment of ongoing studies, etc.

—demurrage

v) Motive Power & Equipment

—reduction in boxcar fleet

—efficiency of utilization

—future hopper car raquirements

—motive power

C) Grain Trade

i) Primary Elevator System

—evolution and rationalization

—storage function versus throughput

—allocation of cars within blocks

—non-board grains and oilseeds

—impact of competition

—primary elevators

—terminal elevators

—operating problems

ii) Terminal Elevator System (Ports)

—car co-ordination

—pooling

—non board grains

5. TIMING:

Phase I—One mont from date of authorization

Phase II—Nine months from date of authorization

6. REPORTS:

A verbal report only will be required for Phase I. Thereafter the consultant will provide reports at 60 day intervals on items a, b and c respectively. A final system evaluation report together with all relevant appendices shall be provided upon completion of the study.

STUDY DIRECTION

The study will be carried out under the direction of the Director-General, Transportation and Handling, Grains Group, Ottawa, or his designate.

7. COST

The consultant shall provide two quotations:

a) fixed price basis—Phase I and II.

b) Basis—agreed schedule of rates (with estimate of total costs)—Phase I and II.

THE SENATE

Monday, June 26, 1978

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

Prayers.

APPROPRIATION BILL NO. 2, 1978-79

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-61, for granting to Her Majesty certain sums of money for the Government of Canada for the financial year ending the 31st March, 1979.

Bill read first time.

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

Senator Langlois, with leave of the Senate, moved that the bill be placed on the Orders of the Day for second reading later this day.

Motion agreed to.

CRIMINAL CODE

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-42, to amend the Criminal Code.

Bill read first time.

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

Senator Langlois, with leave of the Senate, moved that the bill be placed on the Orders of the Day for second reading at the next sitting.

Motion agreed to.

DOCUMENTS TABLED

Senator Langlois tabled:

Report on operations under the Regional Development Incentives Act for the month of March 1978, pursuant to section 16 of the said Act, Chapter R-3, R.S.C., 1970.

Report of the National Librarian for the fiscal year ended March 31, 1978, pursuant to section 13 of the National Library Act, Chapter N-11, R.S.C., 1970.

Report on the administration of Allowances for Blind Persons in Canada for the fiscal year ended March 31, 1977, pursuant to section 12 of the Blind Persons Act, Chapter B-7, R.S.C., 1970.

Report on the administration of Allowances for Disabled Persons in Canada for the fiscal year ended March 31, 1977, pursuant to section 12 of the Disabled Persons Act, Chapter D-6, R.S.C., 1970.

Report of Telesat Canada for the year ended December 31, 1977, including its accounts and financial statements certified by the Auditors, pursuant to section 37 of the Telesat Canada Act, Chapter T-4, R.S.C., 1970.

Copies of Ordinances passed by the Council of the Yukon Territory during its 1977 Second Session, pursuant to section 20(1) of the Yukon Act, Chapter Y-2, R.S.C. 1970, together with copy of Order in Council P.C. 1978-464, dated February 16, 1978.

Document entitled "Proposed Standing Orders of the House and Rules of The Senate," with respect to Bill C-62, "An Act respecting the independence of Parliament and conflicts of interest of Senators and Members of the House of Commons and to amend certain other Acts in relation thereto or in consequence thereof".

BUSINESS OF THE SENATE

ADJOURNMENT

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until tomorrow, Tuesday, June 27, 1978, at 8 o'clock in the evening.

Motion agreed to.

INCOME TAX ACT

BILL TO AMEND—SECOND READING—DEBATE ADJOURNED

Hon. Salter A. Hayden moved the second reading of Bill C-56, to amend the statute law relating to income tax and to authorize payments related to provincial sales tax reductions.

He said: Honourable senators, there are a few things about this bill that are unusual. First of all is its shortness. We have become accustomed to voluminous bills which are almost books. Secondly, many of the provisions are relieving in their effect and therefore provide some benefit to the taxpayer. As a matter of general principle, of course, we would be inclined to favour such amendments. However, there are certain principal ones in the bill which I intend to speak about in a particular way.

The first amendment concerns provincial sales tax. While this has provoked a great deal of discussion in many areas, in substance it can be briefly stated as to its scope and intended purpose. The federal government offered to the provincial

governments to defray the cost of a reduction in the general retail sales tax rates on certain terms and conditions, the idea being, as was stated, to stimulate the economy in an immediate way.

The terms of the offer were as follows. For the Atlantic provinces the offer was to reimburse them for 3 percentage points on their sales tax rates for a period of six months; for the provinces other than Alberta, which has no sales tax, the proposal was to offer to reimburse them to the extent that they would reduce their retail sales tax rates by 3 percentage points, 2 percentage points of which would be reimbursed by the federal authority, and 1 percentage point was to be the responsibility of the provinces.

● (2010)

The overall effect of this so far as the federal authority is concerned is a liability to the federal authority of 2 percentage points on the provincial retail sales tax rates for a period of six months. The provinces other than Alberta had the option of selecting a form of reduction of 3 percentage points for six months or 2 percentage points for nine months. That was the beginning of this so-called offer to deal in this way. However, the Province of Quebec elected to reduce its sales tax on selected items, and this appeared to disrupt the proposal. Whatever went on in the way of discussion, of course, received its fair share of publicity and it is not my intention to repeat any of that tonight. I should say that so far as Quebec was concerned, the fact that it had selected certain industries for receiving the benefit of the sales tax reduction and had not accepted the proposal in the form in which it was presented ultimately brought to the fore a solution proposed by the federal government. That solution was as follows: A calculation was made of the amount of loss of income by the reduction of sales tax in Quebec on the selected items. It was estimated that this would amount to $40 million. It would appear that the calculation was a rough and ready method of arriving at a figure. However, if it errs on the side of not providing enough, then clause 59 provides that in order to make up any underpayment the moneys may be drawn from the Consolidated Revenue Fund. This would apply to all payments which the federal authority has undertaken to make by way of reimbursement. So the Quebec proposal included the $40 million.

Then we have in clause 30 a method for providing this money by way of reimbursement to the provinces. The method provides that a taxpayer, other than a taxpayer residing in the provinces of Quebec and Alberta, will be entitled to deduct, from his tax otherwise payable for 1978, the lesser of $100 or his tax payable for that year. By way of example, if the total tax payable were $2000, the taxpayer could deduct $100; but if the total tax payable were $75, he could then deduct only the $75. That is why it appears to me that there may be need for adjustments. There are bound to be taxpayers over the length and breadth of the various provinces who have a tax bill which is under $100. So the question is: To what extent do payments under $100 amount to the sum and total of the reimbursement the federal government has agreed to provide?

[Senator Hayden .]

As far as the province of Quebec is concerned, the proposal is that an individual taxpayer would be entitled to deduct the sum of $85 from his tax otherwise payable in 1977. That is provided for in clause 30 of the bill. The $85 is arrived at by a method of calculation which translates the $40 million into a per capita amount. It is estimated that the $40 million payment broken down into the number of taxpayers in Quebec would represent approximately $15 per person, so the $100 which otherwise might have gone to the province of Quebec under the general rule now becomes, in fact, $85.

The Minister of Finance indicated in a recent statement that there will be no other bill in connection with this matter of reimbursement for the abatement of the provincial retail sales taxes. That means that this bill now before us, as far as the federal authority is concerned, represents an agreement in respect of this matter.

That is as far as I intend to take this subject at this time. I have exposed the purpose of it, the plan of it, and how it works.

The next item I intend to deal with concerns registered retirement savings plans. First of all, I should like to deal with the options at maturity that are available under this bill, and you will find them set out in clauses 34 and 35 of the bill.

For some time—and I know this is true of committee meetings last year—there was considerable discussion with respect to the inflexibility of the rule dealing with the maturity of registered retirement savings plans at age 71. The owner of a plan had only two options—that is, he could take the proceeds out of the plan which would be taxed at his regular rate, or acquire a life annuity. There was a great deal of complaint about this inflexible rule. The suggestion was that there were other ways by which the owner of a plan might be able to do better for himself.

● (2020)

In its report last year on Bill C-11 the committee referred to this situation, and the representations that were made to it in this regard. This year, there are some changes. The options that are now open at maturity of the plan, which would be age 71 or 60, as the case may be, are as follows: The owner may take all or some portion of the funds out of the plan, with which he is entitled to purchase an annuity, with or without guaranteed term, payable to him for his life, or the joint lives of himself and his spouse; he may take an annuity for a fixed term equal to the number of years remaining before he or his spouse—if she is younger and he so elects—reaches the age of 90; or he may take an annuity under a Registered Retirement Income Fund.

This is a new type of plan which parallels the RRSP. Its main provision is that a specific fraction of the total assets of the fund, composed of capital plus accumulated earnings, may be withdrawn each year by the holder to provide an annual income to age 90. The fraction would be related to the age of the taxpayer in the year in which it is, withdrawn—that is in the year of maturity of the plan, it would be equal to one divided by the number of years remaining to age 90. By way of example, if the holder of the plan were 75 at the time he

decided he wanted to take this type of annuity, the first year he would withdraw one-fifteenth of the moneys in the plan; in the second year, one-fourteenth; in the third year, one-thirteenth; and so on, to the age of 90, at which point he would have exhausted the funds in the plan. Someone in committee asked what happens at age 90. There were a number of answers volunteered, from which, I suppose, one can conclude that he would have to look elsewhere for money—that is, if he were in a position to look.

The financial and other institutions that issue these plans are also those who may issue RRIF plans. Each taxpayer will be limited to one RRIF, because that involves the whole amount of the plan—the capital funds and the accumulated earnings in the plan—at the time it matures and he makes his election.

That is one option which I construe as being a concession to the submissions that we made in our report last year. It is an attempt to answer the demand and criticism from holders of registered retirement savings plans that the conditions at maturity were too inflexible.

The second matter I would like to discuss in relation to these plans is the proposal in this bill to establish a minimum age below which the plan may not be collapsed or matured, and that age is 60. There has been a great deal of complaint about the establishment of this minimum age. All we had in the whole history of this kind of retirement planning heretofore was a maximum age at which the plan must mature, and that was age 71. We had representations made to our committee which indicated that this obligation that one had to stay with the plan in all circumstances until one reached the age of 60 was bound to work hardship. The Life Underwriters' Association, who appeared before us—and they are certainly knowledgeable in relation to the attitudes and feelings of policy holders and of people who participate in RRSPs—assumed a circumstance in which a husband, whose wife was aged 40 or thereabouts, and who had some children, died at age 45 or 50. Their representations to us were as follows: The surviving spouse faces a period of severe emotional trial and financial readjustment. The present RRSP law is flexible, and well suited to emergencies of this kind because the surviving spouse can rollover the deceased's RRSP into his or her own RRSP. There "rollover" means that it involves deferral of tax. This provides a continuing tax shelter and an opportunity to plan the future. It may be that the maturity of the RRSP as an annuity should be deferred five or ten years because of other assets currently available.

The proposed amendment would prohibit this type of arrangement. The income-averaging annuity option is of limited use in such circumstances because it must be exercised within a few months, which may not be practicable in such circumstances. Or, if the surviving spouse in the example given decides to take employment and defer the maturity of the RRSP until later at age 50, then if at age 50 she becomes disabled, and the needs to convert the RRSP into regular income at that age become quite emphatic, under the law as now proposed the only option would be to cash out the RRSP and suffer the tax burden in one year.

Now when we were presented with this situation, I, as chairman of the committee, made some inquiries, and sure enough I had confirmation of something that I thought could be done. Sure enough, I had confirmation of something that I thought could be done. That is, there was a way under the existing law by which the spouse could do it, when she was caught in circumstances of that kind in the early death of a husband, say, before the age of 60, and was stuck with the plan until she would reach age 60 herself, because with the minimum age that is the earliest age at which you can mature or collapse the plan. But it is an involved, a cumbersome and an expensive way of doing the same thing. For instance, the widow could create an RRSP herself, and then settle on the amount of annual payments she felt she needed as supplementary income in the first year to see her through that year. She could transfer the balance of the moneys in the late husband's RRSP to her RRSP tax-free, or with deferral of tax, and then she could take out of the late husband's plan the first annual payments that she figured she needed for supplementary assistance, and on that she would pay tax at whatever her marginal rate was. But then the cumbersomeness of it is that in the next year she would have to establish another RRSP and go through this procedure again, and so on each year until age 60, at which point these restrictions cease to have any effect.

● (2030)

The position of the committee was that, when the reason for establishing the minimum age was provided, which was that RRSPs have a character of retirement income about them, not having a minimum age and thereby permitting an early dealing with funds that are earmarked in this way, you are defeating the purpose of those who established this type of plan as a retirement plan in the first place. But necessity is the mother of invention—although I have heard a paraphrase on that, sometimes in relation to the baseball season, that a mother is the invention of necessity at times. So our position was quite simple: If the character of retirement is lost because there is no minimum age, then that character can be lost in any event by the procedure that presently exists in the law. In the report which your committee will be making on the subject matter of this bill in the next day or two, the recommendation is made that the minimum age should be deleted. There appears to be a logical basis for that. It does not defeat, shall I say, the goodness of the plan and the wider choices or options that you are given at present.

The next item in connection with RRSPs is the proposal in the bill to tax the benefits of the RRSP and the RRIF, where the owner of the plan dies, does not have a spouse living but does have children and the children are the beneficiaries. The proposal under the bill is that the fair market value of the plan shall be determined and that that amount shall be added to the income of the estate and shall be taxed in the estate at the rates which are the rates attracted by the owner of this RRSP.

Your committee heard evidence on the point and in view of the submissions we felt that the proper way to do it was to permit the beneficiaries, the children, to take the benefits from the plan, and they could do that by way of either rollover or deferral of tax, and then they would be the logical persons to pay the tax because they would be getting the proceeds of the plan. As it is, none of the proceeds of the plan goes into the estate but the estate has to pay the shot. So by doing it the other way about, the beneficiaries would have a marginal rate of tax considerably lower than the estate's, and in the circumstances it would appear to be a preferred way of dealing with it.

I am just presenting both sides of the question.

The other item was on life insurance policies. If you remember, last year this was quite an issue.

In our report we made certain recommendations. One was that the interest on life insurance policy loans either should be deductible or should be added to the adjusted cost base of the plan. This was done last year, but this year there is an amendment which provides a new definition for the adjusted cost base, namely, the premiums which have been paid and what, up until this year, would be the interest which has not otherwise been deducted—the interest on the policy loan. That would make your adjusted cost base. Since the excess in a policy loan, when it is paid out—that is, the difference between, say, the cash surrender value at that time and the policy loan—if there is an excess there in favour of the cash surrender value as against the adjusted cost base, then that excess is regarded as income and is taxable in the hands of the policyholder who has secured the loan. If it is not, why, then, he is not subject to tax.

In respect of that, your committee was concerned as to why the suggested changeabout took place with respect to meeting the recommendations of the committee in December of last year and then this change in the plan which excludes interest from any calculations of adjusted cost base for the period pre-1978. The explanation given was that the information on this particular point would not be readily available through the insurance companies. That is as much as I wish to say on that point at this time. We may have more to say in our report.

● (2040)

The next item that I wish to discuss for a few moments is scientific research. Since 1961 scientific research has been recognized as an item entitled to 100 per cent deduction. Last year there was an additional allowance in respect of scientific research of from 5 per cent to 10 per cent. This year the minister proposed that there should be a 50 per cent extra allowance for expenditures on scientific research for the years from 1978 to 1989, and the 50 per cent was to be calculated on the excess of expenditures for the current year as related to the annualized—that is their word, not mine—rate during the base period.

The base period which the bill provides is the prior three years of operation and the average rate of expenditure in those years for scientific research; and if there is an excess in the current year, as against what was spent in the base period there is then entitlement to the 50 per cent write-off on that amount.

I should explain that there is also a provision in the bill to the effect that if the property which earns the scientific research is sold at any time, there is recapture of that 50 per cent, and the recapture may be of the 50 per cent or the recapture may be on the basis of the fair market value of the property at that time, or in relation to the original cost of the property.

There is a great deal that I could say about that, because the bill goes on for three or four pages, as honourable senators might expect, to provide for alternative situations which have to be met. However, I do not think any good purpose would be served in my going into details on that tonight.

I should like to speak for a moment about family farms, a subject which arose in 1970 when your committee was studying the White Paper on Taxation. At that time we had, as deputy chairman of the committee, Senator Lazarus Phillips, whose name is well known to most people. He was an excellent senator and lawyer.

One of the recommendations the committee made at that time in connection with farms was that the benefits should be extended to the farmer in order to encourage him to stay on the farm. The situation at present is that, as a general rule, any increase in the value of a farm accruing on the death of the owner would be included in computing the income of the owner in the year of his death. That was the general rule, but, in order to encourage the children of farmers to carry on the operation, the act provides special rules, which can be found in subsections 70(9), 70(9.1), and 73(3), whereby farms may be passed from one generation to another without immediate tax liability for accrued gains in value. However, as Senator Phillips has pointed out, the direction of farming and the ownership of farms had changed, and much of the structure for the holding of farms was becoming by way of either incorporation or partnership. He suggested that the situation should be recognized and that the deferral of tax should also encompass shares and interest in qualifying farm partnerships as well as qualifying farm corporations. The bill before us does provide for that.

The subject of reserves is a rather complicated one, but I shall try to be brief in dealing with it. In 1968 the federal authority created a new set of rules governing the accounting for income by life companies—domestic life companies and multinational companies.

There was provided in regulations a formula to determine the actuarial reserves. An actuarial reserve is the kind of reserve to which a life company is entitled to reserve against premium income. For the first year of a life policy there is a portion of the premium that is permitted as an actuarial reserve, and when it comes to accounting for income from the premiums received on the first year of life insurance policies, the actuarial reserve is deducted in arriving at the income for tax purposes.

Another element that was determined in 1968 and passed into law in 1969 was what was called non-capital losses. Investments held by life companies, which they trade to improve their position and yields, are treated as trading transactions, and therefore one can develop out of those transactions non-capital losses or non-capital gains. If it was a loss, one was entitled to write it off, and if it were a gain, one had to add whatever was the tax since we brought in capital gains taxation.

There were also certain other elements by way of reserve that were provided, all in 1969.

Throughout the years from 1969 until the end of 1977 the life insurance companies have operated on the basis of the actuarial reserves, the non-capital reserves, either losses or gains, and the other reserves, and they have made their statements on that basis.

However, in the evidence before the committee the income tax officials indicated that a close study of the volume of business of the life companies, or many of them, showed that having regard for the volume of operations, the industry was not really paying its way in the provision of revenues and that the actuarial reserves formula must have been too generous. Therefore they proposed to reduce it. They proposed to deal with the treatment of non-capital losses in another way which would reduce the benefit of such losses.

● (2050)

Some life companies appeared before the committee and complained that they had in 1972, 1973 or 1974 sold low-yielding securities at a loss and acquired higher-yielding securities in order to improve their income. Under the proposals which were made last year, some of which are incorporated in this bill this year, those losses are not going to be allowed and the whole scheme of reserves is going to be rewritten from 1969 down to 1977. The net result of that will be that many of these companies—not all of them because some of them still have a profit position notwithstanding the loss write-off and the reserve provision—will carry into 1978 much less in the way of write-offs which they were entitled to take and have carried by way of loss carry-forwards down to the end of 1977. They will also be subject to substantial taxes when the accounting is done.

The real complaint that we have heard from some of these companies has been that they observed what the law provided from 1969 to 1977 and that while it is perfectly all right prospectively to change the basis for calculation of actuarial reserves, non-capital losses and other write-offs, the government cannot go back and pick up the loss carry-forwards which reflect the taking of those reserves which were at the time allowable under the law. So these companies then move into 1978 without the benefit of the full amount of those reserves and are subject to very substantial taxes.

In summary, I think that is a statement of their position. This is quite a serious question which has to be resolved. Our committee is seeing the minister tomorrow morning to find out what the attitude will be in relation to that, and whether there is any elbow room for change.

The real complaint your committee has is that we were promised the regulations in December of last year. Periodically I have asked for them ever since, and about four weeks ago I asked for them again and was told I would have them in two weeks, but I still do not have them. It is very difficult to do calculations of a revised formula for actuarial reserves if you do not have the regulations that provide the formula, and if you do not have the regulations that provide what the departmental officials said were compensating benefits in the changes that were being introduced. We do not have the regulations and we do not have any indication as to what the compensating benefits are. The question will ultimately have to be seriously considered.

Certainly, if some of the life companies are not providing the proper revenues having regard to their volume of business, then there is no question that the government has the right to move in to change the formula and the allowances. How far that may extend is for Parliament to say, and Parliament has spoken in the Commons by sending the bill to us. Now we have to deal with these provisions.

I have taken a fair amount of time, but it is hard to shorten these matters. Perhaps I might just take a quick run at one or two things, realizing that there is something for almost everybody in the bill this year.

The next item may not hold much interest for senators, but it is interesting to note that the government is thinking of various classifications of people. This comes under the heading of "Employment at special work site or remote location" and is dealt with in clause 1 of the bill. Generally, the law is that an employee is subject to tax on the value of any benefit he receives through his employment. To qualify for an exemption in respect of board or lodging or transportation at a special work site at a remote location while performing duties of a temporary nature, under the existing law the employee must have a residence at another location where he supports a spouse or a person dependent upon him for support and connected to him by a blood relationship, marriage or adoption. This was a break for married men. However, the amendment which is provided by this bill would allow such exemptions to apply to all employees working at remote locations such as logging camps or construction projects in the far north.

If you remember, some years ago we were dealing with the subject matter of depreciable business property and eligible capital property. In clauses 2 and 3 of the bill the subject of replacement property is dealt with. You know, for instance, that depreciable property would include buildings and machinery. For example, under the income tax provisions, if a fire occurred and there was an insurance loss and the proceeds were payable, the taxpayer had to bring the proceeds of the insurance into his income unless he made a replacement for the same use and for the same business. That same rule applied in relation to eligible capital property. They are now changing it because it seemed to work hardships in many cases. They have changed the expressions "for the same use"

and "for the same business" by putting after the word "use" the words "or similar use" and "or a similar business". This broadens the scope and permits a broader deferral of tax which would otherwise be payable. I think this clause could be called "sensible" in its provisions.

One other thing I should mention concerns loans to employees. Last year there were a number of provisions made in connection with allowing loans to employees, where the interest rate was a fair rate, without attracting tax. Clause 4 of the bill provides an exemption for loans to employees of a corporation to enable or assist them to purchase from the corporation fully paid shares of the corporation, or from a corporation related to that corporation fully paid shares of the related corporation, to be held by them for their own benefit. That is an extension of the provision because, in the original form, the loan could be made only to purchase the shares from the corporation which was lending the money. Yet there are many instances in which the corporation of which this person was an employee was not in a position to make the loan, while the related company was in a position to do so. This provision authorizes such a loan by a related company in relation to shares of the related company, and the employee of the corporation still benefits tax-wise. However, of course, they cannot lend the money tax-free, because if that were done the amount of the loan would be added to income.

● (2100)

There are many other items, all of which are interesting, but I believe I have given you a run at the principal features of the bill. When you see our report on the subject matter of this bill in a day or two you will have a great deal of the detail of other provisions contained in the bill. I feel, for purposes of obtaining a working knowledge of the bill, that this is as far as I should reasonably take it tonight. I should point out that when I was making what might be regarded as critical remarks about some of the proposed treatment of interest on policy loans and reserves in connection with life insurance companies, these were not intended as criticism of the bill so much as a suggestion that I feel that in this area there is much to learn about how things operate, and attention should be paid to those who live, work and operate in this area and who are the best ones to explain their positions and problems and the extent to which they feel they should have the benefits to which they are entitled extended.

Honourable senators, that is all I intend to say tonight with respect to this bill.

[*Translation*]

Hon. Claude Wagner: Honourable senators, I had hoped that when time came to make my first speech in this distinguished house, I would be able to support without any reservation or restriction whatsoever the spirit and the wording of Bill C-56. I cannot.

[*English*]

I thought that at least I could offer my congratulations, both to the federal and Quebec governments, for having for once buried the hatchet in order to achieve by means of the contents of Bill C-56 an understanding satisfactory to both parties and, above all, beneficial to Canada as a whole. Unhappily, I cannot do so.

[*Translation*]

Of all the legislation presented in Parliament in the last few years, Bill C-56 is probably the one that has created most controversy and aroused most acrimony. The reason is that during the debates it has given rise to, the main purpose of this legislation has been forgotten.

Whatever each side may say, the basic issue is the right of one province to run its fiscal system as it likes, and the need for the central government to respect that right. The ideologies of the parties concerned may have inspired ambiguous attitudes, but they must not make us lose sight of what is at the core of the matter, namely, the conditions under which a federal policy that has an incidence in a field of provincial jurisdiction must be implemented.

It is not enough, for instance, for the Ottawa government to do violence to the Canadian Constitution, on the pretext that its Quebec counterpart wants to undermine the federal system. Nor is it not enough for the Quebec government to claim that its counter-proposals have more economic value than those of the Canadian authorities.

What we must regret about Bill C-56 is that the good initiative of the federal Minister of Finance turned sour and led to one of the most dangerous infringements by Ottawa in a field of provincial jurisdiction.

In his desire to involve the provinces in some provisions of his April 10 budget, the Minister of Finance of Canada was innovating. He was opening a new chapter in the history of federal-provincial relations. At the risk of endangering the inviolability of the budget secret, he did not hesitate to confide in his provincial colleagues in an attempt to elicit from them a consensus calculated to ease his task. That gesture, which can be described as imaginative and daring, could not but please those who, for so many years have hoped to achieve a harmonious federalism putting an end to the exhausting struggles Canadians have had to witness helplessly in the past. In the final analysis, the budget of April 10, of which Bill C-56 is in fact the legal version, represents an honest and positive beginning to that harmonious federalism we want passionately.

It is unfortunate that political passions ended up by spoiling an initiative that augured well for better coordination of the economic and fiscal policies of the federal and provincial governments.

I have no intention, honourable senators, of repeating here all the arguments invoked *ad nauseam* against Bill C-56, nor do I intend to mention those that may have been put forward in its support. Suffice for me to say that the foxiness of the Quebec minister of finance did nothing to add to his prestige throughout that quarrel.

The acme of cynicism—I think, it must be said—was reached in the last few days when, after having announced with great fanfare that Quebec had imagined a way of recovering the moneys paid directly to Quebec taxpayers, Mr. Pari-

zeau simply stated that the solution would come next fall. He thus reached the end of a rather dull scenario, while also giving the clearest possible example of the bankruptcy of a separatist policy, stuffed with slogans, built on the quicksands of propaganda, and impotent when time comes to really act. Governments have always behaved this way on the eve of their decline.

This new conflict between the federal government and the province of Quebec illustrates once again the urgency of a drastic reform of the Constitution of Canada.

The white paper and Bill C-60 on constitutional reform should provide us in the debate on the second reading of Bill C-56 with the opportunity to deal with this problem where the very survival of Confederation is at stake. Let us take the opportunity of this debate to think about it.

The Senate, whose existence is questioned and usefulness challenged in several circles, stands among all political institutions as the one most apt in the present circumstances to free itself from party considerations and to indicate the way to the Canadian people. Let me, quite modestly, outline the challenge which is ahead of us in this chamber.

● (2110)

[*English*]

Honourable senators, the challenge that faces this very house is one of competence and creativity. Instead of looking for a confrontation, we should use all our energies toward the consideration of new solutions and new ideas. We should never forget that the spirit of Confederation was a spirit of experimentation, a spirit of openness and a spirit of tolerance. We should not reject offhand any suggestion or change; we should explore every proposal in order to see whether it could help to achieve a better relationship between Canadians from all walks of life and from every province, a relationship which can be lasting and meaningful.

We must develop a new capacity to accept change and to seek change. We must toil together in order to bring about a greater closeness between Canadians from every part of the country. We must do our best to alleviate the feeling of isolation which prevails now in too many parts of Canada and which, in Quebec, has given birth to a party committed to the breaking up of our Confederation.

[*Translation*]

Bill C-56 particularly illustrates the isolation which can separate two government levels as well as the lack of agencies to coordinate their policies.

With that in mind, while we should maintain the separation of powers and clarify jurisdictions, we should practice what I shall call a true participatory federalism. I believe it should be supported by wider jurisdictional decentralization, not to weaken the central authority but to avoid interpretation conflicts and ensure better efficiency in the implementation of national policies.

Of course, we should not deny the federal government the authority which is essential to maintain national unity. It is obvious that, in some sectors, and particularly the economy, Ottawa should enjoy the legislative supremacy without which our nation might find itself in a state of chaos. But at the same time the federal government, when it steps into a provincial jurisdiction—as it does with Bill C-56—should leave the provincial governments free to interpret the global objectives of the federal proposals in the light of their own priorities.

In that respect, we must deplore the lack of adequate and permanent structures for the discussion and formulation of major national policies. Federal-provincial conferences represents a significant progress over the period before World War II but they fall far short of being an entirely adequate approach to eliminate potential conflicts and resolve quarrels over the interpretation or implementation of national policies.

[*English*]

Referring to economic planning, I happen to think that there should exist what I would call a national ministerial council whose functions would be to devise national policies and bring all levels of government to co-operate for their implementation.

I believe that truly national policies born of a consensus among all governments would have a better chance of being accepted by all sectors of the population than those which the central government attempts to force upon the provinces. If there had been proper and meaningful consultation on the advisability of a general reduction of the provincial sales tax, clause 30 of Bill C-56 would not have been necessary.

This kind of pre-consultation can and should be extended to all issues in which Canada as a whole, and some of the provinces in particular, are vitally interested. In this respect, I am thinking of the GATT negotiations and, naturally, of the determination of national policies in such areas as the dairy industry, the textile industry, and so on.

[*Translation*]

A country does not live only on economic relationships between its various parts. It could not continue to exist for long if something nobler did not cement its various parts and inspire its various communities. It is in that spirit that we must undertake the drafting of a charter of human rights as well as its natural complement—a charter of linguistic rights for the official language minorities.

Since the election of November 15, 1976, in Quebec, we have been hearing from all parts of Canada many declarations of friendship toward the French-speaking province. There is a willingness to accept new constitutional arrangements to allow Quebec to strengthen its economy and particularly support its own culture more effectively.

That response is healthy and encouraging but it is clearly insufficient as it seems to leave out an important aspect of Canada's French-speaking community, namely, the presence of French minorities in every one of the nine English-speaking provinces of this country.

French Canada, let us not forget, does not stop at the borders of Quebec, and its right to exist is not limited only to Quebec residents. Until Canadians as a whole accept that a legal minority in Canada is a French-speaking or an English-

speaking minority, as long as the English-speaking majority does not consider the members of the other founding people as having equal rights throughout the territory, the Canadian problem will never be solved. A painful wound will remain in the side of our country because a significant part of the people will feel rejected.

And so, after one hundred and eleven years of federal regime, the time has come to give Canada a charter of minorities which will define the language and school rights of each and every one of its components from both the French-speaking and English-speaking parts of Canada. The time has come to proclaim *a mari usque ad mare* the equality of our two major national language communities. The time has come to say that the local communities of their descendants have the right to live and develop freely under the protection of the law and inasmuch as a heterogeneous environment will allow.

If our French-speaking minorities are incapable of obtaining *de jure* and *de facto* that confirmation of equality of status—to which the English-speaking minority in Quebec is also entitled—how could we make French-speaking Quebecers in particular feel that all of Canada is their homeland?

This protection of language and school rights of the official language minorities must be provided in the first place by provincial authorities. They have jurisdiction over the schools, which is the main line of defence for the culture of the various groups. It rests with them to show through practical policies that they accept Francophones on an equal footing and that they are prepared to give them fair and adequate school systems. Quebec should not be the only one to give the example in that matter.

As for the federal government, in the case of minorities it is practising what I would call a cultural standardization; that is, a support inversely proportional to the dangers of assimilation by a given group.

That is how we can all contribute to shape a new Canada. I already see it emerge grown and strengthened as a result of the trials and hardships that it will have experienced. Those trials and hardships will enable the country to find itself and be ready to undertake its second century of existence.

Whenever we finally decide to live up truly to federalism, the causes of separatism will disappear and the separatist threat will only remain a bad dream.

It is not too late to save the Canadian federation and, at the risk of borrowing words spoken by others, I would say that more than ever it is "a time for action".

● (2120)

[*English*]

Honourable senators, as I try to draw certain conclusions from this lengthy, historical debate on Bill C-56, I should like to leave you with an appeal for a better understanding of the workings of a real and effective Confederation. It has often been said that rivalry between both levels of government leads to a healthy state of creative tension which, in the last analysis, could only be beneficial to the democratic process. That may be so; but before I agree I should like to be convinced that the recurrence, if not the permanence, of controversies between Ottawa and any province is not utterly harmful to our country.

In the case of the sales tax dispute, for instance, I am afraid that, in the long run, and no matter who is claiming victory, Canada has been weakened once more. The wounds inflicted on national unity by this quarrel will not be easily healed.

That is why I am confident that the members of this chamber, whose main preoccupation should be to make our Constitution work properly, will see to it that justice is done to the people of Canada.

Senator Steuart: Honourable senators, I should like to say a few words about this bill this evening and then adjourn the debate.

I want the Senate to take a look at that portion of this bill which relates to the provincial sales tax reduction, and I want it to look at that portion both from the point of view of what it did or did not do for the economy of this nation, and what it did or did not do in respect of the unity of this nation. I am afraid that on both counts I must agree with Senator Wagner's view, which is that it failed.

To begin with, there have been some indications that, as a result of the Minister of Finance getting some provinces to agree to a sales tax reduction, there was an improvement in sales and a consequent improvement in the economy. But there is also a very serious doubt in the minds of many people that this will have a long-term effect. In fact, there is a feeling that it has only a short-term beneficial impact; that in the medium or long term, it will not prove nearly as beneficial.

As to what it has done for Canadian unity, I think that is a very open question. There is no question about the feelings of the Province of Quebec, nor is there any question about the feelings of the three prairie provinces. The premiers of the three prairie provinces met in Yorkton some time ago and denounced the move by the Minister of Finance, in effect forcing them to reduce their sales tax—not particularly against their will, but after what they themselves stated was little or no consultation. I think that we in the Senate should take a very serious look at what the effects will be, and have been, if we pass this bill without serious and due consideration.

● (2130)

So I want to be allowed to adjourn this debate, because I want to ask the Senate to consider the possibility of setting up a committee that will allow not only the premiers of the ten provinces, but also the leaders of the opposition in the ten provinces—in fact, the leaders of all political parties in the ten provinces—to have their say about this federal intrusion into what up until this point has been a strictly provincial fiscal matter, namely, the adjustment and the charging of a sales tax.

Honourable senators, unless the honourable senator from Quebec wishes to speak on this now, I move the adjournment of the debate because I shall have more to say on this subject tomorrow.

Senator Frith: Will the honourable senator permit a question? When he says that there is no question as to the attitude of the Province of Quebec, is he speaking of the government, the separatist government of the Province of Quebec, or is he speaking of the people of Quebec? What does he mean by "the Province of Quebec"?

Senator Steuart: I am speaking about the Government of Quebec, as represented by the premier, the leader of the opposition as represented by the leader of the Quebec Liberal Party, and also the leader of the other party in Quebec. I am speaking of everyone who spoke, as far as I can gather, in the Quebec National Assembly, and who opposed this bill. I am also speaking of the premiers of the three western provinces who joined together in a meeting at Yorkton to condemn the actions proposed in this bill. I am not necessarily speaking of the entire population of Quebec, but I am speaking to the fact, from what I have read in the press, that their representatives in the Quebec National Assembly spoke against this bill.

Senator Asselin: Honourable senators, I myself intended to move the adjournment of this debate, but I defer to the senator who has just spoken and reserve my right to reply tomorrow evening.

On motion of Senator Steuart, debate adjourned.

APPROPRIATION BILL NO. 2, 1978-79

SECOND READING—DEBATE ADJOURNED

Hon. Léopold Langlois moved the second reading of Bill C-61, for granting to Her Majesty certain sums of money for the Government of Canada for the financial year ending the 31st March, 1979.

He said: Honourable senators—

Senator Roblin: Honourable senators, have copies of this bill been distributed in the house? Has everyone had a chance to read it?

Senator Langlois: Yes, I understand copies have been distributed.

Honourable senators, due to the lateness of the house I shall endeavour to be as brief as possible.

The bill before us this evening, Appropriation Bill No. 2, 1978-79, provides for the release of the balance of the main estimates amounting to $15.096 billion. These estimates, as honourable senators will recall, were tabled on February 22 and referred to the Standing Senate Committee on National Finance on February 23, 1978. The report of that committee was debated in this house and adopted on Thursday last, June 22.

As previously stated, this bill provides full supply for the balance of the main estimates in the amount of $15,096,298,-970. There was a previous appropriation act, Appropriation Act No. 1, 1978-79, which provided for expenditures for the months of April, May and June, by releasing a general proportion of three-twelfths of all votes plus additional proportions for some 23 votes.

The main estimates for 1978-79 may be broken down as in the following table:

ESTIMATES, 1978-79

Main Estimates	To Be Voted	Statutory	Total
Budgetary	$19,875,760,461	$26,600,708,718	$46,476,469,179
Non-Budgetary	877,561,001	1,377,985,091	2,255,546,092
	$20,753,321,462	$27,978,693,809	$48,732,015,271

• (2140)

These main estimates were, as I said, discussed in committee in the presence of the President of the Treasury Board and his officials. That discussion took place on March 14, 15 and 16, and again on June 13. Moreover, as I mentioned earlier, the National Finance Committee tabled its report on June 14 and that report was adopted last week.

I should now like to add, as a final comment, that the form of this bill is the same as in past years; the bill contains no additional borrowing authorities.

Honourable senators, having made these preliminary remarks, I commend this bill to your favourable consideration.

On motion of Senator Flynn, for Senator Grosart, debate adjourned.

SENATE COMMITTEES

MEMBERSHIP CHANGES DURING SUMMER ADJOURNMENT—MOTION STANDS

On the Motion:

That during the coming summer adjournment of Parliament changes in the membership of Senate committees may be made by notification in writing to the Clerk of the Senate by the Leader of the Government in the Senate, or any senator named by him, with respect to government members, and by the Leader of the Opposition in the Senate, or any senator named by him, with respect to opposition members; and

That such changes in the membership of Senate committees shall be recorded in the *Minutes of the Proceedings of the Senate* when Parliament resumes.

Senator Flynn: Honourable senators, I am ready to proceed with this matter now, but if the acting leader would rather I stood the motion now, I would have no objection to doing so. I have had occasion to discuss the matter with Senator Molson, the Chairman of the Rules Committee, and he has no objections at this time. Nevertheless, possibly we should leave the matter until tomorow, which would give you time to consider it.

Senator Langlois: I am in complete agreement with that.

Senator Flynn: Then I will stand the motion.

Motion stands.

The Senate adjourned until tomorrow at 8 p.m.

THE SENATE

Tuesday, June 27, 1978

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

Prayers.

THE CONSTITUTION

PROPOSED SPECIAL JOINT COMMITTEE

The Hon. the Speaker *pro tem:* Honourable senators, the following message has been received from the House of Commons:

Tuesday, June 27, 1978

Resolved,—That a Special Joint Committee of the Senate and the House of Commons be appointed to examine and report upon proposals that have been and in the future are from time to time made public by the Government of Canada, on subjects related to the Constitution of Canada;

That twenty Members of the House of Commons, to be designated by the House at a later date, be members of the said Committee on the part of this House;

That the Committee have power to examine and enquire into all such matters as may be referred to them by the House, and, to report from time to time, and, except when the House otherwise orders, to send for persons, papers and records, to sit while the House is sitting, to sit during periods when the House stands adjourned, to print from day to day such papers and evidence as may be ordered by them, and to delegate to sub-committees all or any of their powers except the power to report direct to the House;

That the Committee have power to adjourn from place to place within Canada; and

Ordered,—That a message be sent to the Senate requesting Their Honours to unite with this House for the above purpose, and to select, if the Senate deems so advisable, some of its members to act on the proposed Special Joint Committee.

Attest

Alistair Fraser
The Clerk of the House of Commons

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

Senator Langlois, with leave of the Senate, moved that the message be taken into consideration at the next sitting.

Motion agreed to.

DOCUMENTS TABLED

Senator Langlois tabled:

Copies of Report of the Administrator under the Anti-Inflation Act, dated June 21, 1978, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting failure to file a compliance report form on the part of Mr. Jean Boucher, La Prairie, Québec.

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans, as follows:

1. Mount Sinai Hospital, Toronto, Ontario and the group of its medical doctors. Order dated June 20, 1978.

2. Les Produits Laitiers de Marieville Limitée, Marieville, Québec and the group of its Marieville plant employees, represented by the Teamsters Union Local 973. Order dated June 20, 1978.

Copies of Report of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in the compensation plan between the Board of Trustees, Middleton Regional High School and its janitors, represented by the Canadian Union of Public Employees, Local 1187, dated June 22, 1978.

Memoranda of Understanding relating to the export of certain textiles and textile products between the Government of Canada and the

1. Government of the Socialist Republic of Romania;
2. Government of the Republic of the Philippines;
3. Hong Kong Government;
4. Government of Poland;
5. Government of the Republic of Korea;
6. People's Republic of China.

Statement of Intent relating to exports from Taiwan to Canada, dated May 24, 1978.

Copies of Ordinances, Chapters 1 to 5 inclusive, passed by the Council of the Northwest Territories during its 1976 Third (60th consecutive) Session and assented to October 27, 1976, pursuant to section 16(1) of the Northwest Territories Act, Chapter N-22, R.S.C., 1970, together with copy of Order in Council P.C. 1977-639, dated March 10, 1977.

Copies of Ordinances, Chapters 1 to 9 inclusive, passed by the Council of the Northwest Territories during its 1977 First (61st consecutive) Session and assented to March 28, 1977, pursuant to section 16(1) of the Northwest Territories Act, Chapter N-22, R.S.C., 1970, together with copy of Order in Council P.C. 1977-1694, dated June 16, 1977.

Copies of Ordinances, Chapters 1 to 6 inclusive, passed by the Council of the Northwest Territories during its 1977 Second (62nd consecutive) Session and assented to May 19, 1977, pursuant to section 16(1) of the Northwest Territories Act, Chapter N-22, R.S.C., 1970, together with copy of Order in Council P.C. 1977-2121, dated July 21, 1977.

Report by the Tariff Board respecting Fresh and Processed Fruits and Vegetables, Volume 2, *Processed Fruits and Vegetables*, Reference No. 152, pursuant to section 6 of the Tariff Board Act, Chapter T-1, R.S.C., 1970.

Report by the Tariff Board respecting Bakers' Yeast, Reference No. 153 (English and French texts), together with a copy of the transcript of evidence presented at public hearings (English text), pursuant to section 6 of the Tariff Board Act, Chapter T-1, R.S.C., 1970.

INCOME TAX

INTERIM REPORT OF BANKING, TRADE AND COMMERCE COMMITTEE ON SUBJECT MATTER OF BILL C-56 TABLED AND PRINTED AS APPENDIX

Senator Hayden: Honourable senators, I desire to table an interim report of the Standing Senate Committee on Banking, Trade and Commerce on the subject matter of Bill C-56, to amend the statute law relating to income tax and to authorize payments related to provincial sales tax reductions. I ask that the report be printed as an appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent records of this house.

The Hon. the Speaker *pro tem:* Is it agreed, honourable senators?

Hon. Senators: Agreed.

(*For text of report see Appendix "A", pp. 942*)

FINAL REPORT OF BANKING, TRADE AND COMMERCE COMMITTEE ON SUBJECT MATTER OF BILL C-56 TABLED AND PRINTED AS APPENDIX

Senator Hayden: Honourable senators, I have a further report. I desire to table the final report of the Standing Senate Committee on Banking, Trade and Commerce on the subject matter of Bill C-56, to amend the statute law relating to income tax and to authorize payments related to provincial sales tax reductions. I ask that this report be printed as an appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent records of this house.

[Senator Langlois.]

The Hon. the Speaker *pro tem:* Is it agreed, honourable senators?

Hon. Senators: Agreed.

(*For text of report see Appendix "B", pp. 947*)

INCOME TAX ACT
EXCISE TAX ACT

REPORT OF BANKING, TRADE AND COMMERCE COMMITTEE ON SUBJECT MATTER OF AMENDING LEGISLATION RELATING TO SMALL BUSINESSES TABLED AND PRINTED AS APPENDIX

Senator Hayden: Honourable senators, I have a further report which I should like to table at this time. It is a report of the Standing Senate Committee on Banking, Trade and Commerce on the subject matter of Bill C-59, to amend the Income Tax Act and the Excise Tax Act in matters relating to the ownership and operation of small businesses. I ask that the report be printed as an appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent records of this house.

The Hon. the Speaker *pro tem:* Is it agreed, honourable senators?

Hon. Senators: Agreed.

(*For text of report see Appendix "C", pp. 948*)

• (2010)

Senator Fournier (de Lanaudière): Honourable senators, I should like to know when the French translation will be available.

The Hon. the Speaker *pro tem:* I do not understand what it is you are requesting.

Senator Fournier (de Lanaudière): It is very simple, Your Honour. We have a document before us which seems to be quite interesting, but we have only the English version. It is probably very good, but I should like to know when the French version will be made available.

Senator Hayden: To which report are you referring?

Senator Fournier (de Lanaudière): The final report of the Standing Senate Committee on Banking, Trade and Commerce on the subject matter of Bill C-56, to amend the statute law relating to income tax and to authorize payments related to provincial sales tax reductions.

Senator Hayden: The translation of the document is developing at this very moment. You will notice that I did not add any explanation on the contents at this time. So, in due course, possibly tomorrow, the French version will be distributed.

Senator Fournier (de Lanaudière): Thank you.

[*Translation*]

Senator Flynn: In English, in English.

The Hon. the Speaker *pro tem:* Order, please. Is Senator Fournier satisfied with the explanations which have just been given by Senator Hayden?

Senator Fournier: Senator Hayden always explains away the problem brilliantly, and I am satisfied.

The Hon. the Speaker *pro tem:* Senator Flynn, I apologize for having interrupted you.

Senator Flynn: I simply wanted to say that Senator Fournier was privileged because he at least received the report in English, which is more than I can say for myself.

Senator Denis: So we could not receive it in French.

The Hon. the Speaker *pro tem:* Are there other committee reports? If not, then we shall proceed to "notices of inquiries—avis d'interpellations".

[*English*]

TRANSPORT

REPORT OF NEWFOUNDLAND TRANSPORT COMMISSION—QUESTION

Senator Marshall: Honourable senators, I should like to ask the Deputy Leader of the Government a question with respect to the Sullivan Commission on transportation in Newfoundland.

In view of the fact that this matter is so important to the future economy of Newfoundland, and particularly because certain officials of the CNR have indicated an attitude to abandon freight and passenger rail service in Newfoundland over a period of time, could the deputy leader obtain from the Minister of Transport any information as to the deadline for the submission of this report to Parliament?

I am wondering whether this matter can be treated as urgent and whether he can report back to the Senate before we adjourn for the summer.

Senator Langlois: Honourable senators, I shall do my very best to extract that information without delay. I cannot guarantee that I will have the information requested before the summer adjournment, but I shall do my best.

[*Translation*]

NATIONAL ANTHEM

"O CANADA"—QUESTION

Senator Asselin: Honourable senators, I should like to direct a question also to the Deputy Leader of the Government. In view of the fact that the government is dying to make changes—

Senator Flynn: Why do you not say "is dying", period.

Senator Asselin: —is dying to make changes to the Canadian Constitution, could he find out whether the government would be prepared, before July 1, to proclaim "O Canada" as the official national anthem of this country?

Senator Langlois: Honourable senators, I do not share the opinion of my honourable friend when he says that the government is dying. According to the latest polls, it is far from being in a death struggle.

As to the national anthem, should my honourable friend read the recently introduced proposals to amend the constitution, he would realize that a national anthem entitled "O Canada" is to be made part of the Constitution.

Senator Flynn: Not before 1979.

Senator Asselin: I rise on a point of order. When I said that the government was dying, I indicated that it was dying to make changes to the Constitution. If the honourable senator feels that it is dying otherwise, that is his own opinion.

Senator Langlois: My honourable friend made a remark which was far from being a question. I replied, however, that if he felt that the government was dying, I felt differently, for the polls show that it is not dying.

Senator Asselin: That is not what I said. You did not understand me.

PROVINCE OF NEWFOUNDLAND

ROYAL DESIGNATION FOR NEWFOUNDLAND CONSTABULARY—QUESTION

[*English*]

Senator Marshall: Honourable senators, I wonder if I might ask a question of the deputy leader having to do with the efforts of the Monarchist League of Newfoundland to have Her Majesty the Queen designate the Newfoundland Constabulary as the "Royal Newfoundland Constabulary." This thrust was mentioned in the other place, but did not receive much attention.

In view of the fact that the Monarchist League of Newfoundland has made advances in this regard to those responsible in the other place, I wonder if the deputy leader could provide us with some information as to why this very justifiable request was turned down and, apparently, ignored.

Senator Langlois: Given the importance of this question to the people of Newfoundland, I would not dare answer it without making the appropriate inquiries. I shall take the question as notice and provide an answer at the earliest possible moment.

FISHERIES

PRINCE EDWARD ISLAND—SCALLOP FISHING—QUESTION

Senator Bonnell: Honourable senators, I have a question for the Deputy Leader of the Government, which he can take as notice. I would ask him to inquire of the Minister of Fisheries as to whether the scallop fishing season will be open in the waters off Prince Edward Island by July 1.

Senator Langlois: Honourable senators, while I was born in a part of the country in which fishing is an important part of the livelihood of the people, I am afraid I know very little about the Prince Edward Island fisheries. I shall make appropriate inquiries and respond to the honourable senator's question at the earliest possible moment.

NATIONAL REVENUE

DUMPING DUTY ON WIDE-FLANGE STEEL BEAMS—QUESTION

Senator Austin: Honourable senators, I would like to pursue my questioning of the Minister of National Revenue on the matter of the remission of duty on wide-flange steel imported into the province of British Columbia.

I asked questions in this regard on two occasions last week and was given the answer that an announcement would be made before the end of the month, which is the date on which the present remission of the duty will be terminated.

On the front page of the Vancouver *Province* of today's date, the headline reads "B.C. Construction Chaos Seen," and, according to the story, it is alleged by a member of the opposition in the other place that the remission of duty will not be continued. Accordingly, I would like to ask the minister whether he will, either tonight or during the course of this week, be in a position to make a clear statement on what will happen to the importation of wide-flange steel into British Columbia, this being a commodity which is essential to the competitive level of the construction industry in my province.

• (2020)

Senator Guay: Honourable senators, I would like to take that question as notice. As I said before, it is my intention to give some information on this particular matter soon, and I hope to be able to do so within the next couple of days.

FILM "THE MANY FACES OF CHRIST"—QUESTION

Senator Marshall: Honourable senators, I wonder if I could ask a question of the Minister of National Revenue? It has to do with a pornographic film which has been banned in many countries. In the other place the minister was asked what action he was taking to ban the movie called "The Many Faces of Christ," which was made in Sweden. Has the minister made a decision in that regard, and will he advise the Senate as to what that decision is?

Senator Guay: Honourable senators, as I said before, I do not believe the film has been made. I understand that the person in question has been trying to get some money, or to get some persons to back him, so that the film can be made. In any case, as far as the ports of entry are concerned, I have given orders to all staff not to allow this particular film, if there is such a film, to come into the country. If by any chance it should arrive at any port, the staff has been directed to get in touch immediately with the deputy minister who will deal with the matter at that time.

I want to reassure you that the matter has not been neglected, and if by chance anybody should know that the film has been made, then I would appreciate being told about it.

ENERGY

GARRISON DAM, NORTH DAKOTA—QUESTION ANSWERED

Senator Langlois: Honourable senators, on June 22 the Honourable Senator Roblin asked for information about the kind of presentations the Canadian government representatives are making to the American government on the Garrison Dam diversion project. In response I wish to state—and the response is quite lengthy—the Canadian government is following closely recent developments in the United States with regard to the Garrison diversion project, and is actively doing everything it believes can most effectively ensure that Canadian interests continue to be protected. In doing so it is also working closely with the Government of Manitoba, which of course has considerable interest in the issue.

Several actions have recently been taken. First, Congressmen are well aware of the most recent Canadian views on the project, as they received the Canadian letter of April 3, prepared in consultation with the Province of Manitoba, and forwarded to the State Department. It will be recalled that this letter was in response to the draft revised plan, required as a result of the out of court settlement of the Audubon Society suit against the Department of Interior, and issued by the Secretary of the Interior, Mr. Andras, in February. The Canadian letter indicated that the draft revised plan, while reduced in scope, did not address Canadian concerns, and requested consultations to consider the 1977 report of the International Joint Commission. Canada has been assured of an opportunity for such consultations in the context of the Administration's review of the revised plan.

Second, the Government has been in close consultation with the province of Manitoba concerning recent developments in the U.S. Congress regarding the Garrison question. In response to these developments the Canadian Ambassador in Washington, Mr. Towe, expressed Canadian concerns to the State Department in early June. He was assured that U.S. treaty obligations, the IJC report and Canadian interests would be given careful consideration by the Administration in its handling of the matter. In co-operation with the Province of Manitoba, the Department of External Affairs also facilitated the transmittal through the embassy of a letter from Premier Lyon to the Congress which expressed similar concerns. More recently, a senior official of the department visited Winnipeg to discuss with the Manitoba government the possible implications for Canada of the current situation.

Third, the Canadian embassy in Washington is endeavouring to ensure that those concerned in both the U.S. Congress and the administration are fully aware of Canadian concerns on this issue. With this objective in mind they have, for example, made available to congressmen the text of the exchange between the Secretary of State for External Affairs, Mr. Jamieson, and the honourable member from Winnipeg South Centre, Mr. McKenzie, in the Standing Committee on External Affairs and Defence, June 6.

In approaching this question the government is, of course, aware of the need to ensure that whatever representations it makes are both timely and calculated to be effective in support of Canadian interests. It is also very conscious of the assurances which the U.S. government has provided to the effect that no construction on the Garrison potentially affecting Canadian waters will be undertaken unless it is clear that U.S.

obligations under the Boundary Waters Treaty will be met. These assurances have been reiterated at the highest level, including by President Carter, and we have every confidence that the government of the United States will abide by them.

CANADIAN BROADCASTING CORPORATION

POLITICAL POLLS—QUESTION ANSWERED

Senator Langlois: Honourable senators, on May 16 last, Senator Roblin asked some questions with respect to the Canadian Broadcasting Corporation. He said:

> I am sure that the acting leader is aware that the CBC has announced that it has conducted a poll to investigate the political preferences of the people of Newfoundland.
>
> My question is to the point as to whether this poll was conducted within the established policies of the Canadian Broadcasting Corporation. If we could have a statement with regard to the background of this move on their part, I would be grateful.
>
> I should also like to know who authorized this particular poll, how much it cost, and whether any similar polls have been conducted by the Canadian Broadcasting Corporation.

The answer to the question is as follows:

I am informed by the Canadian Broadcasting Corporation that a comprehensive information service periodically includes reports of public opinion polls on a variety of questions. The CBC from time to time makes use, in its information programs, of the results of public opinion polls conducted by poll organizations independently of the corporation. Occasionally such use is supplemented by surveys commissioned by the CBC. In the conduct of such polls and the use of such information the CBC proceeds under the objects and powers set out in section 39 of the Broadcasting Act.

In the particular case referred to in the question, the poll was conducted during the last week in April and the first week in May by a St. John's research firm for the local CBC news and current affairs program "Here and Now". The survey involved over 1,900 respondents in the entire province of Newfoundland, including Labrador, all demographically selected. The results were broken down demographically and covered the opinions of the people on both provincial and federal political subjects.

The poll was authorized by the executive producer of "Here and Now", in consultation with the CBC's regional director of television in St. John's.

With regard to the cost of the survey, the CBC has not, as a matter of custom, been required to provide such details of its internal management and administration as costs incurred in the production of its programs. The background to this custom is explained in detail in the CBC's reply to Senator Norrie's question printed in *Debates of the Senate* on March 8, 1977.

• (2030)

INCOME TAX ACT

BILL TO AMEND—SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Hayden for the second reading of Bill C-56, to amend the statute law relating to income tax and to authorize payments related to provincial sales tax reductions.

Hon. David Gordon Steuart: Honourable senators, Bill C-56 deals with a number of items which Senator Hayden dealt with last night in great detail and, as usual, he did an excellent job. For a few minutes tonight I would like to deal with that portion of the bill concerning the sales tax reduction as it applies across Canada.

I do not think there is any question that when the Minister of Finance, the Honourable Jean Chrétien, embarked on the idea of cutting the sales tax, he was convinced that what he was doing was innovative, would give the economy an immediate shot in the arm, and believed that the move would be well received. But he obviously miscalculated.

To begin with, there are very serious questions as to whether the shot in the arm will have a long-lasting effect. Statistics show that there has been some immediate increase in sales, but there is a serious question whether that increase will last for any length of time. Some people may have decided to buy a car or some large item at this time rather than three or four months from now, and the result may be that we have an upsurge in the economy from sales in the last month or two; but whether that upsurge will be accompanied a down-turn two or three months from now is open to question.

The other part of the reason why he did this was that, as I have said, he was being innovative. It was an honest attempt, I think, to involve the provinces in an effort to do something that would help the economy; and they would all be involved. But what was the result? Well, we know the result with regard to Quebec. He never had an agreement with Quebec. The Quebec Minister of Finance, Mr. Parizeau, gave him no answer. Surely, knowing the position of the governing body of Quebec and its attitude toward Canada, he should have been warned, when they did not agree in writing or even verbally, that he was in trouble—and he found out subsequently that he was in trouble. That is why we have this portion of the bill today.

The question was asked last night, "Is this the feeling of the people of Quebec"? Who knows? I do not know. All that I know, all that you know, and all that the public knows, is that the Government of Quebec, the official opposition of Quebec—in fact, every party represented in the National Assembly of Quebec—have opposed what the federal government has done in this case.

Let me turn to the west. There has been a great question lately whether we as senators are representing the regions as we should. I will now deal with the prairie region. Obviously they gave some indication to Mr. Chrétien that they were prepared to think along these lines. He felt, sincerely I am sure, that he had an agreement, so he offered this sales tax

reduction, and they went along with it. However, at a meeting in Yorkton about four or five weeks after the budget, the three premiers of the three prairie provinces, Manitoba, Saskatchewan and Alberta, opposed what he had done and said that it was an intrusion into their taxation powers.

What was the result? The result of helping the economy is questionable, but certainly there is no question that the result of helping Canada to be more united and to do something that could please the provinces was, without a doubt, a disaster. Quebec is opposed to it. I do not know what the attitude of the Maritimes is, but I know what the attitude of the prairie provinces is. They did not like it and they still do not like it.

This is a very broad bill. The part I am talking about is, you might almost say, a very minor portion of the bill, but it is the most serious portion.

In this country we are now engaged in a debate as to whether, in fact, this nation shall stay together, and whether the provinces, including the prairie provinces, shall feel at home in this Confederation. We now have a situation where the federal government moves into an area of taxation that has been traditionally that of the provinces.

We all know that the federal government has the right of taxation across the board. There is no question of that. The federal government can move into any field of taxation that it feels it wants to. However, sales tax has traditionally been the field of the provinces. The federal government has moved in and has forced the provinces to make a reduction in the sales tax when obviously—at least, for four provinces; the three prairie provinces and Quebec—it was against their will and against their better judgment. As far as Alberta is concerned, there was no reduction.

Honourable senators, from the point of view of the people of the prairies, this deal to give the taxpayers of Quebec a bonus or some refund or some money in their pockets—I understand the province of Quebec will immediately take steps to see that they don't get—is again a special deal for Quebec. I do not think it is, but they think it is, and that is what is important. At a time when the federal government should be doing everything in their power to convince the people across the country that there is no special deal, and that we are all treated the same, we have this intrusion into what is normally considered provincial jurisdiction, and we have this sort of special deal handed to Quebec. Whether it is in fact a special deal or not does not really matter. The people of western Canada think it is a special deal, especially the people of Alberta.

● (2040)

In Alberta they have no sales tax, so they get no reduction; they get nothing. It is all very well to say, "They are so wealthy, they have no sales tax, they have no gas tax, so why should they get anything?" One can easily foresee a situation in which one province decides that they will have no sales tax because they want to cut expenses. Manitoba is a good example at the present time. They have a government that has embarked on a program of cutting back wholesale on expenses.

[Senator Steuart.]

You may agree with them or you may not agree. That is beside the point. The fact is that if they cut expenses back far enough they may decide to do away with the sales tax, so if this sort of thing continues and the federal government decides in future to make some kind of a sales tax deal the people of Manitoba, who may have given up some social welfare, or some other form of government hand-out, will be cut out because they are not imposing that tax.

That is the way the people of Alberta feel. They say, "You are discriminating against us because we do not have a sales tax. We do not have a sales tax for a variety of reasons." Those in the rest of Canada can say, "You do not have a sales tax because you have got so much oil. You are so wealthy and your attitude is, 'We will sell the oil turn off the lights and let those so-and-so Easterners freeze in the dark'." But they don't feel that way. They feel, rightly or wrongly, that they do not have a sales tax because they have a government that does not believe in big spending. I do not happen to agree with them, but that is the way they feel.

Here we have the federal government deciding on its own that it will give certain benefits to Saskatchewan, especially to Quebec, to Ontario and all the other provinces, but not to the province of Alberta. I am going to tell you something, honourable senators. The people of western Canada—and they are the only ones I can speak for—object very strongly to this kind of move.

I believe this is the kind of bill the Senate should take a serious look at. Unfortunately, it has been coupled with many income tax deals that I think are very good and are welcomed by the people of Canada. This provision to which I have been referring was put in as a kind of rider, so if we decided to defeat this bill we would do a great deal of harm to many innocent Canadians who, I would say, like 80 or 90 per cent of the clauses of this bill. However, I think it should be stated in the Senate that what the federal government has done is wrong in principle and wrong in the way it has been done. There was not enough consultation. The government was supposed to be representing the regions of Canada, and I think that senators from all over this country should speak up, as I am doing, and say that they do not agree with this bill. I do not agree with this bill and I do not intend to vote for it.

Hon. Martial Asselin: Honourable senators, I have listened very carefully to what Senator Steuart has just said about this bill. I hope he will maintain his opinion and will vote against the government and against this legislation when it comes to a vote.

[*Translation*]

Honourable senators, I followed very carefully Senator Hayden's remarks on the bill we are now considering, namely, Bill C-56. I share his opinions about several chapters of the bill. However, I hope he will not mind if I say that I disagree with him on the explanation he gave of clause 30, limiting explanations strictly to the mechanism and omitting to define its substance and also the basic principle of the bill.

Incidentally, last evening in his first speech to the Senate, Senator Wagner made that point very clearly. I would like to be among the first to congratulate him for his contribution in the study of Bill C-56.

Some Hon. Senators: Hear, hear.

Senator Asselin: Like Senator Steuart, I am also wondering how it is that in 1978 a federal Minister of Finance can take the risk of invading in this way a field of exclusive provincial jurisdiction. It was said in this debate in the other place that the Minister of Finance wanted to innovate, that he wanted to join with the provinces in finding economic incentives and that the sales tax was in the opinion of the minister the step that had the most chances in the short run of getting the economy of this country going again.

Of course, those objectives are commendable. However, what we do not accept is that when the Minister of Finance introduced his budget on April 10 last he did not make sure he had the complete agreement of all provinces on that matter of the sales tax, particularly if you consider—and that is what Senator Steuart said tonight—that the premiers of the Western provinces were informed but not consulted.

The Minister of Finance of Quebec did not give his full agreement, since when the Honourable Jean Chrétien introduced his budget, he was waiting the day after for the answer from the Quebec Minister of Finance, Mr. Parizeau.

All this is to say that if the Minister of Finance, the Honourable Jean Chrétien, wanted to innovate, he should have made sure first in an unequivocal way, as the senator who spoke before me suggested, he had the agreement of all the provinces as he was legislating in an area that was of exclusive provincial jurisdiction.

I would have thought that the Minister of Finance would have first reduced the federal tax which is of 12 per cent on building materials and agricultural implements. That is a tax which in my opinion should have been done away with a long time ago, which is outmoded, inflationary and repressive. That might have been one of the first economic incentives to offer Canadians.

So one still wonders today why the Minister of Finance, the Honourable Jean Chrétien, stirred up such a hornets' nest in view of the tense atmosphere and the constitutional tension prevailing in this country.

Why, as Senator Steuart said, divide the country in three separate parts? Alberta in a sense is being treated as an outcast and will not get any of the benefits of that legislation announced in the budget of April 10 last as contained in Bill C-56, as Senator Steuart suggested earlier. Eight provinces will benefit from the April 10 budget. And then Quebec taxpayers will get special treatment since they will enjoy a maximum rebate of $85 on their income tax.

Why divide our country by presenting this measure concerning the sales tax? We must then ask ourselves if the provincial government alone should be blamed for that failure of a concerted federalism as it was also called in the other place. Of course, I am far from approving in this house the decisions and the actions of the Quebec Minister of Finance, Mr. Parizeau. However, I am not prepared to consider him as the only one responsible for the failure of those negotiations.

First, as I said earlier, when the minister presented his budget on April 10, he had not been given a complete agreement from Quebec on that proposal. So, the Minister of Finance of Quebec, Mr. Parizeau, did not commit himself to accept the Chrétien formula. Why then was Finance Minister Chrétien so anxious to present his budget on April 10? He might have waited a few days to do so when he was sure to have full agreement from Quebec, which he did not have last April 10.

Senator Flynn: There was an election pending.

Senator Asselin: Yes, of course, it was urgent. Furthermore, as Senator Flynn pointed out, it was necessary to gain a few votes and they were anxious to present their budget. They said: Here we are. We must come up with remedies for the economic problems of Canadians, here is the budget we propose to you. It might be also for that reason that the Prime Minister decided not to call an election.

Senator Flynn: He pushed his Minister of Finance around.

Senator Asselin: So a few days later Mr. Parizeau tabled his budget and, considering the particular situation of the Quebec economy and its industrial structure, he abolished the sales tax in four sectors—textiles, clothing, furniture and footwear—instead of cutting a few points of the sales tax on all products as demanded by the federal government. Then the federal finance minister, Mr. Chrétien, accused Mr. Parizeau of indulging in economic separatism. It was a rather surprising allegation which, as you know, was rejected by all opposition parties at the National Assembly of the province of Quebec, including the newly elected leader of the Liberal party, Mr. Claude Ryan, who supported the thesis of Quebec Finance Minister Parizeau against that of the federal finance minister. As I said, that formula was rejected by all opposition parties in Quebec, by the newly elected Liberal leader, Mr. Ryan, and people unanimously disagreed with the Chrétien sales tax proposal.

• (2050)

So, by taking selective action on the sales tax, the Quebec finance minister was moving into a provincial taxation field as a member of a federation in which economic issues can vary considerably from one region to another. Many times, what is profitable for Ontario is not necessarily good for the Atlantic provinces or for Quebec.

Honourable senators, by taking such action the central government violated the letter and spirit of federalism. First, as I said earlier, it moved into a fiscal field belonging exclusively to the provinces without first concluding an agreement with each of them. Then it flouted federalism by not recognizing that the provinces can use their sales tax as they want, according to their needs.

Lastly, honourable senators, what about the payment formula proposed by the finance minister? I have here an article from *Le Devoir* of May 16, 1978 by Michel Roy concerning

repayment of the tax. I would like to quote some paragraphs. Mr. Roy wrote this:

> —by giving back directly to taxpayers rather than to the provincial government those $186 million he owes to Quebec, Mr. Chrétien is using a lame, unfair and regressive method. The shirts, the dresses, the shoes and the furniture which Quebecers have purchased in recent weeks have not been subject to the retail sales tax. It is not Mr. Parizeau who has saved money, it is the taxpayers of Quebec. It is therefore to those who grant the tax relief and not to the citizens who are making an 8 per cent saving that the money must be reimbursed in all good logic.
>
> Furthermore, Mr. Chrétien is unduly favouring those who are paying more than $85 in income tax. The taxpayers in the lower income brackets who are not paying any income tax or have been assessed at less than $85 are thereby penalized, and yet the sales tax still applies to everybody. If he had meant to be consistent, the minister would have sent the same cheque to all the citizens without regard to their income tax returns. He is therefore favouring the wrong creditor and he is handing out tomatoes in exchange for oranges.
>
> To solve this dispute which has arisen between the two governments, Ottawa is offering the Quebec taxpayers a gift which the government of Quebec will have to recover later on. This is tantamount to saying that Mr. Chrétien does not want to deal with the Government of Quebec. Indirectly, he is trying to pit the citizens of Quebec against their provincial government. To extricate himself from a bad situation, he has just taken another wrong step which sets a serious precedent in federal-provincial relations.

All newspapers in Quebec have carried similar comments about this crisis which has been qualified as serious in a federal system. This is the reason why the Conservative members in the other place have defended the position taken not only by the Government of Quebec but unanimously by the National Assembly regarding this dispute. As Senator Wagner stated yesterday evening, this is happening at a time when we are experiencing tensions on the constitutional level in this country; at a time also when attempts are being made at the last minute to save the ship of the Canadian Confederation by hastily proposing devised constitutional changes which will have absolutely no influence on the views held by the French-Canadians, and Canadians in general regarding the way this Confederation operates today; given the fact that the constitutional measures presented today, especially the first phase, are not measures essential to the survival of Canadian unity. This is the reason why during this Canadian unity crisis, the Conservative Party has again urged the minister to withdraw from this tax field in view of the fact that the provinces were not happy with this formula. He has been asked to grant a tax rebate to the governments concerned, and this, in our opinion, would have been in keeping with the spirit and the letter of the Constitution.

[Senator Asselin.]

Honourable senators, in view of all these facts, I could speak at length on Bill C-56. But, because of all the facts before us, I feel, like Senator Steuart, that the Canadian Senate once more must play its role fully and must deserve the credibility of Canadians before its demise as a parliamentary body. This is a piece of legislation which concerns the provinces, the regions. This is a legislation which, from a constitutional point of view, is a serious infringement upon the exclusive jurisdictions of the provinces. Will the Canadian Senate remain silent faced with this situation, this constitutional infringement?

Honourable senators, I will not vote for this legislation as drafted. I know that Senator Hayden and his committee have worked very hard with the members of his committee to bring about some changes, but a mere glance at his preliminary report shows he did not manage to get significant concessions from the minister. In this sad situation, I appeal to the responsibilities which the Senate must assume as the protector of the regions and minorities. We should, in my opinion, send this bill to the other place to have it amended and have a more acceptable, a more legal, a more constitutional formula submitted to the provinces, in order to settle this dispute which, in my opinion, will have disastrous consequences for the future of this country and for Canadian unity.

Senator Langlois: Honourable senators, I would like to make two slight corrections to the present debate to date. First of all I would like to correct Senator Steuart on what he said last night, and on what he repeated in substance tonight about what happened between the federal finance minister and the provincial finance minister, Mr. Parizeau.

First of all I must correct an erroneous interpretation—and I do not question anybody's good faith, either on the part of those who spoke tonight or who spoke last night. But I believe that what happened then in Quebec has been wrongly interpreted, specially as regards the opposition parties in Quebec. The opposition parties simply took up the position that it was better to reach a government-to-government agreement. They never approved of Mr. Parizeau's attitude during the discussions with the federal finance minister, even less the hide-and-seek game which he played continually. As Senator Wagner said yesterday evening, I do not believe that Mr. Parizeau will get any credit for his little game. I think he tried to show how smart he was. Perhaps he scored a few points on this aspect of the problem but I am sure we have not yet reached the stage in Canada where it is possible to try to be clever, even on constitutional matters.

In support of what I just said, even though Mr. Parizeau himself blames the federal government for its intrusion in a provincial taxation field, as my good friend Senator Asselin said tonight, he himself included this in his budget after Mr. Chrétien's budget speech—and I have here a photocopy of Mr. Parizeau's budget, Table No. 2 for the 1978-79 budget. Here is what it says at the first item, in millions of dollars:

> Tax on incomes and assets; Personal income tax; Employers' contributions and so on—$5,254

There is a note at the bottom of the page, and I quote:

> Including $225 million as federal compensation for the suppression of the sales tax on some consumer goods. This compensation is made by way of a deduction of federal personal income tax and of an equivalent tax levied by the federal government and transferred to Quebec.

Therefore Mr. Parizeau was not objecting to the policy proposed by Mr. Chrétien. He accepted it and he had it included in his own budget.

In addition, I think it is important to point out the attitude of Mr. Parizeau who during the debate, particularly after the debate, changed his mind many times when he first refused the Chrétien proposal, then accepted it, until his leader, Mr. Lévesque, contradicted him, by saying: It is not acceptable. Finally, the whole thing is put off to next fall.

It is very difficult in a federation such as ours to negotiate with a government that no longer wants this federation, that has decided in advance that Canada should die, disappear. Furthermore, no minister of finance, whatever the party he belongs to, could resist in front of those people. Mr. Parizeau could not discuss in good faith, and that is what happened in Quebec and what will happen until the referendum settles the question.

Senator Asselin: That is small politics.

Senator Langlois: Those are facts.

● (2100)

[*English*]

Hon. H. A. Olson: Honourable senators, I feel deeply concerned about this bill, especially the way in which the rank and file of the population of my province will perceive its application. I say that because there seems to be the idea abroad in Canada, perhaps in Ottawa—and perhaps even in this chamber—that somehow every single person in Alberta is substantially better off than people in other parts of the country. I should like to have a serious discussion about that for a few minutes.

I would be the first to admit that the revenues to the treasury of Alberta are buoyant, especially in relation to expenditures. It perhaps would not take long to make the argument that the management of the energy resources by the present and previous governments has been such that the financial position of the Province of Alberta is probably as good or better than any other province. I am not trying to challenge that argument at all. I expect that, given that the unemployment level in Alberta is the lowest in the country, and the other economic factors at work in that part of the country, there is perhaps at least a percentage, however small, of people in Alberta who feel somewhat more confident of the future in terms of the ways and means which will be available to them to make a living than is the case in other parts of the country.

But it is also fair to say that the vast majority of Albertans—those working in construction, those working in the supermarkets, the farmer, the school teacher, and so on—are exactly the same as the vast majority of people all over this country, including places like British Columbia, Ontario, Quebec, and even most parts of the maritimes, including Newfoundland. It seems to me that if we are to retain the fundamental basis of unity in this country, people in similar circumstances, regardless of where they live in Canada, ought to be treated in the same way.

Part III of this bill, which deals with compensating payments, does not treat people in exactly the same circumstances in the same way, simply because they live in different parts of the country. I understand the government's position, its motive, which is to stimulate the economy of the country by the most direct method, and that, of course, is a cut in the retail sales taxes. I think it is an admirable approach. It is one that has the immediate effect of lowering prices, thereby encouraging increased consumer spending.

As a matter of fact, the Economic Council of Canada, of which I am a member, recommended that precise action in its fourteenth report, which was published in the fall of 1977. So, I have no argument with the approach taken. I also understand the argument that this constitutes a new initiative, if that is the right word, or a new intrusion into provincial affairs. I am not going to argue that point this evening. Honourable senators have already heard two speeches on that aspect of it. But now we have come to the point where, because of some disagreement with a provincial government respecting this initiative, there is a new method being proposed for the distribution of federal funds for the originally stated purpose. There is to be an adjustment in federal income taxes for people living in a certain part of the country in order to achieve reasonably the same distribution of federal funds as would have been achieved under the original proposal. However, as is stated in the bill, and as has been explained by the Chairman of the Banking, Trade and Commerce Committee, this does not apply to Albertans.

Sadly, there are many people in Canada, including some in this chamber, who feel that every single Albertan is rich. Those who feel that way are more ignorant of this country than I dare believe. Yet, that is the attitude we run into from time to time.

I honestly feel that a farmer at a certain level of income in Alberta, or a carpenter, or a plumber, a policeman, a nurse, a school teacher, ought to be treated in exactly the same way under federal laws as those living in any other part of Canada. Certainly, being treated in the same way by the federal government is most important when it comes to the area of taxation. If this bill becomes law, as I expect it will, there is going to be a difference. I do not think that we should assume that the rank and file of Albertans are going to be so naive or so uninformed that they do not know they are being treated differently from the taxpayers in other parts of the country. Anyone who makes that assumption should at least take into account that the opposition parties will make sure that they do know about it. I say, with regret, that Part III of this bill is going to be perceived as discriminatory, unfair, as it relates to people in the same circumstances but living in different parts of the country.

This is not the first time this has happened. Alberta has, under both Liberal and Conservative governments over the years, been discriminated against as far as taxation is concerned, and especially as far as equalization payments are concerned. I am not blaming any one particular party over the other. I would presume that most members of this chamber are not aware of the fact that all of Alberta's income from natural resources is treated as taxation revenue for equalization payment calculation purposes. Alberta is not eligible now, and has not been for many years. Yet, the Alberta government and people have argued for a long time—and I think with some justification—that some of the revenue from natural resources is production income, but a very large part of it is in fact the sale of a capital asset, a depleting asset, and it therefore should be treated as revenue from the sale of capital. To treat it the same as production income is unfair. Yet, this has been going on for a number of years.

I would also presume—I think justifiably—that most people in this chamber do not know that, for equalization payment purposes, the Alberta treasury has always been regarded as having imposed a sales tax. In other words, an amount equal to that which a sales tax would yield has always been added to Alberta's income for purposes of calculating equalization payments.

● (2120)

It may be that you can argue that access to that revenue was there, but whether the Government of Alberta or, indeed, the people of Alberta wished to impose upon themselves a sales tax, for whatever purpose, in my view was and ought to remain at the discretion of that government and those people. Yet, this is what has happened. I do not want to keep honourable senators any longer, but I would just like to point out how this is going to be perceived, and I think I would have been remiss in my duty if I had not drawn to the attention of the Senate another case which may add some fuel to the fires of alienation. It is not the only one. I could spend another two hours, if you wanted me to do so. I happened to bring the notes with me, but I am not going to use them.

However, I want to repeat, with sadness, that I hope nobody in this chamber will say that he or she cannot understand this feeling of alienation, and the sometimes feeling of frustration, on the part of people who live in Alberta when they see this kind of discrimination, and when they are treated differently simply because they live in that province and because there is a perception somehow that everybody who happens to live there is wealthy. Perhaps this is because the provincial treasury is doing rather well. We do not deny that. My request, in conclusion, honourable senators, is that the standing committee at least try to find some way by which taxpayers and citizens in similar circumstances as far as wages, the cost of living and that sort of thing are concerned, no matter whether they live in Canada, under federal law are treated the same.

Senator Denis: May I ask the honourable senator a question? He just said that Quebec has not been treated in the same way as the rest of Canada. But you must understand that that was because the Minister of Finance refused to accept the way it was decided by the other provinces. Nevertheless, the compensation is the same as that granted to the other provinces. Do you think it would be more fair or more equitable if Quebec should get nothing as compensation?

Senator Olson: No, honourable senators, I certainly do not think that. I think there should be a very diligent search to make certain that citizens in all parts of the country benefit equally from whatever the amended or new federal taxation law happens to be. I think this was the main thrust of my discourse. Quebec is in a somewhat different situation from the other provinces, because Quebec has chosen to reduce its sales tax in a different way. Right from the beginning, because of the nature of the payment, Albertans were excluded. That is the point I am trying to make.

I would like also to point out that if you take seriously the statement that the purpose of the reduction in provincial sales taxes—which are, in effect, consumer sales taxes—is to stimulate the economy—in other words, to encourage consumers to increase their spending—then it seems to me that all the consumer goods on the shelves in Alberta come from the same places as the goods you find on the shelves in other provinces of Canada. If an increase in consumer spending were desirable, then I am sure the consumers of Alberta would have responded and spent those additional funds, in this case $85 or $100, to stimulate the wheels of industry in this country.

In conclusion, let me say that I do not quarrel for a moment with the proposition that Quebecers have an equal right to the benefits under federal law, and I hope my honourable friend will agree with me that Albertans have that right too.

Hon. Duff Roblin: Honourable senators, if the Senate is to be considered as representative of regional rights and interests, this bill certainly deserves more than passing consideration. It is a comfort for me to realize that this is a view widely held in this body, having had the opportunity of listening to distinguished contributions from all sides by those who have spoken in this debate this evening.

I think I would like to start by recognizing that the Minister of Finance has taken an important step in a new direction in consulting with the provinces about ways and means of cooperatively enhancing the operation of our national economy, a step which I for one certainly approve as being in step with our evolving economic and constitutional position. Thus it is more in dismay than with a sense of reproach that I have to acknowledge that the political fall-out from what was potentially a constructive step has been so maladroit and so counterproductive for the great purposes of our nation.

Canada needs better federal-provincial co-operation and planning, not so much in the management of the economy—because much of government economic planning is, in my view, singularly inept and unsatisfactory—as in reducing the inflationary pressures that we have in the nation today and improving the prospects for employment. The need for this co-operation, I suggest, is obvious when we take note of the changing role of the central government in the economic atmosphere of our nation. It is no longer the undisputed

master. Federal public spending comprises 40 per cent of the total; provincial public spending comprises 60 per cent of the total, as the Minister of Finance told us in committee this morning. That speaks volumes in itself. The provinces are acting more and more on their own behalf in the oversight of economic affairs in their areas.

● (2130)

The federal government has saddled itself and the nation with a deficit this year of $11½ billion, making it crystal clear that there is less and less room for it to manoeuvre effectively by itself in dealing with the economic problems of the nation. We have seen how provincial moves in some of the provinces can undo the federal intentions and underline, if it needed any emphasis, the need for better machinery to arrange the co-ordination of this great sector of our national concerns.

When I originally prepared my notes for this speech I had some extended comments to make upon the sales tax idea, what its possible effects on the economy might be, what substitutes there were for it; but in view of the present hour I will spare senators and myself the necessity of belabouring a thought that perhaps can be expressed on another occasion.

I want to limit my remarks now to the means chosen in this bill to reduce the inflationary pressures on society and to improve the economic prospects, and I want to consider the question of the interaction between the federal and provincial governments on the sales tax measure.

First, I personally applaud the minister for attempting to co-ordinate these two levels of government. Second, I have a certain amount of sympathy for him in his efforts to reconcile the unreconcilable—because surely that has to be his position with respect to Quebec under its present administration. But I think it appropriate to inform the Senate that there are other views than those that have been offered by the government in this debate, or by the Province of Quebec in this debate, and to warn the house, as has already been done to some very effective degree by those who have preceded me, that Quebec is not alone in its constitutional protest.

Other provinces also take strong exception to what is being done. They are led, I suggest to this chamber, by men who are anxious and concerned to preserve our Confederation and to place it in a sound position to face its future.

I also suggest that it is no good—as some have done perhaps in the heat of debate; the temporary heat, I trust—to bring into question the patriotism, or lack of it, of those who hold opposing views throughout the whole nation, of those who disagree. I suggest that we will be better off if we deal with these issues on the merits of the issues themselves rather than indulging in comments that might, on reflection, better be left unsaid.

I maintain that the four western premiers are fully entitled to be considered good Canadians. They are just as good as any member of this house or of the other house, and they are fully entitled, I suggest, to put forward—indeed, obliged to put forward—the views which they hold, even if they are somewhat inconvenient to those who are ruling the nation today.

I appreciate the reference made by the Honourable Senator Steuart to the protest of the four western premiers, which I attempted to present to the house, perhaps improperly, in the course of the question period, but it would be, I think, advisable that the house should be aware of what they really said and how they really feel. The question as to whether or not you agree with their sentiments, or even whether they are right or wrong, is not the material point; you can never meet the other man unless you know what his point of view is and how best the two of you can compromise to reach workable solutions. And when you listen to their language you realize that they are very serious.

This is a reference to the meeting at Yorkton of the four western premiers on April 13, three days after the federal budget, and I will just read some of it to you. I hope I will not trespass on your good nature, because there is a lot of it. I will not read all of it, but they opened their conference with a reference to the federal budget of April 10.

> The premiers stated that they too had shared this view to a certain extent... but that the federal budget had directly contradicted the spirit of federal-provincial co-operation and consultation which the February Conference—

That is, of the first ministers.

> —had been intended to foster and could be prejudicial to ongoing discussions on national unity.
>
> The Premiers stressed that they were not debating the principle of the sales tax cut as a fiscal measure, but they were sharply critical of the unilateral and intrusive way in which it had been put forward.
>
> They noted that the federal government had not used the opportunity afforded by the February Conference of First Ministers to raise its proposal but instead gave provinces only days to consider the plan. Insistence on budget confidentiality by the federal minister made normal interprovincial consultations difficult if not impossible.
>
> The Premiers had several specific concerns.
>
> 1. The severe distortion of provincial fiscal and economic priorities caused by the unilateral exercise of federal budgetary policy. They were particularly concerned that the federal plan was put forward so late in some provinces' budgetary planning cycles, and after others had brought down their budgets.
>
> 2. The dangerous and unacceptable implications the measure may have for other possible federal fiscal initiatives and intrusions into areas of provincial taxation, budgetary responsibility, and constitutional jurisdiction.
>
> 3. The fact that provinces did not participate in the decision concerning the federal compensation formula which treats Canadian taxpayers differently depending on the region in which they live.
>
> 4. The total reversal of the policy toward greater flexibility in the new cost-sharing arrangements between the

federal government and the provinces achieved in 1976 and 1977—

> The Premiers emphasized that they were putting the Federal Government on notice that their Provinces did not accept the federal plan as a precedent for future invasions of provincial tax fields by the Government of Canada.

There is more, but I have referred to the part that bears most closely on the nature of this debate. I do not submit these remarks as my own. I do not submit them as being not debatable or to be accepted at their face value. Nothing of the sort. They were made by men who are active in public affairs, and we know what that means. But I do suggest that it is important that we should know the attitude with which they are approaching these serious problems which beset us.

I should draw your attention to what I think to be the key phrase in that statement, "unilateral and intrusive intervention by the federal government", because these men, and some who held their jobs before, have very keen memories of this tendency of the federal government to introduce unilateral and intrusive measures. I can recall that being done in the fields of medicare, hospitals and welfare, which are surely provincial concerns, and the federal government used its financial power to dictate provincial priorities in provincial fields on the pain—and it is a considerable pain—of foregoing federal money that their own provincial taxpayers had helped to provide.

It has been lately, and I think with hope, recognized in Ottawa that the provincial stand had much to be said for it, because we have seen the conversion of the health and welfare grants old style, which were subject to detailed federal direction, into new block grants in which the spending discretion is left with the provinces. So I think it is probably with a sense of shock that some provinces thought that Ottawa might be settling back into the bad old habits of using fiscal pressure to get their own way in matters which were within the jurisdiction of the provinces.

I want particularly to give you some extracts from the budget speech of the finance minister of the Province of Manitoba, the Hon. Donald Craik. This speech was given on April 10, the same evening as the federal budget speech. I think it illustrates very well the state of mind of people on the other side of this argument, a state of mind which I think we have to keep in our minds. This is part of the statement, from page 18:

● (2140)

> It has been barely two weeks since the provinces were first advised that the federal government might be prepared to underwrite a portion of a provincial sales tax reduction . . . and confirmation that the plan would proceed only came late last week. As Members will appreciate, negotiations were quite intense during that period, and, in fact, further discussions will have to take place to resolve a number of outstanding details. We would have preferred more time to negotiate possible variations in the size, term and selective application of the abatement.
>
> Obviously we favour a cut in taxes—

[Senator Roblin.]

It goes on to deal with that whole proposition, and concludes by saying:

> The measure . . . while stimulative to the economy in the short run, and therefore desirable, has all the unacceptable qualities of initiatives taken by the Liberal Governments of the 1960's—

I interject to say, "And sometimes by Conservative governments too."

> —which distorted provincial budgetary planning by utilizing the offer of "50¢ dollars"—or in this case "66⅔rd's-cent-dollars"—to accomplish federal aims by intrusion into provincial areas of constitutional and fiscal authority.
>
> This nation has been too long subjected to such intrusive and sometimes ill-conceived impositions of federal political priorities on the programs and budgetary processes of the provinces . . .
>
> We also put the federal government on notice that we do not accept this hastily-devised plan as any precedent for future invasions of provincial tax authority by that government.

I think that very well sets out the view that is held by the government of one province, and I suspect that if we were to canvass some others we might find that their opinions are not too far away from what I have already said.

In committee this morning we heard a very eloquent and, I am sure, sincere statement by the federal Minister of Finance of his side of the story. I do not lose sight of the validity of some of the points he made, and I certainly do not ignore the spirit in which I think he is approaching his responsibilities in this matter.

I would like to hope that even in our present difficulties all is not lost. I do not think it is necessary for us to sit in judgment on the federal minister or the provincial ministers, but what we have to do, I suggest, is to know how they are thinking, because it is only by application of those facts to the future that we will find the answers to the problems we have.

What is necessary now, I think, is for us correctly to read the lessons of this episode. Both parties have politicians and they come up with political judgments, but I think there are real lessons in this episode that will be of guidance for us in the future, and I will take the liberty of suggesting three of them to the Senate.

First, I think we have to define, or perhaps redefine, the meaning of "consultation." Consultation can no longer be what it has been for far too long—certainly in my experience—and that is, "Listen while I tell you what we are going to do." That is not consultation. It goes by that name. It is in the federal plan for reforming the Constitution, but it is not consultation. "Listen while I tell you what we are going to do. We will listen to your arguments, but listen while I tell you what we are going to do."

What we need is real collaboration. We need collaboration in the joint development of policy, with sufficient flexibility to

recognize the possibilities of provincial variations on the federal theme.

My second suggestion would be that budget secrecy is a convention of the Constitution which could well be discarded in days to come. There has been a very eloquent statement made by Alan Lambert, who is heading up one of the royal commissions looking into the affairs of government. I have it here before me. I will not read it because senators will probably have read it themselves. But he makes, to my mind, an unanswerable argument for dispensing with an outworn convention of the Constitution which no longer has any significant application in respect of the secrecy of budget measures.

If there had not been this convention of secrecy, I am sure that many of the problems that afterwards arose could have been amicably settled and ironed out before the crisis came out into the public the way it has done.

We need to open up the budget-making processes to the public view. There is no aspect of government which more affects the individual citizen than what we do in framing our budget. Yet there is no aspect of government, I suggest, where he has less input or less say; indeed, he is never even heard until far after the event and far too late to do any good.

There has to be an opening up to public view of the budget-making process. There has to be meaningful debate and representation in committees, where the public can be heard and where all options can be canvassed; and we must do it in such a way that we provide an opportunity for the government in Parliament to amend or modify its budgetary proposals after debate and examination without loss of face or, what is more important, without loss of office.

If anyone has been following the development of the Constitution in the United Kingdom these days, he cannot help but be struck by the fact that the government's budgetary policies have actually been amended by the House of Commons in Great Britain on the motion of members of the opposition, reducing the government revenue in certain respects, without the government's falling or without the question of the secrecy or matters of confidence being brought into the issue. It seems to me that we could catch up with what is going on there in terms of framing our budgetary policies so that these things could be done.

My third suggestion is that we must seek ways and means—and this is an obvious current necessity—of institutionalizing the methods of co-operation, particularly in economic and fiscal matters, between the federal government and the provinces of this country. They are going to establish between them the economic and fiscal climate of the nation. The influence of the provinces grows day by day, and they have to be brought into this new system of settling our economic norms and fiscal policy.

Surely, when we are considering reforming the Constitution, as we are these days, this has to be the prime area of attention. This is where the reform is needed. This is where the new initiatives must be discussed. This is where new constructs must be created, so that this aspect of cooperation between the two levels of government can be made to work—because in that way we can make our country work better for everyone who lives in it.

When I think of the measures that are actually in this document that we are to discuss in a little while—reform of the Senate, the Supreme Court, the Governor General—how many parsnips does that butter? It seems to me that we would be well advised if we devoted our attention to the main problems confronting our Confederation, rather than matters which are important only in a personal way. I like the Senate in many respects, but it is peripheral, not central, and we need to put first things first in our country today.

That is a challenge, honourable senators, that I think is worthy of the best minds and the wisest judgment that Canadian politicians and statesmen can bring to bear, because they are engaged in nothing less that the continuing task of reviewing the national dream.

Senator Godfrey: Would the honourable senator permit a question? I agree with what he said about budget secrecy, which is often carried to excess; but in this particular case, if it had got out in February that the federal government was proposing this scheme to reduce the sales tax, which would not take effect until May, would that not have had a detrimental effect on the economy for the three-month period before it actually came into effect?

Senator Roblin: I agree with the honourable senator that this is not an easy proposition. It is all very well to say, "Let us do away with budget secrecy", but when we come down to certain practical aspects of it we have to use common sense and good judgment. It may be that the answer lies in the time element involved.

I must say, with respect to the general proposition, that I have some doubts as to whether, having disclosed your hand on the sales tax prior to the actual announcement in the house, it would have done any particular harm to the economy as a whole, particularly as it is such a temporary matter.

It seems to me that if anyone is placing his hopes on this limited reduction in the sales tax, which is to expire in September or shortly afterwards, as doing anything more than bunching up purchases in that period and leading probably to a falling-off of purchases afterwards, then he is much more optimistic about it than I am. It is a small mercy. I am grateful for small mercies. I am not turning it down. On the exact point that the senator raised, I grant him that there are problems, but I think that once you make up your mind that the principle is not sacrosanct, you will be able to find ways and means of handling it safely in the public interest.

● (2150)

Hon. Allister Grosart: Honourable senators, under our rules it is within five minutes of the time that we would be required to end this sitting. I do not know what the disposition of the Senate may be, but I have some comments to make which I think are of some importance in respect to this bill. I am in the hands of the Senate, because my understanding is it would be in the interests of expedition, if nothing else, to have the

Senate dispose of this bill on second reading tonight so it can go to committee and be discussed there tomorrow.

Senator Choquette: I never thought we were limited to an hour.

Senator Grosart: I am referring to the 10 o'clock rule.

Senator Langlois: Stop the clock.

Senator Grosart: If that is the disposition of the leadership of the Senate, I am very happy, and I will make my remarks as brief as I think it is fair to make them in view of the importance of the matter that I am going to call to the attention of honourable senators.

My remarks will be entirely limited to one clause of the bill, and that clause is clause 6, which deals entirely with a matter which has occupied the attention of a special committee of the Senate for some ten years, and on which that committee has made recommendations over the years.

Clause 6, as Senator Hayden mentioned, runs to six and a half pages of the bill itself, and is the subject of discussion in *Hansard* of the other place. This is not because there is a great deal other than a single concept here, but it has been necessary to deal with the ramifications of those suggestions in the other place and that is why it takes as much space as it does in the bill before us.

It is unfortunate, in my view, that the government has decided to introduce measures of very great significance to a very important part of our economy in this kind of omnibus bill. It is an old device or trick that is used continually towards the end of a session. I know we all regret it, and I am sure that honourable senators will agree with me that is not the way to legislate in important matters.

When I say important matters, I say that we are dealing here, in this one clause of this omnibus bill, with a matter of government expenditures on science activities which amount this year to $1.8 billion, which is 3.75 per cent of the total budget. It is introduced in a single clause in an omnibus bill.

What is even worse, this bill and this clause were the subject of the guillotine twice in the other place: once on second reading and once in Committee of the Whole, so that those who had contrary views as to how this important matter should be handled were prohibited from introducing their amendments and putting before the Parliament of Canada alternative suggestions to those of the government which, in their view, and in the view of the industry as a whole, will not work.

Honourable senators may wonder why, at this late stage, I am introducing a discussion of this one clause. Senator Hayden referred to it in a few words, understandably, when he introduced the bill. The minister in the other place dealt with it in one paragraph of his speech. Why? The intention, I think, is to hope that nobody will be concerned too much with the effects or the non-effects of this very fundamental change in our national science policy. It is fair to say that this is an attempt by the government to do something about the government's appalling neglect of the great problem of the funding of research and development in Canadian industry.

[Senator Grosart.]

It amazes me, and I am sure it will amaze some honourable senators, to know that in this age when technological innovation is the key to world markets, the funding of research and development in Canadian industry has declined since 1970. Since 1970 the funding of research and development of Canadian industry has steadily declined in constant dollars. In current dollars it shows an increase, but in constant dollars it has actually decreased. That has been the policy of this government. I cannot believe that there is a senator in this chamber tonight who would not know that this is one of the fundamental causes of the troubles of Canadian industry: the troubles we are in in international markets, and the troubles we are in in our own domestic markets, which are being invaded by foreign companies that are funded by their own governments, generally at twice the Canadian rate, sometimes three times the rate.

Canada is at the bottom of the ladder in every type of assessment of government funding of technology, research and development, and innovative technology in industry. It does not matter how you look at it, we are at the bottom of the ladder in terms of federal funding of net percentage of GNP in R & D and in science activity generally. We are at the bottom of the ladder in the percentage of the total funding by the government of R & D in industry. We have a figure of about 43 per cent as compared to 60 or 70 per cent for every other country with which we are competing.

We may wish to believe that this clause in this bill is an attempt by the government to catch up on its own neglect which has had these almost fantastic and horrendous effects on the Canadian economy generally.

What we have to ask immediately, of course, is: Is this a successful attempt? Nobody could quarrel if we could say that the government has finally awakened and become aware of the problem and has said, "Now, we are really coming up with a remedy." Is this remedy going to be effective? The answer appears to be no. On the surface it looks good.

Let me indicate to honourable senators what the government intends. In this clause I am discussing, it intends to legislate a very great increase in the funding of R & D generally and particularly in industry. The clause provides for a 50 per cent allowance on the increase by companies in their expenditure on R & D based on a three-year moving base. It is a tax allowance, in spite of the fact that Canadian industry, almost without exception, said to the government, "Don't go the tax allowance route. Go the tax credit way." There were before the government presentations by the Canadian Manufacturers' Association, by the Science Council of Canada, by SITEC and by the industry associations concerned, saying, "The only good answer is to go the tax credit way."

• (2200)

I will not burden the house tonight with a long discussion of the difference between the tax allowance route and the tax credit route, except to say this. Honourable senators will be aware that there was a former plan, part of which was known as IRDIA, which was an incentive program to industry. Government spokesmen have made it clear that their intention is

that clause 6 of this bill will replace IRDIA and give much better beneficial support to R & D in Canadian industry. Yet the projections that have been made objectively would indicate that the benefits to Canadian industry under this tax allowance plan are actually lower in terms of dollar benefit to Canadian industry than under the former IRDIA plan.

I will not bother honourable senators with all the arithmetic, because it is involved and is, of course, subject to different kinds of interpretation. However, I should like to indicate that one of its fundamental faults is that it discriminates completely against R & D expenditures by small business. The best calculation I have is that with respect to the 50 per cent additional allowance, plus the investment credit—I will not go into all the details or the background—the effect of this bill will be to decrease the actual expenditure on R & D to 35 cents per dollar spent for large firms but only to 59.4 cents for small firms.

It is a fundamental defect in this bill, because anyone who knows anything about technological innovation knows that most of the important and effective dollar winning innovation occurs in small- and medium-sized industry. It is a strange fact that large businesses are not great technological innovators, for the simple reason that they have an established product—they are satisfied with their product—and are not all that keen to see innovation in their product mix. It is the small firms that come up with it, yet under clause 6 the small firms are discriminated against.

Furthermore, unless there are regulations, unless we are going to be told something we have not been told about the intent or effect of this clause, there are large loopholes and leaks. There is nothing in the bill, and nothing in anything that has been said about the bill, to make it clear that these tax allowances will be restricted to R & D performed in Canada. There is nothing to say that it will be restricted to R & D exploited for the benefit of Canadians.

We know that this bill has been put together in a hurry for various reasons. It is window-dressing; it is smokescreening. If this bill goes to a committee, I hope this question will be asked: Does it really mean that any corporation can get a 50 per cent additional tax allowance on top of the existing allowances if it does R & D somewhere in the United States, in Great Britain or in Bulgaria? Is there anything in this bill or in the regulations to protect that expenditure of Canadian money?—because it is expenditure of Canadian money, as lost revenue is an expenditure. Is there anything in this bill or in regulations that will protect an expenditure of Canadian money from exploiting R & D innovation outside of Canada? We have not heard a word about this. This is why I have drawn attention to the fact that in the whole discussion of this bill there are not more than three paragraphs in any official statement dealing with this very important issue. There were only three paragraphs in the pre-budget statement by the minister.

The assumption seems to have been that nobody would bother about this, that nobody would pay any attention to it. As I have indicated, when an attempt was made to bring this matter to the attention of Parliament, the guillotine or closure was imposed on second reading, and again when an attempt was made to raise the same question that I am raising in this place now in Committee of the Whole of the other place. If some such consideration in the Senate of a bill with this kind of history does not justify the existence of this place, I don't know what will.

I will just put on the record the changes that have been suggested by those who have carefully studied this matter, people with long experience of this great and important problem of the funding and performing of R & D in respect of Canadian industry. Suggestions have been made that instead of the tax allowance there should be tax credits. Again I say I will not go into that; it would take 15 minutes to indicate the difference, the dollar effect, of this as an incentive to innovating in industry. I merely say the suggestion is that the wording of the amendment to the Income Tax Act should be:

> (a) the qualified current expenditures of the eligible corporation on scientific research and development, up to a maximum of one million dollars, in the taxation year other than expenditures made from amounts paid to the corporation in the taxation year by
>
> (i) Her Majesty in right of Canada or a province in respect of scientific research,
>
> (ii) another corporation resident in Canada for scientific research related to the business of that other corporation, or
>
> (iii) a corporation not resident in Canada if it is entitled to a deduction under subparagraph 37(1)(a)(v) in respect of the amount so paid, and

● (2210)

> (b) the amount by which the total qualified current expenditures exceed the aggregate of
>
> (i) one million dollars,

This takes in another area where the expenditures are over $1 million. Paragraph (b) continues:

> (ii) the expenditure base of the corporation for the year, and
>
> (iii) the aggregate of all amounts paid to the corporation in the taxation year by

Then (A), (B) and (C) as in the bill:

> (A) Her Majesty in right of Canada or a province in respect of scientific research,
>
> (B) another corporation resident in Canada for scientific research related to the business of that corporation, or
>
> (C) a corporation not resident in Canada, if it is entitled to a deduction under subparagraph 37(1)(a)(v) in respect of the amount so paid.

The paragraph continues:

> where the qualified current expenditures of the eligible corporation exceed one million dollars in the taxation year.

There are also suggestions concerning situations, not dealt with in this bill where a corporation does not have a tax base on which it can obtain tax allowances. It has been suggested that the bill should provide that a company which is not in a position to benefit from its tax liability is eligible for specific grants related to the situation that this bill contemplates.

Honourable senators, I regret having taken up your time and having gone beyond the normal closing time of the sitting. However, I think it is important that this particular aspect of the bill be brought to the attention of the house and perhaps it may receive some attention if the bill is referred to committee.

Senator Godfrey: Would the honourable senator permit a question? It is with some diffidence that I ask the question, because you earlier referred to a 10 o'clock rule and I have not been able to find any such rule in our rules. I find that there is a 6 o'clock rule. Is there a rule of which I am not aware? If there is not a 10 o'clock rule, I do not think we should allow it to appear in the record that there is.

Senator Molson: No, there is no such rule.

Senator Godfrey: To what rule are you referring when you say there is a 10 o'clock rule, that we must stop at 10 o'clock?

Senator Perrault: It is with reference to the other place.

Senator Langlois: It is an opposition rule.

Senator Grosart: I am delighted to find that I was mistaken.

Senator Godfrey: I did not want you to invoke it this evening, that is all; that would be a precedent.

Hon. Salter A. Hayden: Honourable senators—

The Hon. the Speaker *pro tem:* I must inform the Senate that if the Honourable Senator Hayden speaks now his speech will have the effect of closing the debate on the motion for second reading of this bill.

Senator Hayden: Honourable senators, I do not intend to take long at this time of the evening—

Senator Grosart: You cannot.

Senator Hayden: Even if what my friend Senator Grosart mentioned is correct; that is, that we are violating what he calls a 10 o'clock rule. I am sure the Speaker could adjust his eyes to the clock and decide that it is not even approaching 10 o'clock at this time.

Senator Perrault: It is a quarter to six.

Senator Hayden: So on that basis I will proceed and not take long. I have enjoyed the debate. It has mainly concerned itself with charting the course of future federal-provincial relations, and for this reason it has been an interesting debate. It has not necessarily been on the subject matter of this bill, but at some place or other in the bill can be found a peg on which to hang the various points of discussion. So I am not objecting to what was said.

I was concerned about a suggestion that Senator Roblin made in his reading of what Premier Lyon had said with respect to this bill and the legislation proposed by the federal authority, which is that this is not to be taken as a precedent. He was not, therefore, condemning so much what had been done and what he had participated in himself and in respect of which his own legislature had enacted a bill increasing the provincial sales tax by the $100.

Senator Flynn: It is income tax.

Senator Molson: Income tax.

Senator Hayden: Yes; increasing the income tax by $100, so that he would recover what the federal authority was giving back to the individual. With respect to the expression "this is not to be taken as a precedent," it had been my practice to call the meetings of our committee at 9 o'clock in the morning. Then, under pressure, I made it 9.30. When we were to hear the Minister of Finance this morning, he asked if he could appear at 10 o'clock. So I sent the notices out calling the meeting for 10 o'clock. However, I instructed the Committee clerk to notify all the senators that this was not to be taken as a precedent. So there are many applications of this rule, and if it is applied on a particular occasion it must be that it is desired to do it.

May I now tell you what the Minister of Finance had to say about the negotiations when he appeared before the committee this morning. It will only take a minute. He said:

> Last October I became convinced, looking at the American experience, that the best way to stimulate the economy was to improve the demand in the economy. Many economists last year concluded that the come-back of the American economy was caused greatly by a surge in demand. I started to talk to my provincial colleagues about the possibility of what I felt was the best incentive I could give to the people who were spending their money, and that was to cut sales tax.

Honourable Mr. Chrétien continued:

> I started to talk to my provincial colleagues, offering them the possibility of compensation if they were to reduce their sales tax. The idea was not too popular in October, and I started to talk about it again in January at the Ministers' Conference. There was no interest shown at that time. By the time I had decided to have a budget I had decided to move in that direction.
>
> I am told that for the first time in the history of Canada the Minister of Finance went to visit and talk to all the ministers of finance of the land and try to incorporate them in an economic package. I offered to compensate them for a reduction of sales tax and for three weeks we discussed the matter and came to an agreement with eight out of nine provinces. Following the signing of an agreement of all other ministers of finance, the ninth province, after 48 hours, wanted something else, and, unfortunately, I had to tell them no. I had no choice. I had offered a deal and they did not want the same deal. I had given my word to the ministers of finance so I had to live with it.

He said further that on the very day or night of budget, on April 10 and on the day following, eight out of the nine

provinces enacted legislation amending their income tax so as to take back the $100 which the federal authority was allowing under this proposal. When I look at this factual situation I have no reason to doubt that what the Minister of Finance said fairly represents what went on, and it would appear from what Senator Roblin read in relation to what Premier Lyon of Manitoba said that it is corroboration of his statement.

● (2220)

Senator Roblin: Would my learned colleague allow me to correct the record. I was quoting the Minister of Finance, Donald Craik; not Premier Lyon.

Senator Hayden: I understood you to say Premier Lyon. However, the record will indicate what you said. In the meantime, in case it does not, you have made your correction.

What I was saying was that it is difficult to conceive that eight out of nine provinces should amend their provincial income tax legislation in this fashion if there was not some understanding or some arrangement whereby they were going to be reimbursed by the federal authority. I must disagree with the comments made by Senator Steuart last evening, in which he stated:

> The premiers of the three prairie provinces met in Yorkton some time ago and denounced the move by the Minister of Finance, in effect forcing them to reduce their sales tax—not particularly against their will, but after what they themselves stated was little or no consultation.

All I can say is that, whatever degree of consultation they may have had, at least it was adequate enough for them to go back to their legislatures and present an amending bill to implement, as far as they could, the arrangement which the Minister of Finance proposed.

Those are the circumstances we should look at. It is impossible to suggest that the provincial premiers were forced into doing what they did in this case. They may not have liked the deal, but as the Minister of Finance for the Province of Manitoba said, accepting Senator Roblin's correction for the moment, what was done was not to be taken as a precedent. I would direct your attention to look at what was done, and what was done certainly indicates knowledge, co-operation and approval.

Senator Steuart made reference to a "breach of faith" or something to that effect, on the "disaster". He is entitled to those views. I do not challenge his views, but I would say that if you read them and put them beside what was said and what was done by the provincial premiers, it is difficult to draw the same conclusion.

Senator Olson, in his plea on behalf of the Province of Alberta, is entitled to say what he has stated. Yet, it must be measured in terms of what the situation was. When he refers to Part III of the bill, the part dealing with compensating payments, then he is on shaky ground, because clause 59, Part III, of the bill provides for the situation where the formula of $100 or $85, as the case may be, does not produce enough remuneration to enable the federal authority to reimburse the various provinces for the actual cost of the reduction of the provincial sales tax. Clause 59 was put in to provide for payment out of the Consolidated Revenue Fund of an amount which is necessary and needed in order to bring it up to an amount which would enable the federal authority to make full payment of the remuneration to each of the eight provinces by virtue of the agreement. This is not a special gifting of any money to a particular province. This is simply the implementation of an arrangement under which the provinces would reduce their sales tax, and the federal authority would reimburse them for doing so. The method that was followed was a method that was available—that is, by making use of the individual taxpayers, and I described this last evening.

I should like to discuss for a moment what Senator Grosart raised with respect to scientific research. I hope he noted that scientific research first developed in Canada as a write-off or a deduction from income in 1961 when the government of that time permitted the 100 per cent write-off. I do not think I have to mention what government it was. My friend knows that. So the principle, if there is a principle in recognizing research, was really established on a 100 per cent basis in 1961. A year or so ago the present government provided an additional 5 to 10 per cent for further deduction, and this year they proposed 50 per cent further deduction based on the excess of the expenditures in this year over the average of the expenditures in the previous three years. That is the formula.

Now, if there are people who object to the formula—and according to my friend there are people who would object to the formula, unless I misunderstood him—they have a means of voicing their objection. If their voice is not recognized, well, it is not the first time that people have not got what they want. It is a judgment decision as to what the formula is, but the formula, at least, has the character of being fair in its measuring of what is excess of expenditure.

They still enjoy the 100 per cent write-off; they still enjoy the 5 to 10 per cent write-off; and now they get, on top of that, an extra 50 per cent write-off. It has been suggested by the minister that this would break down the cost of such development to about 20 per cent.

This is all I intend to deal with this evening. I am not going into the question of the formula for Quebec. This was a situation that developed and it may well be that the Minister of Finance was in a too readily acceptable mood to recognize that there might possibly have been some intention or plan behind the objections by the Quebec Minister of Finance. It may have been for irritation purposes; it may have been for political purposes, or whatever. In any event, it reached a point where the Minister of Finance said, "I am not going to make any concessions that will create a different situation from what I have given the other provinces." Therefore, since Quebec had committed itself to certain industries and reduced the sales tax affecting those industries, an estimate was made of what that amount would be. The government agreed to pay $40 million as its estimate of what was needed to remunerate the Province of Quebec for the commitments it had made.

• (2230)

When it came to making the deductions insofar as individual taxpayers in the Province of Quebec were concerned, the $100 deduction, which was the basis of the concession made by the federal authority to the eight provinces, was reduced by $15 per taxpayer. The estimate was that the $40 million in relation to Quebec taxpayers translated into $15 per person. The net result was an equivalent measure in dealing with the Province of Quebec to what was arranged with the other provinces. I am not saying it was the same measure. It was hoped to be a solution to the problem.

My friend Senator Grosart is enjoying what I am saying. I know that, because very often he smiles when he disagrees, and frowns when he approves. I know him well. I have been talking with him on the opposite side for many years, so I know how to interpret his attitude.

Senator Flynn: What about mine?

Senator Grosart: I should be frowning now.

Senator Hayden: Well, you should take heed, I would say.

The question of federal-provincial relations, and what the future holds in respect of such relations, and what has been wrong with the federal attitude to date are matters which make for interesting debate, but not necessarily a productive debate insofar as this bill is concerned, particularly when most of those who spoke along those lines, as I understood them, accepted the sincerity of the minister and the innovative and imaginative character of the proposals and the solution.

Senator Flynn: It is too bad he bungled it.

Senator Hayden: The approach taken by the minister was a good one. No one can challenge that. Its purpose was to stimulate the economy at the level where the demand is.

I have enjoyed the debate. As and when this bill is given second reading, if it is in fact given second reading, I shall move that it be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to and bill read second time.

REFERRED TO COMMITTEE

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

Senator Hayden moved that the bill be referred to the Standing Senate Committee on Banking, Trade and Commerce.

Motion agreed to.

APPROPRIATION BILL NO. 2, 1978-79

SECOND READING

The Senate resumed from yesterday the debate on the motion of Senator Langlois for the second reading of Bill C-61, for granting to Her Majesty certain sums of money for the Government of Canada for the financial year ending the 31st March, 1979.

[Senator Hayden.]

Hon. Allister Grosart: Honourable senators, Senator Langlois, in introducing this bill, made the shortest speech he has ever made on an appropriation bill—

Senator Flynn: And consequently his best.

Senator Langlois: For a change, you understood it.

Senator Grosart: That remark by Senator Flynn was not arranged.

Senator Petten: It sounded orchestrated.

Senator Grosart: I was about to follow my opening remark by saying I would follow suit.

Hon. Senators: Hear, hear.

Senator Grosart: Senator Flynn bet me that I would take more than five minutes, and I intend to win that bet.

Honourable senators, we are dealing with Appropriation Bill No. 2 for 1978-79. I think we are all thankful that, as a result of some representations made in the Senate, Treasury Board is now numbering these bills sequentially in the year to which they refer. We have already passed Appropriation Act No. 1, granting roughly three-twelfths supply, and we are now dealing with the aggregate of the total amount of the main estimates less the amount already voted by Appropriation Act No. 1. We are dealing now with $15 billion of the $20 billion in budgetary and non-budgetary voted items, which is roughly three-quarters of the total voted budget, and, of course, an equivalent amount in statutory items which do not have to be voted but which are included in the schedule to the bill.

The Standing Senate Committee on National Finance dealt with the main estimates on which this bill is based, holding four sessions directly on the estimates and further sessions on peripheral matters relating thereto. I congratulate the Chairman of the National Finance Committee on this greatly accelerated examination of the estimates.

I am sure we can all remember when it took only one session of the committee to deal with the estimates. It is now four and more. Senator Everett has now established a routine by which the committee examines individual departments, or programs or branches within departments, and I commend the committee and Senator Everett on that very important innovation.

For that reason, I think I can say to the Senate that the committee examined, to the best of its ability, the necessary matters in the estimates and, therefore, the necessary matters in the appropriation bill that should be brought to the attention of the Senate. We are satisfied, therefore, that there is no particular reason why this appropriation bill as presented should not be passed by the Senate.

Motion agreed to and bill read second time.

The Hon. the Speaker *pro tem:* When shall this bill be read the third time?

Senator Langlois moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

● (2240)

SENATE COMMITTEES

MEMBERSHIP CHANGES DURING SUMMER ADJOURNMENT

Hon. Jacques Flynn moved, pursuant to notice of Thursday, June 22, 1978:

That during the coming summer adjournment of Parliament changes in the membership of Senate committees may be made by notification in writing to the Clerk of the Senate by the Leader of the Government in the Senate, or any senator named by him, with respect to government members, and by the Leader of the Opposition in the Senate, or any senator named by him, with respect to opposition members; and

That such changes in the membership of Senate committees shall be recorded in the *Minutes of the Proceedings of the Senate* when Parliament resumes.

He said: Honourable senators, if the Senate is prepared to adopt this motion, then I do not intend to speak to it because in fact it speaks for itself.

Motion agreed to.

The Senate adjourned until tomorrow at 2 p.m.

APPENDIX "A"

(*See p. 924*)

INCOME TAX ACT

INTERIM REPORT OF BANKING, TRADE AND COMMERCE COMMITTEE ON SUBJECT MATTER OF BILL C-56

JUNE 27, 1978

On May 15, 1978, Bill C-56, intituled "An Act to amend the statute law relating to income tax and to authorize payments related to provincial sales tax reductions" received first reading in the House of Commons. This Bill is intended to implement the Notice of Ways and Means Motion that was tabled by the Minister of Finance with the Budget presented in the House of Commons on April 10, 1978.

By resolution of the Senate on May 23, 1978, the Standing Senate Committee on Banking, Trade and Commerce was authorized to examine and consider the subject-matter of any Bill based on the Budget Resolutions relating to income tax in advance of any such Bill coming before the Senate, or any matter relating thereto.

In accordance with the Order of Reference, your Committee has given careful consideration to the said Bill C-56 arising from the said Ways and Means Motion and in connection with such consideration has engaged the services of Mr. Charles Albert Poissant of Thorne, Riddell & Co., Chartered Accountants, and retained as its counsel, Mr. Thomas S. Gillespie of Ogilvy, Montgomery, Renault, Clarke, Kirkpatrick, Hannon & Howard. The Committee has also heard Mr. R. A. Short, Director, Tax Policy Legislation Division, Mr. R. A. Friesen, Special Advisor and Mr. A. Mitchell, Tax Policy Officer, all of the Department of Finance (Tax Policy and Federal-Provincial Relations Branch). In addition, the Committee has heard submissions from the Life Underwriters Association of Canada, Excelsior Life and North American Life Assurance Company.

Bill C-56 contains amendments to the *Income Tax Act* and the Income Tax Application Rules and provides authority for the Minister of Finance to pay out of the Consolidated Revenue Fund to provinces amounts related to provincial sales tax reductions.

Your Committee would like to make the following comments with respect to the Bill:

PROVINCIAL SALES TAX

The federal government has asked the provinces to cooperate to effect a temporary reduction in their general retail sales tax rates and has offered to compensate them in part for loss of sales tax revenue. The government's offer to finance the provincial reductions would take the form of full compensation for a reduction of three percentage points for six months in the Atlantic provnces. It was proposed that for other provinces except Alberta, the federal government would compensate for the revenue foregone arising out of a two-point reduction for a period of six months, provided such provinces agree to effect a further reduction of one point. Such provinces would have the option of reducing their sales taxes by three points for six months or by two points for nine months. In either event, the federal government would compensate these provinces to the extent of a two-point reduction for six months.

The province of Quebec decided upon a full elimination of sales tax on selected items.

To implement the temporary reduction of retail sales tax rates in provinces other than Quebec (and Alberta), Clause 30 of the Bill proposes that individuals residing in the former provinces deduct from tax otherwise payable under Part I of the Act for the 1978 taxation year an amount equal to the lesser of $100 and the amount of tax that would have been otherwise payable by them for the year. It is anticipated a like amount would be payable by the individuals as income tax to the provinces.

Authority is also given by Part III of the Bill to make payments out of the Consolidated Revenue Fund to provinces who do not receive the full compensation promised by the transfer of tax in the manner outlined in Clause 30.

With respect to the province of Quebec, it is proposed that the federal government transfer directly to the province $40,000,000, being the federal government's share of the anticipated cost of the reduction of tax on the items selected by the province of Quebec. In addition, the Bill proposes (Clause 30) the immediate reimbursement to each Quebec taxpayer of an amount equal to the lesser of $85 and the tax otherwise payable by him for the 1977 taxation year. This represents the balance of funds per Quebec taxpayer that the federal government anticipates paying as a result of the proposed reduction in retail sales tax rates.

REGISTERED RETIREMENT SAVINGS PLANS

Options available at maturity

The report of your Committee dated December 9, 1976, indicated your Committee's concern with the inflexibility inherent upon maturity of Registered Retirement Savings Plans (RRSP's). Only two options were available at maturity of a plan: to take all funds out of the plan and be taxed immediately thereon or to purchase a life annuity from an insurance company. The Minister of Finance undertook at that time to determine whether these inflexible provisions could be

changed in the interests of the taxpayer and your Committee encouraged such study.

As a result, changes are proposed by the Bill making more options available at the maturity of a plan. The Bill proposes (Clauses 34 and 35) that a taxpayer not wishing to take all the funds out of his plan at maturity be entitled to purchase:

(1) an annuity, with or without a guaranteed term, payable to the taxpayer for his life or the joint lives of the taxpayer and his spouse, or

(2) an annuity for a fixed term equal to the number of years remaining before the taxpayer (or his spouse if she is younger and the taxpayer so elects) reaches the age of 90, or

(3) an annuity under a Registered Retirement Income Fund (RRIF) whereby a specific fraction of the total assets of the Fund composed of capital plus accumulated earnings would be withdrawn each year by the holder to provide annual income to age 90. The fraction would be related to the age of the taxpayer in the year and would be equal to one divided by the number of years remaining to age 90. For example, a taxpayer would be entitled to receive 1/15 of the fund at age 75, 1/14 of the fund at age 76, and so on.

Financial and other institutions that are now eligible to issue RRSP's will be permitted to offer these options. Presently, these are mainly life insurance and trust companies.

Each taxpayer will be limited to one RRIF. RRIF owners will be entitled to manage the investments of the RRIF through directions to the institution holding the funds, similar to the existing provisions for self-administered RRSP's.

Minimum maturity age

The Bill also proposes (subclause 34(9)) that RRSP's may mature only after an annuitant attains 60 years of age and before the end of the year in which he attains 71 years of age. The current requirement is that the maturity date for an RRSP must be on or before attainment of age 71 with no minimum age limitation.

It appears to your Committee the imposition of a minimum age will create unnecessary and severe problems for persons who require annuity payments prior to the age 60. For example, an individual encountering permanent impairment of health may be forced to a limited work schedule and reduced income. It might be beneficial for him to convert his RRSP into an annuity to supplement otherwise inadequate income.

Another example would be a holder of an RRSP dying at an early age and survived by a spouse 40 years of age and dependent children. As observed in the brief of the Life Underwriters Association of Canada presented to your Committee on June 7, 1978:

"The surviving spouse faces a period of severe emotional trial and financial readjustment. The present RRSP law is flexible and well suited to emergencies of this kind because the surviving spouse can roll over the deceased's RRSP into his or her own RRSP. This provides continuing tax shelter and the opportunity to plan the future. It may be that the maturity of the RRSP as an annuity should be deferred five or ten years because of other assets currently available. The proposed amendment would prohibit this type of arrangement. The income averaging annuity option is of limited use in such circumstances because it must be exercised within a few months which may not be practical in such circumstances.

Suppose the surviving spouse in the previous example decides to take employment and defer the maturity of the RRSP rolled over from the deceased spouse. Ten years later at age 50 the spouse becomes disabled and needs to convert the RRSP into regular income at that age. Under the law as now proposed the only option would be to cash out the RRSP and suffer the tax burden in one year."

There is another option available. An individual may obtain a partial withdrawal of funds from an RRSP by contracting a second plan, requesting a direct transfer to the second RRSP of the funds he wishes to have remained in an RRSP and receive as a taxable amount the balance remaining in the first plan. This alternative is cumbersome and costly and if not performed in the proper manner, the individual may be taxed on the full amount of his first plan.

Your Committee feels there is no apparent need for a minimum age requirement and because of the hardships such requirement may cause, it recommends there be no minimum age requirement for maturity of RRSP's.

Taxation of RRSP and RRIF benefits at death

The Bill also proposes (subclause 34(15)) that, except where the spouse is the beneficiary, benefits pursuant to an RRSP shall be required to be commutable at death and the annuitant shall be deemed to have received the value thereof immediately before death. As a result, the deceased will be taxed in the year of death on the fair market value of his RRSP. Similar provisions apply to RRIF's (subsection 146.3(6) of the Act as proposed by Clause 35 of the Bill).

Under the present Act (paragraph 61(2)(d)), an amount received by any beneficiary as a refund of premiums under an RRSP on or after the death of an annuitant under such plan is considered as a special income receipt that qualifies for the purchase of an income averaging annuity contract. The advantage of deferring tax through the acquisition of an income averaging annuity contract is available to beneficiaries receiving single payments out of deferral plans, that is to say, payments out of or under a superannuation or pension fund or plan, and is also available to any beneficiary of a single payment from a deferred profit sharing plan on the death of an employee or former employee covered by such a plan (subparagraphs 61(2) (a) (i) and 61(2) (a) (ii)).

Furthermore, the proposal may create hardship for the deceased's estate. The beneficiaries receive the proceeds whereas the estate is obliged to pay the tax—and usually at a higher rate than that which would be applicable to the beneficiaries.

It is recommended that in the event the deceased dies without a spouse and the children of the deceased are the beneficiaries of his RRSP, there be no commutation of the RRSP benefits at his death and he not be taxed in the year of death; rather, the children be taxed on the benefits received with the option of deferring tax through the purchase of an income averaging annuity contract.

LIFE INSURANCE

Interest on policy loans

Bill C-11 (which received royal assent on December 15, 1977) amended the *Income Tax Act* to provide that a policy loan would be considered a disposition of an interest in a life insurance policy and the amount of the loan received in excess of a policyholder's adjusted cost basis would be included in computing his income subject to tax. Interest paid on policy loans would increase the adjusted cost basis of a policyholder's interest in his policy (paragraph 148(9) (a) and subsection 148(9) (e.1) of the Act).

Bill C-56 proposes (Clause 36) that in computing the adjusted cost basis of a life insurance policy after March 31, 1978, the premium paid on the policy exclude any interest paid before 1978 on a policy loan. Officers of the Department have indicated that justification for such a proposal is that many insurance companies have indicated they do not have complete records as to prior interest payments.

Your Committee notes that the adjusted cost basis of an interest in a life insurance policy will be increased in some instances by the amount by which the cash surrender value of the policy at its first anniversary date after March 31, 1977, exceeds the adjusted cost basis of the policy as otherwise determined. Therefore the effect of excluding interest paid before 1978 on a policy loan from the adjusted cost basis may not be severe in many instances.

Notwithstanding this mitigating consideration, your Committee feels many insurers or policyholders have records of payments of interest on policy loans and if such records are available, policyholders should be allowed to use them to establish their adjusted cost basis. It is recommended Clause 36 be deleted.

Reserves

In 1969 amendments were introduced giving different treatment to acturial reserves and non-capital losses of life insurance companies. By 1977 the reserves accumulated by life insurance companies in compliance with the 1969 amendments were perceived as being excessively generous. Consequently, the level of Part I tax payable was negligible considering the size of the industry.

As a result, changes to the Act were introduced in 1977 reducing the amount of reserves available to life insurance companies as deductions from income. Instead of taxing insurance companies on the difference at the end of 1977 between the reserves previously permissible and reserves under the new method over a ten-year period, as was originally proposed, clause 63(b) of the Ways and Means Motion tabled on October 20, 1977 proposed that non-capital losses and other deferred deductions that might otherwise be carried forward as reserves from the end of 1977 be substantially reduced or eliminated.

Such proposition was effected in part by the enactment of Bill C-11, which added subsections 13(22), 13(23) and 111(7.2) to the Act and amended Section 138.

With reference to this matter, your Committee noted in its report tabled in the Senate December 7, 1977, that losses incurred from the disposition of Canadian securities, as defined in the Act, would be disallowed but it was understood that it was the Department's intention to introduce compensating benefits. The extent of such benefits was unknown to your Committee at that time. Your Committee recommended that a thorough study be made of these proposals and that the results of the study be made available for consideration by your Committee.

In its second and final report tabled in the Senate December 14, 1977, your Committee noted that the Minister of Finance had undertaken to make a further study of this proposal.

As a result, by letter dated March 7, 1978, addressed to the Chairman of your Committee, the Minister of Finance forwarded a memorandum entitled "Transitional Rule For Policy Reserves Of Life Insurers". In his letter, the Minister noted as follows:

> "Over the last two months, officials of my Department have had extensive discussions with the life insurance companies concerning the new method of computing policy reserves. They have met individually with each of the companies that had communicated concerns to us with respect to this issue. They have also received communications from a significant part of the industry that found our general approach to be totally satisfactory."

This is in contrast with the comments made by Mr. A. R. McCracken, Senior Vice President, North American Life Assurance Company before your Committee on June 7, 1978:

> "You may wonder why more companies have not come to this hearing. The only thing I can suggest would be that we and several other companies have had appointments with Department of Finance people, and, quite frankly, we were very discouraged at the reception we received. Some of the companies may have been sufficiently discouraged to the extent that they have "given up the ghost," as it were."

Bill C-56 contains Clause 28, which would apply where an insurance company's 1977 carryforward deduction (an amount to be prescribed by regulation) would exceed its 1977 policy reserves computed on the new basis. This amendment is silent as to the treatment of loss carryforwards.

The methods to determine the amount of loss carry-forwards to be eliminated is as follows. A company would calculate the amount of the difference in reserves at the end of 1968 between the new and the old reserve methods. A similar

calculation would be made as of the end of 1977. The difference of reserves at the end of 1968 would then be subtracted from the difference at the end of 1977. The difference would then be compared with the total loss carryforward at the end of 1977. Only the excess would be available in 1978 and subsequent years. For companies transacting group term insurance, the amount compared with the total loss carryforward would be increased by the company's additional reserve at December 31, 1977, for group term insurance. Their 1978 loss carryforward position would be reduced further accordingly.

As an example, let us assume a company has the following reserves available at the end of 1968 and end of 1977 under the new old reserve methods:

	End of 1968 ($000,000)	End of 1977 ($000,000)
Old reserve method	$54	$114
New reserve method	50	100
Difference	4	14

The $4 million difference in reserves at the end of 1968 is substracted from the $14 million difference at the end of 1977 to obtain a net amount of $10 million. Only amounts of loss carryforwards in excess of $10 million will be available in 1978 and subsequent years.

Representations were made to your Committee to the effect that (a) the proposals will have a retroactive effect by denying tax loss carryforwards which were legally available to insurance companies and (b) such measures are discriminatory in favour of companies with no less carryforwards at the beginning of 1978.

The full effect of the proposals to reduce reserves and reduce or eliminate loss carryforwards cannot be determined until your Committee has seen the proposed regulations—which are not available. As a result, your Committee does not feel it is in a position to comment on the proposals until it has seen the regulations.

Your Committee has found itself in 1977 and again in 1978 in the position of attempting to review proposals to reduce reserves and reduce or eliminate loss carryforwards in the absence of regulations implementing such proposals. Your Committee finds it most regrettable that it has been unable to study the full effect of these proposed changes. It is hoped the Minister will make the regulations available to your Committee within the shortest possible delay to enable the Committee to complete its examination and report on these proposals.

SCIENTIFIC RESEARCH

Since 1961 Canadian taxpayers have been allowed a full deduction of current and capital research and development (R & D) expenditures in the year they are made. This was supplemented last year by the introduction of an investment tax credit on current and capital R & D expenditures from 5 to 10%, depending on the region in Canada where they were incurred. The Minister of Finance recognized the need to continue to encourage Canada's research and development efforts in his Budget Speech of April 10, 1978, noting that an adequate level of R & D is crucial to achieve gains in productivity and to strengthen Canada's position in an increasingly competitive world.

As a result, the Bill contains measures (Clause 6) whereby taxpayers will be entitled to deduct an extra allowance of 50% on qualified current and capital expenditures incurred in taxation years ending after 1977 and before 1989 on scientific research in Canada. The amount deductible as an extra allowance will be the amount by which the scientific research expenditures in the year exceed the taxpayer's average scientific research expenditures over the previous three-year period (base period).

As a result, the taxpayer's after-tax cost of additional amounts spent on research and development may be reduced to as low as 20%.

If a research property is disposed of, there may be included in a taxpayer's income the lesser of the extra 50% allowance previously deducted and one-half of the lesser of the research property's fair market value or its capital cost.

Your Committee welcomes the introduction of this additional incentive. However, it notes inequities may arise if extraordinary expenditures were made by a taxpayer in its base period. Recognizing the difficulties in establishing a satisfactory alternative, and in order to minimize any inequities that might result, it is recommended that the base period be extended to five years.

FAMILY FARMS

As a general rule, any increase in value of a farm accrued up to the time of the death of the owner would be included in computing the income of the owner in the year of his death. To encourage children of farmers to carry on the operation of family farms, the Act provides special rules (subsections 70(9), 70(9.1) and 73(3)) whereby farms may be passed from one generation to another without immediate tax liability for accrued gains in value.

Your Committee recommended in its report on the White Paper on Taxation tabled September 1970 that there be an exemption from capital gains tax to the extent of the first $75,000 of aggregate net lifetime gains derived from the sale of farms. The report recognized the modern alternative of farms being owned by corporations by extending the proposed exemption to dispositions by corporations. Recognition of the modern practice of corporations and partnerships owning farms is contained in Clauses 14 and 15(5) of the Bill whereby the rollover treatment available to family farms will be extended to transfers of shares of qualifying farm corporations and interests in qualifying farm partnerships.

The Bill also extends the rollover treatment to agricultural quotas and other eligible capital property (Clause 15(2)).

FAMILY LAW REFORM

The Act presently allows (subsection 70(6) and section 73) *inter vivos* transfers of properties between spouses and spousal trusts without immediate tax consequences. Realization of

gains or losses are postponed until the transferee spouse or trust disposes of the property.

The Bill proposes (Clause 15) that where capital property has been transfered to a former spouse in settlement of rights arising out of their marriage or to an individual pursuant to a decree, order or judgment of a competent tribunal, the realization of gains or losses on the transfer will be postponed in the same manner. As a result, tax on any gain or the deduction of any loss will be postponed until the transferee spouse or individual disposes of the property, at which time the transferee spouse or individual will include any gain or deduct any loss being the difference between the proceeds of disposition and the transferor's adjusted cost base.

FOREIGN NON-BUSINESS INCOME TAX

Canadian taxpayers frequently find they are unable to claim tax credits for foreign taxes paid, particularly with respect to foreign taxes paid to a country with which Canada has no treaty to avoid such double taxation. The Bill proposes (Clause 5(3)) that taxpayers not able to enjoy the full Canadian tax credit for foreign non-business income taxes paid be entitled to deduct such part of foreign non-business income tax from income as was not creditable from tax.

Your Committee welcomes this relief but notes the relief is less than complete and applies to non-business income tax only.

Canadian taxpayers paying foreign business-income tax are often deprived of claiming a full credit against Canadian taxes notwithstanding a foreign-tax carryover of five years (reference is made to subsection 126(2) and paragraphs 126(7)(a) and 126(7)(b)).

Your Committee encourages the Minister to take such measures as may be available to ensure that Canadian taxpayers obtain complete credit for foreign taxes paid.

PART IV TAX (TAX ON TAXABLE DIVIDENDS RECEIVED BY PRIVATE CORPORATIONS)

Your Committee welcomes the proposed amendments contained in the Bill (Clauses 32 and 42) relating to Part IV tax.

Bill C-11 extended the exemption from Part IV 25% refundable tax to dividends received by a private corporation that owned more than 10% of the fair market value of shares of the paying corporation unless the cumulative deduction account of the recipient corporation and associated corporations exceeded in the aggregate $750,000 for the year in which it received the dividends.

Your Committee noted in its report tabled December 7, 1977, that "large" private corporations, that is to say, private corporations with cumulative deduction accounts in excess of $750,000, would not enjoy the exemption from Part IV tax unless they controlled the corporation paying the dividend and therefore would be prejudiced.

As a result, Bill C-56 proposes that there be an exemption from Part IV tax for all dividends paid to a private corporation that holds more than a 10% interest in the paying corporation. As a consequence, there will be no deduction available to the payor corporation in determining its cumulative deduction account where a dividend is received by a corporation owning more than 10% of the payor corporation and on which no Part IV tax is payable.

TAXATION YEAR

Clause 55 of the Bill was inserted to make sure corporations would have a taxation year in each calendar year. The clause achieves this result for a corporation's first taxation year but not necessarily for subsequent years.

It is your Committee's recommendation that the clause be amended to enable corporations to have taxation years in all calendar years.

CONCLUSION

Your Committee wishes to express its appreciation for the services rendered in the review of the Bill by Messrs. Charles Albert Poissant and Thomas S. Gillespie.

Your Committee has examined and considered the subject-matter of Bill C-56 in accordance with its terms of reference and, except as noted above, has no comment to make on the Bill.

Respectfully submitted,

SALTER A. HAYDEN,
Chairman.

APPENDIX "B"

(*See p. 924*)

INCOME TAX ACT

FINAL REPORT OF BANKING, TRADE AND COMMERCE COMMITTEE
ON SUBJECT MATTER OF BILL C-56

JUNE 27, 1978

By resolution of the Senate on May 23, 1978, the Standing Senate Committee on Banking, Trade and Commerce was authorized to examine and consider the subject-matter of any Bill based on the Budget Resolutions relating to income tax in advance of any such Bill coming before the Senate, or any matter relating thereto.

In accordance with the Order of Reference, your Committee is presenting its interim report to the Senate concurrently herewith.

Your Committee has heard the Honourable Jean Chrétien, Minister of Finance, and now reports as follows:

PROVINCIAL SALES TAX

The Minister explained to the Committee the purpose of the federal government proceeding to ask the provinces to co-operate to affect a temporary reduction in their general retail sales tax rates. Based on Ontario and U.S. experience, it was felt a reduction in the general retail sales tax rates was the quickest and most effective way of stimulating demand in the Canadian economy.

He also explained the reason for Clause 30 of the Bill providing that there will be a deduction from federal tax payable by Quebec taxpayers for 1977 and a deduction from federal tax payable by taxpayers of other provinces (other than Alberta) for 1978. The federal government collects income tax for all provinces except Quebec. The federal deduction from income tax proposed by Clause 30 together with the simultaneous imposition of a similar tax by all provinces except Quebec and Alberta will mean that taxpayers in those provinces will pay the same aggregate amount of federal and provincial income tax. The less a taxpayer in those provinces pays to the federal government, the more they will pay to their provincial government. On the other hand, Quebec collects its own tax. If a deduction were deferred until the 1978 taxation year, a refund would be payable to Quebec taxpayers in the spring of 1979 only. It is the federal government's desire to stimulate the economy immediately and not wait until 1979.

UNDERTAKINGS OF THE MINISTER

The Minister gave the following undertakings to your Committee:

Registered Retirement Savings Plans (RRSP's)

A further study will be made of your Committee's following recommendations:

(1) that RRSP's be allowed to mature before age 60; and

(2) that in the event a deceased dies without a spouse and the children of the deceased are the beneficiaries of his RRSP, there be no commutation of the RRSP benefits at his death and he not be taxed in the year of death; it is recommended, rather, that the children be taxed on the benefits received with the option of deferring tax by the purchase of an income averaging annuity contract.

Interest on Policy Loans

He will study further your Committee's recommendation that policyholders having available to them records of payments of interest on policy loans should be entitled to use them to establish the adjusted cost basis of their interests in their insurance policies.

Reserves

In its interim report on the subject matter of Bill C-56, your Committee indicated its hope that the Minister will make recommendations available to your Committee within the shortest possible delay to enable the Committee to complete its examination and report on the proposals to reduce reserves and reduce or eliminate loss carryforwards available to life insurance companies.

The Minister has undertaken to furnish the regulations to your Committee by the end of next week and, if invited, to appear before your Committee in September or October to review these proposals.

CONCLUSIONS

In view of the foregoing explanations and undertakings by the Minister of Finance, your Committee recommends that the Bill receive favourable consideration.

Respectfully submitted,

SALTER A. HAYDEN,
Chairman.

APPENDIX "C"

(*See p. 924*)

INCOME TAX ACT
EXCISE TAX ACT

REPORT OF BANKING, TRADE AND COMMERCE COMMITTEE ON
SUBJECT MATTER OF AMENDING LEGISLATION RELATING TO SMALL BUSINESSES

JUNE 27, 1978

On June 7, 1978, Bill C-59, intituled "An Act to amend the Income Tax Act and the Excise Tax Act in matters relating to the ownership and operation of small businesses" received first reading in the House of Commons. This Bill is intended to implement the Ways and Means Motion tabled by the Minister of Finance in the House of Commons on May 25, 1978.

By resolution of the Senate on June 13, 1978, the Standing Senate Committee on Banking, Trade and Commerce was authorized to examine and consider the subject-matter of the Bill C-59, in advance of the said Bill coming before the Senate or any matter relating thereto.

Bill C-59 contains proposed amendments to the *Income Tax Act* and the *Excise Tax Act* providing tax relief for the small businessman.

INCOME TAX ACT

Allowable business investment losses

The *Income Tax Act* provides that a corporation may deduct allowable capital losses from taxable capital gains only.

Such losses that are not deductible currently may be carried back one year and forward indefinitely but may offset taxable capital gains only. The same rules currently apply to individuals except that $2,000 of allowable losses may be offset against any other income in each taxation year.

The Bill proposes (Clauses 1, 2, 3 and 7) that allowable capital losses incurred by a taxpaper, whether an individual or corporation, upon the disposition of shares of a Canadian controlled private corporation to persons with whom he deals at arm's lenght or dispositions of debts owing to him by Canadian controlled private corporations to persons with whom he deals at arm's length be deductible for tax purposes against income from any source. Any excess may be carried back one year and forward five years and applied against income from any source.

The Bill also proposes (Clause 4) an amendment to section 50 of the Act to the effect that taxpayers shall be deemed to have disposed of shares of companies should they become bankrupt for proceeds equal to nil. The taxpayer will be allowed a full loss measured from his adjusted cost base in the year of bankruptcy.

Transfer of shares of the capital stock of small business corporations

The Bill also proposes (Clauses 5, 6 and 9) a deferral of up to $200,000 of capital gains which may be realized upon the transfer between generations of a family of shares of the capital stock of Canadian controlled private corporations whose property consist substantially of:

(a) assets used in a manufacturing, processing, mining, logging, farming, fishing, construction, wholesaling, retailing or other business that may be prescribed; or

(b) shares and debts of another small business corporation.

(It is to be noted that tax relief is proposed with respect to the disposition of shares of family farm corporations in Bill C-56 as well.)

The $200,000 is a lifetime maximum and the deferral will apply whether the shares be transferred during the taxpayer's lifetime or at his death.

Capital gains tax payable on death

Under existing law, the capital gains tax arising on death of an individual may be paid in equal instalments over a six-year period. The Bill proposes (Clause 8) to extend the period to ten years.

EXCISE TAX ACT

Every person required by Part III, IV or V of the *Excise Tax Act* to pay taxes is obliged to file monthly returns showing taxable sales for the previous month. Furthermore, persons granted licences by Part III, IV or V of the Act must, if no taxable sales have been made in the preceding month, make a return each month so indicating.

The Bill proposes (Clause 10) amendments to authorize persons to make returns in respect of accounting periods of less than one month and to allow persons whose sales are seasonal and whose tax for the last preceding calendar year did not exceed $2,400 to make returns in respect of one to six months.

CONCLUSION

In view of the benefits extended by the Bill to small businessmen, your Committee recommends the Bill receive favourable consideration.

Respectfully submitted,

SALTER A. HAYDEN,

Chairman.

THE SENATE

Wednesday, June 28, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

DOCUMENTS TABLED

Senator Langlois tabled:

Report of the number and amount of loans to Indians made under section 70(1) of the Indian Act for the fiscal year ended March 31, 1978, pursuant to section 70(6) of the said Act, Chapter I-6, R.S.C., 1970.

[*Translation*]

ECONOMIC COUNCIL OF CANADA

PUBLICATION OF A REVIEW—QUESTIONS

Senator Wagner: Honourable senators, I should like to put two questions to the Deputy Leader of the Government as a result of the publication of a review by the Economic Council of Canada.

I would like first to ask the deputy leader to inquire and report to the Senate whether it is Canada's new policy to reorganize the bilateral aid program by restricting to 35 per cent of our total public development assistance disbursements the funds allocated to the multilateral non-food programs, by cutting down to about thirty the total number of recipient countries and by gradually removing the status of recipient country of project assistance, thus gradually getting away from "tied" assistance?

Senator Langlois: Honourable senators, as suggested by Senator Wagner, I am taking this question as notice and will provide an answer at the first opportunity.

Senator Wagner: Honourable senators, in the second place, I would like to ask the deputy leader if the Council's suggestion to create a new department using CIDA as a core and entrusting it with the responsibility of integrating the various policies concerning our relations with underdeveloped countries, as is now done in the United Kingdom and in the Netherlands, has now been endorsed by the government, a proposal which I personally put forward in 1972?

Senator Langlois: Honourable senators, since I am not a member of the cabinet, I am taking this question as notice. A reply will be given at the earliest opportunity.

Senator Flynn: Is the deputy leader suggesting that as a member of the cabinet he would be better at providing answers than Senator Perrault?

Senator Langlois: Absolutely not. Once again, my honourable friend's fertile imagination is playing tricks on him.

[*English*]

ENERGY

POSSIBLE CHANGE IN CONTROL OF ASSETS OF HUSKY OIL COMPANY—QUESTION

Senator Austin: Honourable senators, I wonder if the deputy leader could either answer or take as notice this question with respect to Husky Oil. Does the government have information as to whether the funds being used by Alberta Gas Trunk Line Company Limited are sourced in the Heritage Fund of the Government of Alberta; that is to say, may the equity owner of Husky in fact be the Government of Alberta?

Senator Langlois: Honourable senators, to my knowledge that information is not yet available, but I will make inquiries and present the information at the next opportunity.

NATIONAL REVENUE

DUMPING DUTY ON WIDE-FLANGE STEEL BEAMS—QUESTION ANSWERED

Senator Austin: Honourable senators, may I ask the Minister of National Revenue whether he is yet ready to provide an answer to my question regarding wide-flange steel imports into the province of British Columbia?

Senator Guay: Honourable senators, with regard to Vancouver and Alberta, the f.o.b. price will be set at $306 per ton. To that figure must be added the freight of $40 and duty of $31, making a total of $377.

Of course, if by chance the price of steel goes up or changes at all, we shall revise our figure. There is the possibility that the price of steel will go up, but in the interim that is the valuation that we are presenting at the moment.

Senator Austin: As a supplementary, can the minister tell us whether this import duty price level is competitive with import duties in, say, the neighbouring port of Seattle, and whether it is based on British or other foreign steel costs?

Senator Guay: With reference to the close-by port of Seattle, we took into consideration the various exporters to the United States and Canada when we came to that decision. The honourable senator may rest assured that we are well within that concept.

Senator Smith (Colchester): Honourable senators, I should like to ask a supplementary question of the minister. He says the price is set at $340, plus some other things. May I be perfectly clear on who set that price and on what criteria?

Senator Guay: Honourable senators, the price is set by the authority given to me by cabinet. Under sections 9 and 11 of

the Income Tax Act the minister has the right to prescribe to his deputy minister and to the officers of the department, who can then make a fair value of the commodity in question. That is how we arrived at the price I quoted, having taken into consideration, as I said, the landed price in Seattle when shipped from various countries in the world.

We feel that this is a fair value at the moment. As I said previously, if by chance the price of steel increases, we shall have to look into it.

One reason we had to use that system, which is not used too often, is that we could not get the information we wanted from certain countries. I believe that Great Britain gave us a price of $414 per ton, not counting freight or duty. That was the only country which gave us a price. At the same time, Britain was shipping it to Seattle at $354 per ton. So we had to make a decision. This was in response to the request that had been made by Alberta and British Columbia. We feel that we are well within that concept.

Incidentally, the honourable senator mentioned $340 per ton. I said $306 per ton, plus freight at $40, duty at $31, for a total of $377.

Senator Smith (Colchester): The minister will understand my rather intense interest in steel and its price because of the steel mill in Nova Scotia and its problems. Am I to understand that the landed price at Seattle is the only criteria that was taken into consideration in fixing the price at $350?

Senator Guay: No, that is not the case. We also take into consideration the price in Japan and other countries. We also take into consideration the price of Algoma Steel, and the current trigger price in the United States and in European countries. We made an evaluation of the whole concept, of the possibility of anyone shipping into those areas. That is how we arrived at that fair value.

Senator Smith (Colchester): Was one of the criteria the cost of steel—although I appreciate it would not be the same type of fabrication which a steel plant in Nova Scotia could land on the west coast? Just in case the honourable senator thinks this is a matter that is somewhat in the distance, may I remind him, as I am sure he knows, that a contract has recently been entered into between the Sydney steel plant in Nova Scotia and customers which requires shipment through the Panama Canal.

• (1410)

Senator Guay: I also know that they are shipping through the Panama Canal at $2 a ton cheaper. I am quite aware of that.

BANKING, TRADE AND COMMERCE

MEETING OF COMMITTEE—QUESTION

Senator Flynn: Honourable senators, I should like to put a question to the Chairman of the Standing Senate Committee on Banking, Trade and Commerce. Do I understand the committee is sitting this afternoon to consider Bill C-56? I did not receive any notice of such a meeting, and I should like to know whether the committee is sitting this afternoon while the Senate is sitting, to consider Bill C-56.

Senator Hayden: That is right.

Senator Flynn: I did not receive any notice. I don't know if anyone else did.

Senator Croll: I did.

Senator Flynn: You did?

Senator Croll: Yes.

Senator Walker: I got a notice.

Senator Flynn: Well, if important members of the committee received a notice, then that's fine.

THE CONSTITUTION

PROPOSED SPECIAL COMMITTEE OF THE SENATE—QUESTION

Senator Asselin: I should like to put a question to the Leader of the Government. The third item on the Orders of the Day is consideration of the message from the House of Commons requesting that a Special Joint Committee of the Senate and House of Commons be appointed to examine and report upon proposals related to the Constitution of Canada. Yesterday Senator Connolly (Ottawa West) gave notice of motion asking this house to establish a special committee of the Senate to examine proposed changes to the Constitution and the structure of the Senate. If this proposed special committee of the Senate is established, I should like to know if these two committees will work in the same way and will try to attain the same goals. What will be the purpose of this special committee, if it is set up, as proposed in Senator Connolly's motion?

Senator Langlois: Honourable senators, I hope this matter will be discussed this afternoon. I was about to rise to ask leave to bring Senator Connolly's motion forward so that it can be discussed before we reach the Orders of the Day. Senator Connolly will then provide the information the honourable senator wishes to have.

PEOPLE'S REPUBLIC OF CHINA

VISIT OF DELEGATION—QUESTION

Senator Bosa: Honourable senators, I should like to address a question to the Leader of the Government. Could he inform the Senate of the purpose of the visiting delegation from the People's Republic of China here today? Is it a trade mission or is it a friendly visit?

Senator Flynn: You should have invited Brezhnev as well.

Senator Perrault: Honourable senators, over the past eight years since the establishment of diplomatic relations, there have been a number of visits to the People's Republic of China by many Canadians, and many representatives from the People's Republic of China have visited Canada. The present visit of a distinguished delegation from the National Congress of

the People's Republic of China to Canada—the first in our history—is the first part of an exchange visit by parliamentarians, with our guests from the People's Republic of China visiting Canada for approximately eight or nine days, and a proposed visit by a group of Canadian parliamentarians to follow later this year or next year.

The present visit by members of the National Congress of the People's Republic of China is a visit of friendship and not a trade mission as such, although a great many subjects have been discussed during the course of their visit to Canada.

I have had the honour and the pleasure of being able to accompany the delegation from Vancouver to Ottawa. I can report that they have met many people in several provinces and they have talked with Canadians on many, many subjects. As I have said, this visit is primarily a friendship and goodwill visit.

BUSINESS OF THE SENATE

CONFLICT BETWEEN MEETING OF COMMITTEE AND SITTING OF THE SENATE—QUESTION

Senator Smith (Colchester): Honourable senators, I should like to ask the Leader of the Government this question: In view of the fact that there seems to be some conflict in the duties of senators today in that the Standing Senate Committee on Banking, Trade and Commerce is now about to meet, and in view of the fact that two resolutions of the most importance bearing upon the future of this body are to be considered in the chamber this afternoon, is some arrangement being made whereby senators can attend both the meeting of the committee and the sitting of the Senate?

Senator Flynn: At the same time.

Senator Perrault: Honourable senators, in the ordinary course of events as we approach the period of adjournment—and it is expected that Parliament will adjourn some time this week for the summer recess, perhaps even tomorrow evening—there are inevitably unavoidable situations wherein members could attend more than one committee meeting as well as sittings in this chamber. I quite agree with the honourable senator that the resolutions to be discussed are very important. However, it is expected that the debate on both these resolutions will not be prolonged for an inordinately extended period of time. I believe that most honourable senators feel that the important thing is to channel our energies and work into the committee activities when those committees meet. The honourable senator has raised a perfectly valid point. In view of the strictures of time it is difficult to see how the problem can be overcome.

Senator Smith (Colchester): Honourable senators, I thank the honourable leader for his answer. That, of course, leads me to a further question. Is he prepared to acquiesce in his own execution so readily?

Senator Perrault: Honourable senators, I cannot believe that anyone would construe the participation of the Senate in a joint parliamentary committee as being any form of execution. Indeed, it is an opportunity for the Senate to demonstrate its creative capacity and its ability to help shape the destiny of this country.

[Senator Perrault.]

Senator Smith (Colchester): I thank the honourable gentleman again for his answer. However, one would think that the subject of one's execution would be a matter which might ordinarily be considered appropriate to take some considerable time and even to take precedence over the importance of such a meeting as that of the Banking, Trade and Commerce committee. Consequently, I express some surprise that the honourable gentleman does not consider it appropriate to take some time to debate these two resolutions.

Senator Perrault: Honourable senators, the future of the Senate and the form of the Supreme Court of Canada and other institutions will not be decided in this chamber this afternoon. However, let it be said that no member will be restricted in any way from participating fully in these debates should he so desire.

Senator Smith (Colchester): I wonder how the honourable leader is going to arrange for a suitable opportunity to allow all honourable senators to express their views upon this subject within the time constraints he has mentioned?

Senator Asselin: No answer.

Senator Smith (Colchester): I know; there is not any.

Senator Perrault: If the honourable senator wishes to speak on either of these resolutions, he may exercise his full freedom to do so unless, of course, he is under some direction from his party whip or party leader, and I doubt very much that he is.

Senator Smith (Colchester): I thank the honourable gentleman, but he still has not allowed me to ascertain how I may be able to do that and express my views on the subject matter which is before the Banking, Trade and Commerce committee at the same time.

Senator Perrault: Honourable senators, that, perhaps, is a matter that the honourable senator should discuss with the chairman of that committee. Perhaps arrangements can be made for an appropriate intervention in both the chamber and the committee. I know that the chairman of the committee has a great capability to accommodate the needs of members of that committee, and I will certainly do what I can to expedite any solution.

● (1420)

Senator Smith (Colchester): I thank the honourable gentleman for his interest, but I really thought he was responsible for the conduct of the business of this house, and therefore it was to him I was addressing this question.

Senator Neiman: Honourable senators, perhaps if we get on with the resolutions themselves then we will be able to debate them in substance.

THE HONOURABLE LOUIS-J. ROBICHAUD, P.C.

FELICITATIONS ON RETURN TO CHAMBER

Senator Perrault: Honourable senators, may I take this opportunity on behalf of all honourable senators to welcome back to our midst Honourable Senator Robichaud who has undergone a siege in hospital and happily appears to be restored to his usual good health and energy.

Hon. Senators: Hear, hear.

THE CONSTITUTION

SPECIAL SENATE COMMITTEE AUTHORIZED TO STUDY SUBJECT MATTER OF BILL C-60

Leave having been given to proceed to Motion No. 3:

Hon. John J. Connolly moved:

That a Special Committee of the Senate be appointed to consider and report upon the subject matter of the Bill C-60, intituled: "An Act to amend the Constitution of Canada with respect to matters coming within the legislative authority of the Parliament of Canada, and to approve and authorize the taking of measures necessary for the amendment of the Constitution with respect to certain other matters", in advance of the said bill coming before the Senate, or any matter relating thereto;

That the committee have power to engage the services of such counsel, staff and technical advisers and to incur such special expenses as may be necessary for the purpose of the inquiry; and

That the committee have power to send for persons, papers and records, to examine witnesses, to print such papers and evidence from day to day as may be ordered by the committee and to sit during adjournements of the Senate.

He said: Honourable senators, first of all, I should like to thank you for allowing me to move this motion at this time.

I feel that the Senate must be intensely interested in any proposals for the reform of federal institutions and for fairly sweeping reform of the Constitution of this country. When these proposals are not contained in white papers, or proposal or learned papers, but are set out in a bill such as the one now before Parliament, which touches on, among other things, the Canadian Bill of Rights, the Supreme Court of Canada, the Office of the Governor General and the Crown, the Office of the Privy Council, the Parliament of Canada—both the House of Commons and, particularly, the Senate—then I think it is clear that the Senate has a basic duty to consider such proposals in as great depth as possible. If ever a sober second thought is needed in the Parliament of this country, then this is probably the time.

It has been proposed by the Commons that the Senate nominate some of its members to a joint committee. To this I think the Senate must agree, and send of its best. In my own view, and I hope in the view of the majority of honourable senators, that will not be enough in these circumstances. The efforts of a joint committee composed of members of both houses can be, and should be, supplemented by input from this house. It is my opinion that this kind of assistance and input can be provided on a completely non-partisan basis, and on an objective basis with the objective purpose in view of having constitutional changes which are appropriate for the kind of democracy we have in a federation such as Canada.

This motion which is before the chamber now implies that the Senate consider the proposals in the bill; it implies that the committee examine the virtues and the shortcomings of those proposals; it implies that the committee take evidence from interested and influential citizens and groups; it implies that the committee provide itself with expert assistance, because amendments may be required to be drafted; and it implies that the committee report to this chamber when it has completed its deliberations.

I think the committee can do more. It can inform, and thus fortify, the members of the Senate on the joint committee so that they can perform impressively and effectively. I am convinced, honourable senators—and I think this view is widely shared—that the methods and procedures of committees of the Senate are vastly superior to those of the other place. That may be because of the peculiar structure of the two houses, but I consider it a fact, and I would hope that the expertise that is available in this chamber, through its committees, would be available to senators and other members who will be called upon to serve on that joint committee.

If the Senate approves this motion, it will be the duty of the Committee of Selection to meet and nominate senators to serve on the special committee. That has been a practice followed here now for some time with respect to special committees. That committee, upon reaching its conclusions as to the membership of the special committee, must report to the Senate, and that report must be approved by the house. Once that report is approved, then under rule 69 it is the duty of the Clerk of the Senate to call an organizational meeting of that special committee, and at that meeting a chairman is appointed.

It may not be necessary for me to say this here and now, but to achieve the purpose of the special committee and to allow it to begin to function in time, all of this must be accomplished before the summer adjournment either tomorrow or Friday. I am informed that the joint committee is likely to meet later in the summer, and if this opportunity is missed the members of the Senate on that committee, and perhaps the other members of the committee, will be without the kind of support and assistance they need when considering these very complex problems, and which I am confident a special committee of the Senate can provide.

● (1430)

Some honourable senators will want to discuss the matter in general. I am thinking particularly of Senator Manning, because he has expressed the hope that an opportunity would be provided for him, at least, and I am sure for others, to discuss in general the subject matter of Bill C-60, which it is proposed should be referred to the special committee for study.

This motion does provide an opportunity for that. Without wanting in any way to be restrictive, or to have it suggested that I am proposing a curtailment of the debate, I would suggest, because of the time restrictions involved in bringing this special committee into existence, senators who want to discuss the general subject matter of Bill C-60 will be able to do so if they seize the opportunity provided by Item No. 3 on today's order paper, which has to do with the establishment of the joint committee about which I have been speaking.

Honourable senators, if this motion is adopted, the Senate can be assured that the special committee will be established, and will be ready to meet any requirement for its services during the coming recess.

Hon. Jacques Flynn: Honourable senators, Senator Connolly has set forth all the valid reasons for striking this special committee of the Senate to study Bill C-60—either Bill C-60 or a white paper on the Constitution of Canada. For the reasons he has outlined I have no hesitation in supporting his motion.

There is only one possible problem, as I see it, and that is whether the work of this committee would constitute a duplication of the work done by the joint committee. But I think it could do certain types of work that the joint committee might not have time for. For this reason, I think it would be appropriate to approve the setting up of the committee.

It could meet for purposes of organization and planning during the summer, and start in on its real program of activities when we resume in the fall.

When we do resume in the fall—assuming there is no election, which is always possible, because we never know on which side of the bed the Prime Minister might wake up in the morning—the special committee could report on what it has done and what it plans to accomplish, and we might then be in a better position to assess whether it is worth carrying on with the work of this committee.

With that reservation in mind, I suggest we adopt this motion and thus enable some of the organization and planning work to be accomplished during the summer.

Senator Asselin: I have only one question to ask Senator Connolly. He has suggested that later on, when the work of this special committee will have been completed, it will present a special report to the Senate. What I would like to know is whether the conclusions contained in that special report will be given to the joint committee of the House of Commons and the Senate before being made public in this house.

Senator Connolly (Ottawa West): Honourable senators, I do not wish to foreclose anyone from speaking. I am simply answering questions. Perhaps I could touch both points—one by Senator Flynn and the other by Senator Asselin.

There is no doubt that in respect of the work of the committee there will be a certain amount of duplication. Anyone who thinks about the matter will surely expect that to be so. There may be witnesses from the academic community, the legal community, the business community, the mining community, the labour community, the agricultural community, the social services community, the science community, and so on. They may all have views about federal institutions and they may want to come and express those views here. They may have views not only about the Senate but also about the whole range of institutions affected by this bill.

[Senator Connolly (Ottawa West).]

Yes, there may be duplication, but I have found through my own experience here that witnesses who have gone before committees of the other house have had a different kind of format to deal with, a different kind of circumstance to handle, from that provided in the Senate. In my opinion, the evidence our committees receive from witnesses who appear before them is of a kind that goes much more deeply into the subject matter than is the case elsewhere. Certainly there will be repetition, but I think we can be selective in our choice of witnesses that this committee will hear, and thus avoid repetition as much as possible.

Senator Flynn has suggested that the committee need not sit until the fall. I hope he is right in that. The subject matter is certainly of much too serious a nature to be rushed through before, say, the first of October or the first of November. This is a fundamental modification of the status of the institutions of the country. I know we cannot take 100 years to come to grips with the problem, but we should avoid the other extreme also, namely, trying to rush through it too quickly.

But we will be in the hands of the chairmen of the joint committee, one of whom will be from this chamber, with respect to when they will be sitting and how they will proceed. If this special committee is necessary, then we want to have it available so that, whatever happens in the course of the recess, the Senate will be able to do what should be done by a chamber as important and responsible as this.

I come now to Senator Asselin's question with respect to whether the conclusions of the report of the special committee would be made public. If I may speculate for just a moment, it is possible that the special committee of the Senate will recommend certain amendments to Bill C-60 which would be beyond the power of the Senate to make because of financial implications. If, in the course of its discussions, and in dealing with witnesses, the committee formulated such amendments and drafted them, then amendments of that kind should be made by the Senate representatives, if not by the House of Commons representatives, on the joint committee. The proceedings of this committee should be published, and I hope they will be given ample coverage in the press and in the media generally, and also that the report of the committee, when it is finally published, will be impressive and will influence editorial opinion in the country.

● (1440)

Motion agreed to.

APPROPRIATION BILL NO. 2, 1978-79

THIRD READING

Senator Langlois moved the third reading of Bill C-61, for granting to Her Majesty certain sums of money for the

Government of Canada for the financial year ending the 31st March, 1979.

Motion agreed to and bill read third time and passed.

CRIMINAL CODE

BILL TO AMEND—SECOND READING

Hon. George J. McIlraith moved the second reading of Bill C-42, to amend the Criminal Code.

He said: Honourable senators, the provisions of this bill are direct in their language and are remarkably brief. Its purposes are nonetheless most important in the structure of this country and are, I believe, most timely, because they concern the linguistic rights of persons accused of offences who come before our courts, and they are to be accomplished by way of amendment to the Criminal Code.

The right of an accused, whose language is one of the two official languages of Canada, to be tried before a justice of the peace, magistrate, judge or jury in this country is that he be tried before such a person who speaks his language.

That is the whole principle of the bill, and it is achieved simply and directly. The bill provides that an application for an order for trial in the minority language in any province must come before the court at the earliest possible time in the proceedings—that is, either at the point of election in that group of offences where there is the right to be tried by one court or another, or at the point in time when they are fixing the date for trial, if it is a case where there is no election.

There is provision whereby, in the case of a person whose language is not one of the official languages, the judge may by application make an order for that person to be tried before a judge, magistrate, justice of the peace or jury who speaks the official language in which the accused can best give testimony.

There is another provision—an interesting one—which says in effect that where an accused person comes before the court without counsel, there is an obligation on the presiding judge to advise the accused of his right as to the language of trial.

It appears to me quite clear, in reading the law relating to linguistic rights as set out in the *Jones* case in the Supreme Court of Canada in 1975, that the federal authority undoubtedly has the right to legislate on this subject. It is clearly within the federal jurisdiction. It is also clear to all practical people who deal with the courts that there is the requirement that the provinces be heavily involved in this matter, because they have the area of responsibility for the administration of justice and must, therefore, make the necessary arrangements.

It is rather interesting and refreshing that the provisions of the bill recognize the problem facing provincial authorities in the administration of justice. One amendment provides that a judge may order a change of venue where a court, with the capacity required under the bill, is not readily available in the area where the trial would normally take place. That is a source of problem for some provinces.

There is quite an elaborate procedure regarding proclamation of the bill. Again I believe the provisions recognize the problems that provinces will have, and will make their implementation of the bill much easier. It is provided that those parts of the bill dealing with indictable offences can be proclaimed or brought into force separately from those dealing with summary convictions.

There is a further provision to the effect that the bill can be brought into force in the provinces individually, one by one, as they have the machinery in operation to make it fully operative.

There is also a statutory requirement, put in by the House of Commons by way of amendment, that there must be consultation between the federal authorities, the federal Minister of Justice, and the provincial authorities.

Senator Asselin: There must be?

Senator McIlraith: There must be consultation on expectation of agreement as to the date of proclamation. If they do not agree, there is provision that the proclamation will take effect two years after it is made.

Honourable senators, my view, for what it is worth, is that this is a very good and important bill, and it deals with the subject matter effectively, simply and directly. At the same time, it takes account of what I believe we should properly recognize, and that is the degree of sensitivity on this subject in some areas where there is a very small minority.

I commend the bill to the house. I do not know whether honourable senators will ask that it be referred to committee, if and when it receives second reading, but it seems to me that is not required. In my view, it is a bill that can properly be dealt with without being referred to committee.

• (1450)

Senator Asselin: Are you willing to give us more information?

Senator McIlraith: In any event, I am in the hands of the Senate as to whether or not they wish the bill to go to committee.

Senator Greene: Could Senator McIlraith tell us whether there have been negotiations or arrangements with the provinces with respect to a financial contribution from the federal trough for the added expense in the administration of justice that the provinces will obviously incur if they take this bill to heart and implement it as we would have them do?

Senator McIlraith: I cannot tell the honourable senator whether financial arrangements have been made with the provinces. I can tell him that there have been very full consultations with the provinces on this subject, and that some provinces are quite far advanced along the way towards having arrangements in place for the full implementation of the change in the law. It is rather refreshing to be able to tell him that, according to my information, consultations with the provinces have been rather satisfactory.

I hope that answers the honourable senator's general question, although it does not answer the narrow point raised by him directly.

Senator Goldenberg: Will Senator McIlraith permit me to say something? I happen to have before me the statement made by the Minister of Justice before the Justice and Legal Affairs Committee of the other place, in which he says on that question:

> I have stated at second reading that we are ready to look at further ways of helping the provinces meet the requirements of this legislation.

Senator Asselin: So the answer is yes.

Senator McIlraith: No. The question was: Have they made any arrangements? I believe they have not. The minister had indicated a willingness to deal with the subject.

[*Translation*]

Hon. Claude Wagner: Honourable senators, I am pleased to take part in this debate on a subject which has been of concern to me for a very long time. Of course, as a former judge and minister of justice, I have a special affection and even nostalgic feelings for everything connected with the judiciary and, as a politician, when I can discuss something which is so closely related to the crucial national unity issue, I am doubly happy. Indeed, the bill now before us in an integral part of the slow but necessary progress of Canada towards a fuller linguistic equality for its French-speaking citizens.

The bill referred to us is an important step towards a goal which is shared, at least I hope so, by the great majority of Canadians, that of having finally an amended Constitution which will contain, among other provisions, a charter of linguistic rights for Canadian citizens, about which I spoke at length in this assembly during the debate on Bill C-56.

No one can feel indifferent about the equality of both official languages within our judicial system, both in law and in fact. The British North America Act already provides the optional use of English or French before the courts under federal jurisdiction and the provincial jurisdiction of Quebec. This bill extends this optional right in criminal matters to the courts under the jurisdiction of other provinces in all cases where these provinces will deem it advisable to exercise that right.

It will therefore be with pleasure and satisfaction that we shall vote for this bill if and when it comes to a vote. Moreover, to show our unanimous support, we are quite agreeable to dispense with consideration in committee. However, one of the problems facing us with this bill as legislators is that, to a large extent, it will not be possible to implement across the board its main provisions immediately. Of course, it will be relatively easy to set up the required mechanisms in large areas of the country, like Ontario and New Brunswick and, to a certain extent, Manitoba. The large numbers of French-speaking people in many areas of these provinces and the possibility of finding judges and juries who speak French will make it easier there than in other areas of Canada. In those other areas, it is clear that the reform brought about by Bill C-42 will be implemented gradually and probably rather slowly.

To a certain extent, we are therefore legislating in the abstract. On the one hand, if we want to grant to the Canadian people the right to testify in their own language without an interpreter, we must start by passing legislation to this effect. On the other hand, this right may remain largely theoretical because of the lack of material administrative facilities provided by the provincial authorities as well as the lack of the legal staff required so that Bill C-42 will truly benefit all those for whom it was put on our statute books. The process may well be slow and illusory.

My only regret is that the bill was introduced at such a late date in the session. It will be difficult to obtain from the Minister of Justice specific and full information about the talks he may have entered into with the various provinces and to know their reaction, in order to foresee and determine how the new legislation will be implemented in practical terms so that francophones may be tried in their own language.

In order that this legislation becomes more than a practically inoperative statute, but rather a concrete reality, an everyday reality, so to speak, the frank and unequivocal cooperation of the provincial governments concerned will be required. The provinces should not see in the fact that their approval is required an excuse to unduly delay amending their own laws, particularly as regards juries. We know that amendment of that legislation is an essential condition to meet the objectives set by the federal legislators.

● (1500)

In that respect, I would like to congratulate the Government of Ontario whose Attorney General, Mr. Roy McMurtry, took steps sometime ago to provide for the operation of courts in French in the national capital and northern Ontario areas and for the extension of that system to other judicial districts in the province.

The attorneys general of the other provinces will undoubtedly want to outdo their Ontario colleague and equip their own provinces as soon as feasible with judicial facilities where it will be possible to carry out the proceedings, at least in part, in French. Indeed, it would be unfortunate if the passage of this bill were to be used as a screen for negligence or, even worse, bad faith, by officials reluctant to implement a reform which all enlightened Canadians are urgently demanding. In any event, an end must be put to that anomaly which has been pointed out repeatedly—trials in English where all interested parties, the judge, the jury, the accused, the attorneys and often the witnesses are all French-speaking.

Let us not kid ourselves, it probably will not be possible, at least not easy, particularly in those provinces where the French-speaking population is not particularly dense, to implement Bill C-42 in all localities where they would like to have it. The important thing is that those courts be set up without undue delay in those localities most accessible to minority members. Changes of venue will undoubtedly be necessary to meet the demand of French-speaking citizens against whom criminal charges have been laid. Simple equity calls for nothing less.

To prevent those steps to bilingualize the judicial system from creating regrettable backlashes within circles ill-informed or ill-prepared for such a reform, it would be appropriate for those who have a voice with the public to combine their efforts to cut off eventual explosions of racial prejudices.

In that respect, the Canadian Bar Association and provincial staff associations of the legal profession can play a leading role. It seems just as urgent to me for our lawyers to try to facilitate the implementation of the new system and train legal people fully cognizant of French as to spend long hours searching for new constitutional structures which may be given short shrift. In any event, that second initiative should not supersede the first one which now appears much more urgent to me.

One can expect that the implementation, even gradual, of the new legislation will occasionally give rise to difficult, complex, sometimes thorny, situations. In the case of charges laid against a group of individuals—I am thinking of conspiracy charges, for example—where only one or two of the accused would be French-speaking, will it be advisable to order separate trials in those cases? Will a change of venue be accepted at the risk of increasing considerably the court fees? Those are some of the many cases—and there will certainly be others—which will require dexterity, caution and fair play on the part of those responsible for the administration of justice.

It is a fact that the Canadian Bill of Rights already provides for an accused in Canada the right to the services of an interpreter when he cannot be judged in his mother tongue.

I have too much respect for our courts to think that they would tolerate the least infringement to the principle of equity toward accused persons who are unable to defend themselves in the official language of their choice.

Bill C-42 clearly states the right of an accused to give his or her testimony either in French or in English before a criminal court. As a matter of fact this right is already being exercised in Quebec by virtue of the Constitution. This bill therefore concerns mainly francophones in the other provinces who are brought before the bench in criminal cases.

Another fact is worth pointing out. As the Minister of Justice mentioned in his testimony before the Commons Committee on Justice and Legal Affairs, clause 1 of the bill states that in order to be heard in one's mother tongue and in order not to delay the proceedings, an application to that effect must be made by the accused himself at the beginning of the trial.

On the other hand, the bill puts the magistrate in the strict obligation of advising the accused of his right to be heard in his own language. It is a basic issue which should not be the subject of any troublesome restrictions.

Even at the risk of extending the hearing of a case, and when the accused is obviously of good faith, nothing should prevent him from invoking, even when it is late, the right which is extended to him by the law, because that way justice might be better served. To reject a late application, the magistrate should establish that the accused is invoking his right for dilatory purposes only and not in the best interest of justice.

Honourable senators, the debates which have taken place so far and the reports published in the press have not always provided an exact reflection of the content of the bill. In that respect, it has been claimed that the accused would have the right to be tried in their mother tongue. Such is not the case.

The Minister of Justice has been very candid about it in his testimony before the Commons committee. He specified that all that Bill C-42 does is to grant the accused the right to testify in his or her mother tongue—be it French or English—without the intervention of an interpreter.

Here is a short extract from his testimony, as reported in issue No. 31 dated May 24, 1978 of the *Minutes of Proceedings and Evidence* of the standing committee:

> The main principle underlying Bill C-42 is to amend the Criminal Code of Canada to give accused persons in this country the right to be heard and understood by a judge or jury in a criminal court in their own official language, whether it be French or English. It does not mean, however, for example, that a trial would be completely held in French or English. What it means is that an accused person can tell his side of the story if he wishes in his own language, whether French or English, without having his story filtered, as it were, by an interpreter.

● (1510)

Clearly, Bill C-42 is quite limited in scope, and indeed nothing more than a minimum. This is still a far cry, if we ever reach that stage, from French being used throughout a trial held before a criminal court in the so-called English-speaking provinces.

The minister also is committed to consult each and every provincial government before the act is proclaimed into force, and to proclaim it into force only at such time as is agreed to by each province. I commend the minister for this. If we are to avoid the kind of quarrels and misunderstandings that arose too often in the past, it is essential that both levels of government enter into written agreement on when this important legislation should be proclaimed into force.

Even though, as stated by the minister, the language used in our criminal courts is purely a federal matter, the administration of justice in turn is a purely provincial matter until such time as I am proven wrong. In view of this, Ottawa should accept the principle of joint proclamation of Bill C-42 within each province's boundaries.

In such a delicate matter as the language rights of the accused, I see no benefit—quite the contrary—in Ottawa's acting unilaterally or sending ultimatums that would in no way serve the cause of justice.

Before I conclude these brief remarks, honourable senators, I would like to stress the importance of this legislation in terms of national unity. During my six years in the other place as a member for Saint-Hyacinthe, I stressed on various occasions the need to ensure genuine equality between both official languages across the land. This is, in my view, of prerequisite

to the survival of our federal system. How can we rationalize references to a common fatherland if the language of one of our two founding peoples is to all practical purposes banned from a major part of the land? Practical equality of both languages is essential if our fellow Canadians of either linguistic group feel truly at home, wherever they choose to live.

There is now easy acceptance of the fact there is in Canada one province where the predominant language is French, and which will have in defending its interest the powers needed to better orient its policies. It would be wrong, however, to think that French Canada stops at Quebec's borders, to view as negligible the million francophones scattered throughout the nine English-speaking provinces of Canada.

The legislation now before us is aimed precisely at solving some of the problems by the latter communities. I would like, however, to take this opportunity to remind this house, as should be done constantly, that after 111 years of the federal system Canada should now consider enacting a "Charter of Minorities" in which language and school rights of each sector of both English Canada and French Canada would be enshrined.

Conscientious implementation of this legislation will be an important step toward developing conditions that will ultimately lead to the voting of such a charter, and this is a dream I share with so many of my fellow Canadians of both official languages. Such a charter could complement the charter of basic rights that is also envisaged for our Constitution.

At the very moment when a great many citizens are expressing doubt about our federal system, we must stop haggling over measures of justice towards our minority groups. If French Canadians do not feel welcome in other parts of the country, if they do not have this feeling of belonging which is the base of political societies, how can we convince French-speaking Quebecers that Canada belongs to them and that it is not in their best interest to limit their nation to the frontiers of Quebec?

Yet it would be illusory to think that broader application of a policy guaranteeing equal linguistic rights as proposed in the measure under scrutiny will by itself suffice to put an end to the independentist movement in Quebec. However praiseworthy and necessary a more generous bilingualism policy might be, it would never be more than a first step towards another measure more important still and very pressing indeed—a complete review of our Constitution. This will be the only measure likely to stop the disintegration of our country, likely to conciliate the will of French-speaking Quebec to assert itself as an autonomous political entity with a need for this province to take advantage of the support of the federal structures in order to extend its influence and itensify its action.

That is the only condition—and it bears repeating again in light of this bill—the only condition which will save Canada, and to that task we must apply ourselves without delay.

Hon. Duff Roblin: Honourable senators, I am pleased to support Bill C-42. This bill is aimed at allowing any individual to be tried in a criminal court of justice in Canada in the official language of his choice.

[Senator Wagner.]

The general support given to this bill in the other place eloquently demonstrates that attitudes are changing. I am convinced that this bill will get the same enthusiastic support in the Senate. The amendments proposed by the official opposition in the Commons and accepted by the government should ensure a certain degree of consultation with the provinces concerning the implementation of that program. Those amendments have substantially improved the initial proposal.

However, let us not delude ourselves. This bill does not represent spectacular progress towards the establishment of a *modus vivendi* between both official languages in Canada. Indeed, let us be frank, this bill will have no influence on separatists who have no sympathy at all for the concept of a united Canada. The thrust of this bill is rather modest, but it proves once more that Canadian anglophones do have a genuine desire to let their francophone fellow citizens know how much they appreciate and respect them.

Hon. Senators: Hear, hear.

Senator Roblin: I do not really believe that the doctrinaire bilingualism policy of the federal government is widely supported. In fact, in some areas of the country, due in part to the means used to make it effective, this policy has done more to create divisions and misunderstandings between the two founding groups than to promote harmony and agreement. But nevertheless I am convinced that the English-speaking provinces are starting to show a more fraternal and respectful attitude. It has developed slowly but surely. It encourages respect for the status, the language and the French culture in every part of the country. It is even true for some parts of English-speaking Canada where in the past the French culture has endured several reverses.

Take for instance my own province of Manitoba where 6 per cent of the people, 60,000 inhabitants, are French-speaking. In 1890, Catholic schools, that is French schools, were denied financial support from the public school system. In 1916, they even ceased to consider French as a language of instruction in that system.

However I believe it is encouraging to witness in recent years a gradual evolution of the public opinion in my province. It was reflected in various amendments to our legislation. In attempting to explain that change, I must first congratulate Senator Molgat who, as the opposition leader in the Manitoba legislative assembly, acted as a positive and constructive statesman.

Hon. Senators: Hear, hear.

Senator Roblin: Under certain conditions, the private schools of my province—and it includes denominational schools—are today entitled to substantial support from the public school system.

Within the public system, French can now be used and is used as the primary education language in sectors serving the majority of the 6 per cent of Manitobans whose mother tongue is French. We are talking about some 10,000 students. There

is in the education department an Office of French Education headed by an assistant deputy minister. I should also point out that there are more and more French immersion courses for English-speaking youngsters. To quote the French-speaking director of this immersion program, "English-speaking people have a much more positive attitude toward French education".

The Manitoba judicial system has always had a representative number of French-speaking judges. As for our courts, it is possible, for example in St. Boniface, to be tried in French. I am convinced that with the consultation provided for in this bill and the period allocated for adjustment purposes, the province of Manitoba will succeed in providing the services that this bill seeks to guarantee, and to provide them wherever the need appears.

To come back to the fundamental point I am making, this bill does not represent a panacea for all current language problems in Canada. However, this bill does reflect in a practical and useful way the sincere wish of a majority of Canadians, from Quebec and other provinces, to give both the French and English languages the respect and recognition required by simple justice. This augurs well and we can concur enthusiastically.

● (1520)

[*English*]

Hon. Charles McElman: Honourable senators, I regret that Senator Robichaud could not be here for this debate, because I know he would want to intervene. As most of you are aware, he has recently undergone rather serious spinal surgery, which does not permit him to sit in one position for very long, even with the aid of the brace which he wears. In his regrettable absence I should like to make a few remarks on this bill.

First of all, I should like to voice my disappointment that the Honourable Senator Wagner, in his glowing tribute to the Attorney General of Ontario, completely ignored the one officially bilingual province in Canada, the Province of New Brunswick. The matters that are covered by this legislation have in recent years been practised to a large degree by the Province of New Brunswick acting on its own. I readily and quickly admit that the changes, the improvements, the provision of what I consider to be basic rights, were rather long and late in coming, and the provision of such rights, rather than privileges, is not totally secured yet. However, tremendous progress has been made.

It is not an overnight matter to provide services of the nature covered by this bill. It is a long process, it is a frustrating process, and it requires a tremendous amount of patience and goodwill. We in New Brunswick know that from experience. For example, in New Brunswick it was necessary to have the statutes of the province transposed to the French language. That has been accomplished.

We had a young and capable judge of the provincial court who took leave of absence to become the overseer of that work, and he did a tremendous job of it. Incidentally, he is now the Leader of the Opposition in the Legislature of New Brunswick.

Senator Asselin: Do you mean Joe Daigle?

Senator McElman: Yes, Joseph Daigle. That task completed, another project that was dear to the hearts of many of us is now in the way of being achieved. We have had for many years an outstanding law school at the University of New Brunswick. We are now establishing a unilingual law school at the University of Moncton which will start training in the French language very shortly.

The legislature now has before it an act which will raise county court judges to the Queen's Bench Division of the Supreme Court of New Brunswick, an amalgamation of the two courts. One of the very real purposes is to assist in providing languages rights to the citizens of the province before the courts, in order that they might receive a proper element of justice.

● (1530)

This whole program in New Brunswick was part of a program instituted under the Robichaud administration, and known as the Program of Equal Opportunity. The province assumed total responsibility, financial and otherwise, for education, health, welfare and justice. It has taken some time to provide for all of these services and to ensure equality of justice to all of our citizens.

The legislation which made our province the only official bilingual province in Canada was brought in under the Robichaud administration. Certain sections, including sections which have to do with justice, could not be proclaimed until provision was made for the delivery of those services. I am happy to say that as it was possible to make such provision, our present premier, the Honourable Richard Hatfield, moved as quickly and as expeditiously as possible to provide those services. I say that simply to point out that in this matter there has been nothing of a partisan nature or argument in New Brunswick.

There are further comments that I could make, and which I am sure Senator Robichaud would make if he were here. I did not want to let debate on this bill pass without drawing to the attention of honourable senators the fact that things that are being provided here have been provided, and are being provided, in the Province of New Brunswick, over a period of time, at its own instigation.

Senator Wagner: Honourable senators, on a small question of privilege, following the remarks of Senator McElman, may I point out he was right to chastise me for not having paid a glowing tribute to New Brunswick, although I did mention New Brunswick in my speech. If I did not pay a glowing tribute, it is because, first, I know what has been done in New Brunswick, and, secondly, I was presuming that in view of the fact that I am fluent in both French and English, everyone would recognize that that fluency was obtained when I was a young boy in Shediac, New Brunswick, and grew up in Moncton, New Brunswick. I am proud of my heritage.

Senator McElman: I thank Senator Wagner for his recognition.

Motion agreed to and bill read second time.

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

Senator McIlraith moved that the bill be placed on the Orders of the Day for third reading at the next sitting.

Motion agreed to.

DISTINGUISHED VISITORS IN GALLERY

DELEGATION FROM THE NATIONAL CONGRESS OF THE PEOPLE'S REPUBLIC OF CHINA

The Hon. the Speaker: Honourable senators, I would like to extend a warm welcome to the distinguished delegation of the People's Republic of China led by the Vice-Chairman of the National People's Congress, Mr. Chi Peng-fei, and to offer a special greeting to his wife, Mrs. Hsu Han-ping, and to His Excellency and Mrs. Wang Tung.

Hon. Senators: Hear, hear.

THE CONSTITUTION

MOTION TO APPOINT SPECIAL JOINT COMMITTEE—DEBATE ADJOURNED

On the Order:

> Consideration of the Message from the House of Commons requesting that a Special Joint Committee of the Senate and House of Commons be appointed to examine and report upon proposals that have been and in the future are from time to time made public by the Government of Canada, on subjects related to the Constitution of Canada.—(*Honourable Senator Langlois*).

Senator Langlois: Honourable senators, it will be recalled that on June 26—

Senator Asselin: On a point of order.

[*Translation*]

Since this is a very important matter, at least in my opinion, might it not be possible for Senator Langlois to postpone his intervention until tomorrow, at which time perhaps more senators will be present to hear his message?

[*English*]

Senator Grosart: No, no.

Senator Asselin: The Honourable Senator Grosart says, "No, no." I did not consult the deputy leader. It is my own suggestion; it is not the suggestion of the party. However, if the deputy leader does not wish to accept it, I am ready to obey, as a good Conservative.

Senator Grosart: Honourable senators, I have no real objection. I was not objecting to the suggestion. I shook my head because I understood that a message had gone forward at that particular moment to the Leader of the Opposition to enable him to be here in order that he might hear the motion and respond. I will leave it at that. I understand that the Leader of the Opposition will be returning very shortly in case it is the feeling of the Senate that we should proceed at this time.

[Senator Wagner.]

On the other hand, I see a great deal of merit in the suggestion made by Senator Asselin that, this subject being as important as it is, it might better be discussed when a large number of senators are not attending an important committee meeting. There are two committees, I believe, meeting at this time. I was not objecting to Senator Asselin's suggestion. I was merely shaking my head to indicate my reaction at the moment, knowing that the Leader of the Opposition will be back shortly.

The Hon. the Speaker: The motion has not yet been put. May I ask the honourable Senator Langlois whether he is moving the motion?

Senator Langlois: Yes, I am going to move the motion.

The Hon. the Speaker: It is moved by the Honourable Senator Langlois, seconded by the Honourable Senator Perrault, P.C.—

Senator Langlois: I have not yet read the motion. I was about to do so.

[*Translation*]

First of all, I think that I should make a comment about the point of order raised by my honourable friend Senator Asselin. I congratulate him for being so tractable even when—

Senator Asselin: It is not always the case.

Senator Langlois: —even when the whip is not in the House.

I was going to say, when I was interrupted, that on June 26, an almost identical motion was introduced in the other place by the Prime Minister, which motion was agreed to the next day.

[*English*]

Honourable senators, I now move, seconded by the Honourable Senator Perrault:

> That the Senate do unite with the House of Commons in the appointment of a Special Joint Committee of the Senate and House of Commons to examine and report upon proposals that have been and in the future are from time to time made public by the Government of Canada, on subjects related to the Constitution of Canada;
>
> That the Committee have power to examine and enquire into all such matters as may be referred to it by the Senate, to report from time to time, to send for persons, papers and records, to sit during sittings and adjournments of the Senate, to print such papers and evidence from day to day as may be ordered by the Committee and to delegate to sub-committees all or any of its powers except the power to report directly to the Senate;
>
> That the Committee have power to adjourn from place to place within Canada;
>
> That some Members of the Senate, to be designated at a later date, act on behalf of the Senate as members of the said Special Joint Committee; and
>
> That a Message be sent to the House of Commons to inform that House accordingly.

The Hon. the Speaker: It is moved by the Honourable Senator Langlois, seconded by the Honourable Senator Perrault, P.C., that the Senate—

Some Hon. Senators: Dispense.

The Hon. the Speaker: Is it your pleasure, honourable senators, to adopt the motion?

• (1540)

Hon. Raymond J. Perrault: Honourable senators, in speaking to this motion I do not intend to embark on a long discourse on the subject of the constitutional proposals. Suffice it to say that they will receive the closest possible scrutiny in the months ahead. The government has said, and I reiterate once again, that it is open to suggestions and counter-proposals. Its views are not cast in concrete. The subject of constitutional reform is a wide-ranging subject of great importance, and it is worthy of serious and meticulous consideration, both in Parliament and in all regions of the country. No doubt it will receive that serious and meticulous attention.

Since their tabling, several of the constitutional proposals, including the proposal to form a House of the Federation, have attracted a great deal of comment. This is a healthy process, and we should welcome it. Many senators have advocated constitutional changes down through the years. Indeed, a number of senators participated in the joint committee which brought down an excellent report on constitutional reform and change only a few short years ago. The proposed changes in the Senate will be discussed at great length by this committee, if it comes into existence. But changes in the Senate have been advocated by many, many senators. There is nothing new about this process.

It is unreasonable to expect that institutions formed over a century ago would not require reappraisal, review and reform from time to time. I know of no member of this house who has ever advocated that there be a status quo position for the Senate.

The Right Honourable the Prime Minister said in the other place yesterday:

> We believe that whatever form the Constitution takes, there must always be a central government able to speak for all Canadians in all parts of Canada in areas which are important in the lives of those people.

He went on to say:

> We think it would be a mistake to try to save the unity of Canada merely by saving its geographical entity. We think that unless the central government can indeed govern effectively over all citizens in the country, we might have saved the map of Canada but we would not have saved the reality of a nation, a people united in their purposes and seeking to fulfil their destiny together.

In discussing the proposed House of the Federation, the Prime Minister emphasized that the government is anxious to hear discussion on this and other proposals. He added:

> —I ask those Canadians who want to debate constitutional problems and look for solutions, to consider this whole matter, going back to the first principles I have put before the House—how do we bring the regions to the centre and make sure that in some way we end the feeling of alienation which eventually, if left to develop, will destroy the legitimacy of the national parliament?

I know there is concern in some parts of the country about a number of these proposed changes, but, as I have said in this chamber in recent days, and as other spokesmen for the government have said, these proposals are not designed to be definitive; the government does not intend to proceed unilaterally and without discussion. Indeed, yesterday the Prime Minister said this:

> Mr. Speaker, we know that there will be a meeting of premiers in August and that one of the issues on the agenda will be those constitutional proposals. So I repeat, it should be well understood that it is not a definitive or unilateral action that precludes any discussion. It is the result of the ideas developed by the government with the support of the Liberal caucus. It is the result of our thinking but, as I have said, we are prepared to continue the debate and improve the way in which we shall be able to study the bill.

He further said:

> I would simply like to say once again that we do not believe that a constitutional bill can lead the country towards greater harmony or unity if the bill is not debated and eventually accepted by the great majority of Canadians. This is why we have proceeded in this way by moving a motion to establish a committee. I hope, Mr. Speaker, that this committee can report to us in the coming months. As for me, I am convinced that we owe it to ourselves and that we owe it to Canadians to give them finally a constitution written, passed, proclaimed in Canada, for Canadians, by Canadians.

I am confident that if the Senate approves participation in this committee, the Senate members appointed to the special joint committee will undertake their responsibilities in the light of the role they are playing, perhaps in determining Canada's future history. I am also confident that the special Senate committee proposed by Senator Connolly (Ottawa West) whom I congratulate on his twenty-five years of service to this chamber—

Hon. Senators: Hear, hear.

Senator Perrault: —will make invaluable contributions to the discussions on the subject of change in our Constitution.

The Senate has never been an advocate of the status quo. We have always recognized the need for constructive change. Equally, the Senate has a proud record of improving proposed legislation, and I am confident that we have the desire, the talent and the expertise to contribute substantially, perhaps even in a major way, to this most important dialogue on the future of our country.

That is why I am pleased to recommend that the Senate be a part of the special joint committee. That is why I believe that we should unite with our friends in the other place in the

appointment of the special joint committee, which I believe will be one of the most important committees ever formed in the long and honourable tradition of our Parliament, and I have no doubt whatsoever that members of the Senate will make a memorable and constructive, indeed historic, contribution.

Hon. Jacques Flynn: Honourable senators, before I comment on the motion, would the Leader of the Government indicate how many members from this house will be appointed to this special joint committee? The motion does not say anything about that.

Senator Perrault: It is my view that we may well have no fewer than twelve members on the committee.

Senator Flynn: When will a decision be made on that important question?

Senator Perrault: It is expected that the matter will be discussed tomorrow, but I have had preliminary discussions with the house leader in the other place and I have reiterated the great importance to Parliament of a number of these changes. Indeed, the whole package has great import for the country.

Senator Flynn: In any event, I suppose the Senate will have to concur in the number that will be suggested to—I repeat "suggested to," not imposed, on— the Leader of the Government in the Senate by the cabinet. I agree the government may have something to say, at least, that there has to be some concurrence of the other place in the number that we will add to this special joint committee.

Honourable senators, I do not intend to take much longer than the Leader of the Government has taken in dealing with this motion. I would say that Bill C-60, these proposals for constitutional reform, has fallen upon the House of Commons, the Senate and the people of Canada not as a surprise but certainly not when expected either. Two months ago, we could not have expected that these proposals would come now. If an election had been called for July 10, as was expected when the Leader of the Government was urging us to speed up the passage of the legislation before us at that time, I submit we would not have learned of these proposals. Is there any relationship between the fact that the Prime Minister hesitated, that he decided not to call an election, and the making public now of these proposals? I believe there is. And whether there is any connection between the introduction of these proposals and the date of the next election we will see. However, I suggest to honourable senators that the timing of these proposals was not very good.

● (1550)

Here is a government which is in its last year; it might even be in the last months of its term in office.

An Hon. Senator: On its last legs.

Senator Flynn: It has a very old and very stale mandate. So what does it do? It makes very definite and precise proposals in connection with a matter which the Leader of the Government indicated earlier has been the subject of discussion for many, many years. I remember that it was the subject of discussion in 1962, when I was a member of the administration. I also remember speeches on this subject made by the present Prime Minister not long after he became Prime Minister. I know that he has made efforts, and worthwhile efforts, to bring about a constitutional reform that, apparently, many wish. However, I am not sure that he has hit upon the proper method to achieve this objective.

The method chosen in the present instance—that of tabling a bill outlining precisely what he and the government have in mind—is not, in my opinion, the proper method. I say this because, though the bill purports to deal, in its first phase, with federal institutions, these institutions are nevertheless the concern of the provinces also. The provinces also have an interest in what happens to the cabinet, the Senate, the House of Commons, the Supreme Court of Canada, et cetera. The Prime Minister has said we will deal with Phase I first, and our objective, timewise, is July 1, 1979. It is our objective to achieve the second phase by 1981. However, Phase II is of the essence of constitutional reform, because it will deal with the division of powers, the clarification of jurisdiction, between the two levels of government. This is of the essence.

I remember Senator Denis asking a question not so long ago as to what would happen if we passed Phase I and could not agree on Phase II. That was a very good question. There was no answer, of course. However, it seems to me that at the coming conference of first ministers thought might be given to reversing the process in order to have Phase II dealt with immediately, leaving Phase I to be completed later. After all, Phase II tackles the contents of the Constitution, whereas Phase I deals with the container of the Constitution. If agreement is not reached with respect to Phase II, how can anything meaningful be done with respect to Phase I? I am quite sure that as far as national unity is concerned, if understanding on the subject of Phase II is not reached, Phase I will not achieve a thing.

However, the Prime Minister realizes that he has a problem. He knows that it is useless to discuss Phase II with the present Government of Quebec. Division of powers is not discussed with a government that has declared its intention to separate from Canada. I agree with that, but I believe that all senators will remember that I thought this process of the premiers' conference, or a governments' conference, would not be sufficient. I remain convinced that there must be an assembly of all parties, federal and provincial. They should be brought together with the possible participation of representatives of labour, industry, finance and various areas of activity, in order to make known their views on these crucial constitutional issues. If the Prime Minister cannot discuss division of powers with Mr. Lévesque, he certainly can do it with Mr. Ryan and Mr. Biron. They have something to say and, according to the last provincial general election, they represent 60 per cent of the population of the province of Quebec. They would have something to say, and I'm sure would welcome the opportunity to say what they want and with what they are prepared to agree. This is important. Sometimes a government may take a

position, but the next day it is out of office. Therefore, not only governments must be involved in such a discussion.

The criticism has been made, and rightly so, that the government's taking this initiative on its own at this time, as if it were its exclusive responsibility to bring about constitutional reform, was wrong. I agree that the Prime Minister and the government have maintained that everything is negotiable. But they have nonetheless written into the form of a bill now before Parliament exactly what they would want to see happen.

As far as the Senate is concerned, I believe the Prime Minister and the government have made it clear that they would like to dispense with us. What we should do about that is something difficult to assess at the moment. We have been put into a very difficult position. However, I suggest that though we have been dealt a death-blow by these proposals of the government there is one thing, at least, that we can do. From now until the burial, which may take years—it will take years before there is any unanimity in this respect—I think we can do quite a lot by way of making suggestions as to the reform of the Constitution as a whole. We can do much to improve the proposals that were made and that is the reason I think we must join with the House of Commons in this process. But this joint committee need not necessarily be thought to be the only body capable of looking into this matter.

● (1600)

Again I say that a more broadly based, a more representative, forum would be preferable. But if there is nothing else, then, at least, we should use this committee to voice our views on every aspect of constitutional reform, and we should, more particularly, as far as the Senate is concerned, see to it that if we must be replaced, that we be replaced by something better and not by something worse than is proposed in Bill C-60.

It is in this spirit, honourable senators, that we should attack the job which has been given to this joint committee. And I am quite sure that not only the senators who are members of the committee but all senators will want to participate in the work of this committee. All senators have a responsibility to express their views on matters so important. We should work as we always have for the benefit of the country, seek to improve the situation, and see to it that, if the Senate must disappear in the process, it be replaced by something better.

Senator Manning: Honourable senators, before participating formally in this debate I should like to direct a question to the Leader of the government on procedure.

This motion which is now before the house is of great importance to all honourable senators, because it will afford those of us—and I am referring to the majority of us—who will not be members of this joint committee, which will be carrying on the study during the summer, an opportunity to convey to those who will represent this house on the committee any viewpoints or deep convictions we hold on the subject. For that reason, in discussing this motion, I would like to take a little time to express such convictions on a number of the major points in the subject matter to be referred to the committee. Because of the lateness of the hour I hesitate to impose what may be a rather heavy talk on the house at this time. My own preference would be to adjourn the debate until tomorrow morning. On the other hand, I do not want to delay the business of the house as we come to the close of our work for this session.

The Leader of the Government and the Leader of the Opposition have now officially placed this matter before all of us, and I for one would like an opportunity to assess what I intended to say in the light of the remarks that they have made this afternoon. I am asking the Leader of the Government if there is any urgent need to proceed with this debate this afternoon; if not, I would prefer to adjourn it until tomorrow morning.

Senator Perrault: Honourable senators, if Senator Manning wishes to adjourn the debate, that is his right. This is an important subject and there is no view on the part of the government, and I am sure this is supported by the official opposition, that there should be inordinate haste in dealing with this resolution to establish a joint committee. We have certain time strictures that confront us if we are to adjourn at the time we hope to adjourn, and I am sure all honourable senators will wish to bear that in mind when they make their remarks.

There will be a full opportunity for all honourable senators, as Senator Flynn has pointed out, to participate in the special Senate committee. There will be full opportunity for all honourable senators to make their views known not only before the Senate committee but also, I would think, before the joint committee of the two houses of Parliament. It would seem to me that honourable senators may wish to appear before that committee, and that their request to do so would be given very favourable consideration by the joint chairmen.

That is by way of answering your earlier question, senator. But there is no determination on anyone's part to have this debate concluded within any particular period of time. So I suggest that the honourable senator may proceed in any way he wishes.

Senator Manning: I am sorry, senator, I did not hear your last remark.

Senator Perrault: If you are not prepared to speak now, I am sure all honourable senators will listen sympathetically to your explanation.

Senator McIlraith: Honourable senators, perhaps I could raise a point that might be helpful. It seems to me that the procedure in setting up special committees of the Senate is that after the committee is created the Committee of Selection chooses the members, and reports. In the normal program for completing our work tomorrow, I would suspect that that committee would meet either tonight or tomorrow morning, and come back here at 11 o'clock tomorrow with a report naming senators to the committee. That report is debatable, so the speech can be made at that time on that motion naming the personnel, or it can be made on the present motion that a

committee be set up. If it is to be made on the report of the Committee of Selection it would enable that committee to sit later today and advance its work within the time frame we are all aiming at. I do not think it would affect in any way the validity or the propriety of the speech.

Senator Manning: Honourable senators, unless some other honourable senator wishes to speak now, I move the adjournment of the debate.

On motion of Senator Manning, debate adjourned.

ADJOURNMENT

Leave having been to revert to Notices of Motion:

Senator Langlois: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until tomorrow at 11 a.m.

Motion agreed to.

The Senate adjourned until tomorrow at 11 a.m.

THE SENATE

Thursday, June 29, 1978

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

Prayers.

[*Translation*]

THE LATE HONOURABLE HERVÉ J. MICHAUD

TRIBUTE

Senator Louis-J. Robichaud: Honourable senators, I would like to raise a brief question of privilege.

I happened to be away, confined to a hospital bed, when our colleague, Senator Hervé Michaud, died, but I would like to underline once again Senator Michaud's contribution to the social and economic life of New Brunswick, especially among the Acadians.

I take the opportunity which is given to me to extend once more my sincere sympathy to Mrs. Michaud and her family.

I would like to add that had it not been for Senator Michaud's endeavours, the population of New Brunswick would still be without an experimental farm which he felt had become essential for the county of Kent and the province of New Brunswick. This experimental farm will be called the "Hervé J. Michaud Experimental Farm." It is because of his seat in the Senate and thanks to Senator Argue's and Senator Michaud's efforts that the Acadians and the population of New Brunswick generally will have an experimental farm, an economic tool which will provide great services to the public.

In addition, if in some circles it is suggested that the Senate has become a virtually useless institution, well, that minority should refrain from saying such things to the people of Kent County or to the people of New Brunswick who will benefit from that experimental farm. I repeat that thanks to this institution, the Acadians will benefit from this new instrument of progress that is given to Kent County and the province of New Brunswick.

EXPORT DEVELOPMENT ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-36, to amend the Export Development Act.

Bill read first time.

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

Senator Langlois, with leave of the Senate, moved that the bill be placed on the Orders of the Day for second reading later this day.

Motion agreed to.

• (1110)

COMPETITION POLICY

REPORT OF BANKING, TRADE AND COMMERCE COMMITTEE ON SUBJECT MATTER OF BILL C-13—TABLED AND PRINTED AS APPENDIX

Senator Hayden: Honourable senators, I desire to table the report of the Standing Senate Committee on Banking, Trade and Commerce on the subject matter of Bill C-13, to amend the Combines Investigation Act and to amend the Bank Act and other Acts in relation thereto or in consequence thereof, and ask that the report be printed as an appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent record of this house.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

[*For text of report see appendix, p. 1004.*]

INCOME TAX ACT

BILL TO AMEND—REPORT OF COMMITTEE

Senator Hayden, Chairman of the Standing Senate Committee on Banking, Trade and Commerce, reported that the committee had considered Bill C-56, to amend the statute law relating to income tax and to authorize payments related to provincial sales tax reductions.

THIRD READING

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

Senator Hayden, with leave of the Senate, moved that the bill be read the third time now.

[*Translation*]

Hon. Jacques Flynn: Honourable senators, if I rise on third reading of this bill it is because it is very important in light of certain of its implications in the issue of federal-provincial relations and also in light of certain statements which the minister made before the Senate Committee on Banking, Trade and Commerce when the committee was considering the subject matter before the bill itself was referred to it after second reading. The bill is also important because of certain comments made by its sponsor when he closed the second reading debate.

Obviously, the sales tax issue was at the centre of the budget the Minister of Finance introduced last April 10. We know the

circumstances. We know that eight provinces out of ten had agreed to accept the minister's proposal to reduce their provincial sales tax in exchange for compensation in the form of a federal income tax rebate and a comparable increase in the provincial income tax. Of course, we know that Alberta was excluded from this program or proposition because there is no sales tax in that province. We also know—and that is the main point—that the Quebec Minister of Finance had not given his consent when the budget was introduced, but that he decided afterwards to implement a selective sales tax cut in Quebec. As a consequence of this disagreement between the federal Minister of Finance and the Quebec Minister of Finance, there was the dispute we all know about and the solution offered by the federal minister which was unacceptable not only to the Quebec minister but also to the National Assembly of Quebec which expressed unanimously its feelings about this last proposal.

When he appeared before the committee, the Minister of Finance made a number of statements, which Senator Hayden quoted on page 938 of our debates last Tuesday, and I refer honourable senators to that statement. To summarize, he said that since last fall he had been considering the possibility of inviting provincial governments to reduce their sales tax to stimulate the economy and purchases. The reason he gave was that too many people were saving their money, that there is not enough consumption, if you like, and that we should help by encouraging purchases, industries and the whole Canadian economy. In itself, the idea is excellent. I do not question the merits of that idea. We will be in a better position to judge at the expiration of the six-month period during which that measure will be in effect whether it was the right step to take in the circumstances. I am not discussing that. However, I point out that in his statement the minister said that at the beginning, in October, for instance, the provinces were not at all enthusiastic about this, but that later on some of them indicated that they were interested. He also said the following:

[*English*]

> By the time I had decided to have a budget I had decided to move in that direction.

[*Translation*]

I should like to remind you that the budget speech was delivered on April 10. When had the minister decided to do so? Well, on April 6, which was only four days before. On Thursday, April 6, he announced that he would introduce a budget on April 10. I suggest that, within the context of this debate, it is quite clear that there had not been sufficient consultations and that the ministers of finance could not have known before April 6 that there would be a budget and that the minister would very likely propose to reduce the provincial sales tax with the compensation I have already mentioned. But it is clear also that at that time he had not received the agreement of Quebec. The minister, therefore, for the first time in our history, based his budgetary proposals on a reduction of strictly provincial taxes. I did not say, since there has been some confusion on this matter, that the federal government cannot levy a sales tax. However it can certainly not reduce unilaterally a sales tax imposed by the legislatures. So for the first time a federal minister of finance was basing the main item of his budget on a reduction of strictly provincial taxes. Under these circumstances, and especially with a government which is bent on the independence of Quebec, the least the Minister of Finance could have done, would have been to secure the unanimous agreement of the provinces before moving in that direction, for without such an agreement he was risking the confrontation which has occurred. I do not condone here the way the Quebec government has responded. I am sure it saw in this move, which I feel was somewhat naive on the part of the government, an extraordinary occasion to demonstrate once more that the government we have in Ottawa is centralist and patronizing. They have seen there a good opportunity. Could they miss it on the political level? I say no. On the moral level it is an altogether different matter. I will certainly not defend the excessive use the Quebec Minister of Finance has made of the proposal because it had been proposed in such circumstances. But I will say that the central government has always the tendency to believe that it can tell the provinces how to act in the areas of concern to them. That situation derives from the federal government's centralizing and paternalistic attitude.

With regard to the provinces which gave their agreement, in spite of the statements made a few days later by the three prairie premiers who expressed their disappointment and regret at having been forced to act in this way, Senator Hayden said: If they did not agree to it, how is it then that as early as the day following the federal budget of April 10 the legislative assemblies concerned passed legislation stating that the proposal had the force of law? That is easy. They had no choice. The minister had indicated that he was going in that direction. If they did not accept his proposal, they would not have the advantage of reducing their taxes. They would not be entitled to compensation. Let no one tell me that is not forcing the provinces to go that way. The best proof of it is that the Quebec government, having refused to pass legislation on the proposal, is being penalized today. It is losing $186 million in income for having decided to choose selective cuts. That proves very well that if the others had not accepted the proposal they would have lost. Some provinces would certainly have accepted it and then received compensation.

It is all very well for you to shake your head, Senator Lamontagne; I can understand your attitude. I know your views on centralization. You have never been afraid of confrontation. Today we are discussing constitutional proposals. The important thing is to clarify the matter of the responsabilities of the two levels of government. This is no way to achieve a consensus, by trying to create a new Constitution and saying that the federal government is acting properly by interfering in fields with which it should not be concerned.

There is a limit to everything. I say there was no prior consultation and that, in that case, there should have been unanimous agreement before going ahead with the plan. It was not done, with the result that we know.

Now, the National Assembly has said that the matter of compensation payable to Quebec for its selective tax cuts should be settled between governments and not by Parliament, or the central government and the Quebec taxpayers. There was some discussion on this subject. Finally, there was no agreement. Mr. Chrétien took the following position: "I have no time to deal with that. It will remain as I said. We are going to pay compensation to Quebec taxpayers in the form of a tax rebate cheque which we shall send to them in July. I could not care less what the Government of Quebec does about it."

• (1120)

First of all, this is against the views of the National Assembly. Secondly, this is simply giving Quebec the opportunity to cry injustice. In fact it amounts to supporting precisely the objectives of the government we have in Quebec. This is the great mistake. I say that the minister, having seen the situation resulting from the Quebec decision, should have been more flexible. This is where he could really have asserted himself as someone who truly wanted to obtain a solution to avoid the confrontation we know. He said: "No, that is it. We shall send cheques directly to Quebec taxpayers. You, the provincial government, the National Assembly, do as you please to recover that amount."

Senator Lamontagne: Honourable senators, I rise on a point of order. I think we should put the facts straight on that subject and recall the statement Mr. Parizeau made on television, and I heard it myself, when he said:

> Given those two formulas, I leave the option to the federal Minister of Finance.

Senator Flynn: I fully agree. Anyway, this is not a point of order but a comment. I am always happy when Senator Lamontagne rises to speak.

The finance minister tried to negotiate, but there was no agreement. He finally said: "Do what you want, and we will assume our responsibilities." But, as I said, by forcing him to make that statement, you were giving him another ace in the hole, another reason for complaining. That is why I say the federal government did not show flexibility.

Furthermore, that statement from the finance minister was followed by the one from the Quebec premier who suggested that it was not acceptable. These were his last words. That was some time ago. Still, the finance minister could have changed his mind at that time. He certainly could have adopted a more flexible attitude. It would have been easy to amend the law. It would still have been easy to do so.

In committee I asked the finance minister: Why not provide in the law the possibility of concluding an agreement with the Government of Quebec so as to give directly to them the amount of $85 or less which you intend to send to Quebec taxpayers, depending on the amount of taxes they paid? Why didn't you provide the possibility of reaching an agreement? You have the refunding proposal, and you have the possibility of an agreement with Quebec. Should Quebec refuse, then you would be fully justified in sending the cheques. Should Quebec accept, then you have settled the problem and they would have no more reasons for complaining.

That is the formula I proposed to the committee yesterday and which was rejected, as could have been expected. Obviously, I could at this stage move a motion to refer the bill to committee with a view to introducing such an amendment to clause 30 of the bill. However, I can see it would be useless. Secondly, there is another reason. The principle is quite important. I would certainly have forced the Senate to take a vote as the case may be. Such votes are common. This way I would have forced the Senate to take a decision. However, it is only a six-month period and almost three months have already gone by since the budget. So this experience has only three months left to run. At the economic level, it may prove to be a success. But certainly, at the level of federal-provincial relations, it will have been a disaster, particularly for Quebec-Ottawa relations. It can certainly not be considered a success either as far as Alberta is concerned or with regard to the three other prairie provinces. In any case, that is why I am not introducing this amendment or this motion to refer the bill to committee for amendment.

But I ask this: After this experience, will the government finally get rid of this obsession of always wanting to force the provinces, directly or indirectly, subtly or not, to accept its decisions in areas that come under their jurisdiction? If we want the federal system to work, the federal government, or I should say the federal Parliament, which includes the Senate, should adopt an attitude of respect toward the priorities and responsibilities of the provinces. This is nothing new. Of course, under the circumstances there should have been consultations to obtain unanimity.

Let's suppose for one moment that this measure gives such good results that it would be desirable to extend it. I cannot believe that this government would pursue this experience without getting unanimous consent this time. I hope we will learn a lesson from this experience. I repeat once again that I do not blame the minister. I simply consider that he was very naive when he discovered that Mr. Parizeau remained unresponsive or that he was looking for a confrontation. He did not choose the right course in this case.

I regret very much what happened when the bill was introduced. I regret there was not enough flexibility to agree on a method which could have resulted in an agreement with Quebec, and I will certainly vote against the bill to assert my convictions in this regard.

[*English*]

Hon. Salter A. Hayden: Honourable senators, I do not intend to repeat what I said on the previous occasions I have spoken on this bill, both when I was introducing the bill on second reading and when replying in the course of debate.

Before getting into the remarks I do intend to make today, let me relate to the Senate an incident which took place in committee yesterday during consideration of this bill. Senator Flynn was leading into a motion which he proposed to make, and his comment to me at the time was, "Salter, for a long

time I have never seen you as aggressive as you were last night."

Senator Flynn: That's right.

Senator Hayden: My answer to him at the time was, "Jacques, there has never been an occasion when you have been less than aggressive."

My statement is borne out up to this very instant, because my friend was aggressive today. I do not complain about that aggressiveness. It shows the tension, the thinking, and it is all to the good. If I do not measure up to that aggressiveness, and if I do not measure up to the aggressiveness I showed the other night—

Senator Flynn: Your getting there again.

Senator Hayden: —it is simply because I am not prepared to be aggressive today. I do not think it is necessary, and I would not want to crowd Senator Flynn's aggressiveness too far or detract from it in any way. Far be it from me to do that.

But at one point he made some comment about what I had said in reply respecting what interpretation should be put upon the actions of the provincial legislatures in amending provincial income tax statutes so as to accommodate the sales tax reduction proposed by the federal authority. What I said—and I think, objectively, it must be accepted—is that I could see no way in which the provincial legislatures could introduce and enact amending legislation relating to provincial income tax statutes without the approval of the purpose lying behind the enacting of such amending legislation. It does not appear that Senator Flynn accepts that, and perhaps there are others. Whatever may have been the motivation that inspired them, whatever was the motivation that may even have forced the provinces to feel that they had to accommodate themselves to the situation, even my friend admits that the purpose and the aim was good; that there was such a slackening of demand in the marketplace that this appeared to be a way by which that demand could be stimulated; that is, by going directly to the marketplace where that slackening had taken place. This was the experience in the United States in the previous year. The market demand increased substantially and accounted for the major part of the improvement in operations in the United States.

● (1130)

Now, this is a viewpoint. My friend has his viewpoint. Even lawyers differ. Senator Flynn might be asked to give a legal opinion on a question and I might be asked to give a legal opinion on the same question. We might concur but, then again, we might not. But which one is wrong and which one is right? As far as my friend Senator Flynn is concerned, he is right.

Senator Flynn: Well, you are on the right side of the chamber, anyway.

Senator Hayden: The only thing is, don't ask me to accept his opinion. I understand fully what he has said and I understand his viewpoint. But I still have a viewpoint. I have expressed it and I think it is right. I think it is rational, and I think it is reasonable.

Senator Flynn: Too rational.

Senator Hayden: Too rational?

Senator Flynn: We are dealing with political matters.

Senator Hayden: Well, I should tell my friend that I actually thrive on interruptions.

Senator Flynn: So do I.

Senator Hayden: And I don't get excited, and I don't get emotional. I can be entirely objective, I feel.

Senator Flynn: Cold!

Senator Hayden: Yes. Now, when my friend was referring to the statement of the Minister of Finance before our committee, there were some significant words that he did not deal with. I quote from what the minister said in committee, as reported at page 938 of *Hansard*. He said:

> I am told that for the first time in the history of Canada the Minister of Finance went to visit and talk to all the ministers of finance of the land to try to incorporate them in an economic package. I offered to compensate them for a reduction of sales tax and for three weeks we discussed the matter and came to an agreement with eight out of nine provinces. Following the signing of an agreement of all other ministers of finance, the ninth province, after 48 hours, wanted something else, and, unfortunately, I had to tell them no. I had no choice. I had offered a deal and they did not want the same deal.

He had given his word to the other eight ministers of finance, so he had to live with it. All I am saying is that my friend seeks to put a broad interpretation on all of this, that the provincial ministers of finance went ahead because they had no alternative. Maybe they had no political alternative, but they certainly had an alternative. It might have been embarrassing to them to act on it, but they did not have to pass provincial legislation amending their income tax acts in order to make effective the proposals by the federal authority. I agree it would have been embarrassing, and I agree that politically it might have been very unwise, and it may well be that the repentance which came three days after the budget, and after they had made these amendments to the provincial tax bills, was a repentance that was actuated by a number of considerations, pro and con. But the value of speaking after the event was that the situation had already been accomplished by the amendments in the provincial legislatures and, therefore, the deal was fait accompli and the ministers could have their cake and eat it.

Even if you accept the principle that the deal should be undone, there is no way in which you can undo it. The public is enjoying the benefit of sales tax reductions at the present time. You would have to make amendments and restore retroactively the provisions of the taxing statutes of the provincial legislatures. So putting it at its best—or perhaps at its worst—the situation is that whatever the deal is now, looking at it from this point of view, it must be accepted.

The Minister of Finance of Manitoba said something that showed he had some political considerations. He said, "This course of action is not to be taken as a precedent." That is a sensible approach. But to undo the deal that was made would, in my opinion, be impractical and foolish. It would be a reckless assertion of, or giving prominence to, political considerations. There is no way in which you can look at this in that light.

There may be a good deal of merit in what my friend said about confrontations and negotiations between different federal governments and the provinces over the years. Admittedly, this attitude of confrontation can cause resentment when taken from a position of dominance or domination, because weight is thrown into the situation and when it relates to provincial jurisdictions there is resentment. I can understand that. But I am not talking about that, and I do not think any direct consideration of the bill embraces that at the present moment.

If there was lack of consultation, if there was a confrontation and the throwing in of weight or pressure, the provincial ministers were free, white and over 21, and they could bring some intelligence and, I would say, even political knowledge to bear on the scene. They might even have resented the manner in which it was done. Nevertheless, they went ahead and took the necessary action to make the transaction possible.

That is all I have to say on it. In those circumstances I think the minister was sincere and intended to do something that would stimulate the economy. He may not have had as much insight into the actions and possible reactions, political and otherwise, of those in authority in Quebec. Their reaction might very well have been, "Well, this is too good an opportunity to miss in order to create further irritation and differences between the federal and provincial authorities."

• (1140)

I have spoken in reply to my friend because he brought me into his argument. I do not resent that.

Senator Flynn: I hope not.

Senator Hayden: That is the free play of debating forces, and I enjoy the contest.

Hon. Duff Roblin: Honourable senators, I shall start with the classic statement that I really did not intend to get into this debate again; but when I heard such an eloquent exposition of the classical centralist position, as has just been given to this house by the honourable senator who has just preceded me, I felt that I really could not refrain from making a comment upon it.

We did not get any lengthy discussion here as to whether or not there had been a trespass by the federal authorities in a field which was, by tradition, and in many other respects, considered to be a provincial area. That really is the nub of the matter, but we did not really get much discussion on that point.

What we did get was justification for what was done; and if I can put the matter in very simple language, as it appeared to me the position being taken was, "What have these fellows got to complain about? After all, they agreed to it, didn't they?"

That, of course, is the typical federal position. From the other point of view it would be: "Yes, they agreed to it, but they knuckled under, because of circumstances with which we are all familiar. They agreed to it, but they knuckled under. But you cannot expect, by that act, that they like it, or approve of it, or agree with it."

That is the main issue we have here, and until those who speak for the federal authority can take some more constructive view of the matter, they will get the same kind of reaction from the provinces. We cannot expect them to accept a trespass in their territory without complaining about it; and I do not think one can justify the trespass by saying, "Well, they went along, didn't they?" The answer is that they did not have much alternative, but that does not mean they are going to like it.

I do not intend to make any further comment on the subject, but that is the way the matter looks to people who are a little farther from Ottawa than we are.

Hon. George I. Smith (Colchester): Honourable senators, there are one or two points that should be emphasized here. I concur with what has been said by my leader, by my colleague Senator Roblin, and by others who have spoken on second reading and who objected and stated the objection of the provinces to the process of confrontation and compulsion by which this particular proposition was carried out between the federal government and the provinces.

I have listened for many years to the exposition of the federal position that, "We will do what we like, whether you like it or not," couched in courteous words, as Senator Hayden exposed that position this morning. And it sounded no better now, coming from him, and no more persuasive, than it did when I first heard it something like 15 years ago from the lips of a distinguished Canadian who is now no longer with us.

The federal government is very much like the ancient Bourbon dynasty: it never forgets anything, it never learns anything. It has been told this time and again by premiers and ministers of finance and other ministers of the provinces—of every province, not just one, and, so far as I can recall, of every political persuasion. Over the years there has been, in the variety of governments in office in the provinces, a complete spectrum of our political life, insofar as it has been represented by organized and accepted political parties—and still there has not usually been a real effort to reach a consensus, an agreement. Instead, the federal government presents something in terms of, "This is what we are going to do. What have you got to say about it?"

As a rule, it does not matter very much what the provinces have to say about it, because it gets done anyway. Honourable senators do not have to look very far for the most recent example, one more recent than this one. Just a few days ago the federal government presented to the public and to Parliament a statement that it intended to do away with this chamber—and it did so, I venture to say, without the slightest consultation with the members of this chamber, no matter how friendly they were to the government of the day.

Senator Marshall: Right.

Senator Smith (Colchester): How do my honourable friends like that? Do they think they would have been able to contribute something useful? Do they think they would have felt more like supporting that change in the Constitution if they had been given an opportunity to consult beforehand, in order to give their views and put their knowledge and experience to work with that of the government in an endeavour to reach by consensus a process of amendment which would be designed to improve the things that now exist?

Honourable senators will recall the feelings which arose in their hearts and minds when faced with that document a few days ago. That is precisely the kind of feeling that arises in the hearts and minds of provincial premiers and ministers when they are faced in the same way with these propositions; and it has been ever thus.

The present administration perhaps has been guilty more frequently than its immediate predecessors of this kind of dealing with the provinces. How can one expect provincial leaders of stature, ability and pride to accept this kind of thing?

An Hon. Senator: Who are they?

Senator Smith (Colchester): I am not sure whether the remark "Who are they?" from the other side was intended to refer to the provincial leaders, but I am sure that honourable gentlemen will know that very well, and, if they do not know it, will doubtless find out.

I referred to the eloquent argument put forward by Senator Hayden in support of the bill and the action taken. I must say that I cannot bring myself to agree that he has any real justification for saying that because a provincial legislature did what it saw it had to do, no matter how much against its will, it showed that it reached agreement willingly, voluntarily and freely.

Senator Hayden, as well as other honourable senators, are well aware of a principle of law that those things that are done under duress or by coercion are not done freely and voluntarily, and do not show that meeting of the minds that is necessary to produce a freely agreed contract between persons who may be "free, white and 21," to use Senator Hayden's phrase, or may be none of those things. He knows that principle. He knows it is not uncommon for this kind of action, as between individuals, to be brought about simply because they are overpowered or the circumstances are such that, against their will, they must yield to someone else's wishes.

● (1150)

I remind honourable senators that if we, as Canadians, want the two levels of government which are most concerned with these matters—and I am not forgetting the municipal level—to reach agreement, then, surely, we have to seek a means of getting together and a means of saying to one another, "Now, this is what we think would be a good solution. What do you think about it? Here is our problem. Let's sit down together and work it out."

[Senator Smith (Colchester).]

However much good this may have done to the economy and to our citizens, it has made the road to agreement on other matters longer and more troublesome for all of us. I say this, not because it was done but because of the way in which it was done.

Hon. Charles McElman: Would you rather I not speak, Senator Goldenberg? If so, you should rise in your place and say so. I feel I can make a contribution here whether that is your appreciation or not.

Honourable senators, at one point Senator Flynn said that this was a political matter. I am not a former premier, as Senator Roblin and Senator Smith are, and I am not a constitutional lawyer, but I do know a little bit about politics, and this is, indeed, a political matter.

As I listened to Senator Roblin and Senator Smith, I could not help but recall those days when I too was very much involved with provincial administration. I thought to myself that perhaps those two honourable senators must have had the same experience that I have had when dealing with provincial-municipal matters; that after many long, tiring and difficult months of discussion with the representatives of municipalities they reached the point when they finally said, "We just have to do something. We cannot go on debating and discussing forever," and they did something, as it was their responsibility to the people of their provinces and their legislatures to do. I wonder also if they would not recall, as I do, how often the immediate outburst came from the representatives of the municipalities that the provincial government was unco-operative, that it did not consult sufficiently, that it was taking unilateral action, and so on.

As Senator Flynn said, we are indeed dealing with political matters. On occasion, politicians are inclined to forget some of their own experiences.

There have been many terms bandied about here this morning, such as "confrontation," "compulsion," "paternalistic government" and "centralizing". In order to reach the conclusion that these terms are descriptive of the situation, I think there is one important factor that has been left out of the debate by the honourable senators who have spoken in opposition to this bill. I would recall to your minds that this year there was a first ministers' meeting. It was very significant because it made tremendous progress along the road towards what we all desire—co-operative federalism in Canada. That is not just terminology. I feel it says what all of us wish to see in this country—co-operative federalism. The course towards reaching that end is going to be long, trying and difficult, and many things will have to be done to reach it.

The first ministers' conference did agree, in principle at least, on one thing—that in economic and fiscal matters there has to be a much higher degree of co-ordination and consultation than there has been up to this time in Canada.

Having accepted that principle, the Minister of Finance and his officials—according to the testimony they gave to the Standing Senate Committee on Banking, Trade and Commerce—ever since October of last year, have been consulting

and discussing with the provinces the very proposal that we have embodied in the legislation before us today. Therefore, it was not something that happened between April 6 and April 10. Those discussions were taking place over a long period of time.

Senator Flynn: There was a warning, but no decision was made.

Senator McElman: We were also told in committee by the Minister of Finance that because of the strictures placed upon the minister—and all of us agree that those strictures should be changed and reduced from what they are now—he was in a very difficult position, because of the confidentiality in handling budgets. Despite that constricting factor, he told us that he and his officials had consulted with the provinces for a period of three weeks, and that out of those discussions there came an understanding—I will not say an agreement—that the provinces, through their respective ministers, would advise the Minister of Finance "yes" or "no" to this agreement within a given period of time. All but one of the provinces did. After weeks of consideration, not three or four days, they all said, "Yes", except for one, and that one, as I understand it, said something like "Maybe"—he did not say, "No", and he did not say "Yes". Therefore, the Minister of Finance was in something of a box.

As Senator Flynn has said, we are discussing political matters. I ask you to remember another factor in this whole equation with which we are dealing. That other factor is that the entire country, at that point in time, believed we were about to go into a federal election. Most of us understand politicians, and I do not say that in any way to demean those who made protests immediately after the budget was brought down. I simply say that with my great admiration for politicians I can understand the approach that some of them may have taken very shortly after, in face of what they thought to be an imminent election.

I repeat that all of us should remember that First Ministers' Conference where there was an understanding reached that, because of the tremendous expenditures that are now made and because of the fiscal responsibility which has now gone proportionately to the provincial governments, rather than the federal government, in the extent of their budget-making, there has to be co-ordination and co-operation. This was the first staggering attempt, if you will, to follow through upon what the first ministers agreed should be the case in Canada if we are to have co-operative federalism.

● (1200)

It did not work as well as it should have, because there is another factor. It is going to be difficult to make anything work as long as there is a P.Q. government in the province of Quebec, where understandings can be thrown out overnight, where they can be changed from what everybody understood them to be. It is a disturbing factor; it is a spoiling factor. So I think we should remember that.

There is one other comment I want to make, and I go back to my Newfoundland friends for it. If hindsight were foresight we would all be better off by a damn sight.

Senator Flynn: May I put two questions to Senator McElman? First, does he seriously consider that the problems of federal-provincial relations can be compared to the problems that arise in the relations between the provincial governments and municipalities?

Senator Benidickson: Why not?

Senator Flynn: Should I give an explanation to my friend? Perhaps he should read the Constitution. The legislatures have exclusive competence in certain areas, as the federal government has. The municipalities are creatures of the provinces, so if they cannot reach agreement the provincial legislature has the powers to impose one. Anyway, that is the answer I was hoping Senator McElman would give me.

A more important question is this. What does Senator McElman say about my proposal to try to have the Minister of Finance in Ottawa reach an agreement with the Minister of Finance in Quebec? I say that the mess is there now; let's try to find a solution that will at least deprive the separatist Government of Quebec of the opportunity to complain.

Senator McElman: In answer to the honourable senator's first question, I would say that I was simply using the reference to the provincial and municipal situation by way of analogy to this debate here today. I realize as well as Senator Flynn that the municipalities are the creatures of the provinces, although I suggest that this seems to be forgotten these days—

Senator Flynn: I agree.

Senator McElman: —and they are coming on very strong. I was using the reference as an analogy to the debate that has gone on here today.

Secondly, Senator Flynn says that the Minister of Finance should be able to make an agreement with Mr. Parizeau. Well, that is all very fine, if we forget Senator Flynn's own assertion that we are dealing with political matters. He shakes his head. Just let me finish. Agreements apparently were reached with Mr. Parizeau; understandings were reached, but then the whole thing blew up after the budget was brought down. Apparently agreements were reached, and then the Premier of the Province of Quebec said, "I don't like this at all". Then Mr. Parizeau said, "Well, that was not really an agreement. That was an understanding. I am going off in another direction." How do you reach an agreement that is in the interests of not only Quebec but of the nation, including all the other provinces, with people who will make agreements and then not stand by them? I suggest that in political terms, Senator Flynn's own terms, his suggestion is not workable in this situation.

Motion agreed to and bill read third time and passed, on division.

THE CONSTITUTION

SPECIAL SENATE COMMITTEE—SIXTH REPORT OF COMMITTEE OF SELECTION PRESENTED AND ADOPTED

Senator Petten, Chairman of the Committee of Selection, presented the following report:

Thursday, June 29, 1978.

The Committee of Selection appointed to nominate Senators to serve on the several Select Committees during the present Session makes its Sixth Report as follows:

Your Committee has the honour to submit herewith the list of Senators nominated by it to serve on the Special Committee of the Senate appointed to consider and report upon the subject matter of the Bill C-60, *Constitutional Amendment Act, 1978,* namely, the Honourable Senators Austin, Barrow, Bonnell, Bourget, Connolly (*Ottawa West*), Cook, Flynn, Grosart, Haidasz, Hayden, Lafond, Lang, Lucier, Marchand, Marshall, McElman, Olson, Petten, Phillips, Smith (*Colchester*), Steuart, Robichaud, Wagner, Williams, and Yuzyk.

Respectfully submitted,

William J. Petten,
Chairman

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Petten: With leave of the Senate, and notwithstanding rule 45(1)(f), I move that the report be adopted now.

Senator Bell: Honourable senators, before we agree to adopt this report I should like to make some comments.

I think the Committee of Selection has made some excellent choices, and that we will see some very good results when we receive the report of the special committee. My comments concern some exclusions from the committee membership. This committee will comprise 25 senators, and I hope an effort will be made by the committee chairman to invite some of the former senators who have contributed so much to this chamber over the years, from whose advice we would benefit very such. I do not mean the committee should call them as witnesses, but they should be invited to sit in during the committee meetings. I am from British Columbia, and am thinking of the former senators, Norman MacKenzie and John Nicol. I am sure that in other parts of the country there are many excellent people who could be included in this category.

I should also point out that there are no independents on the committee. I do hope honourable senators who are independent of party will be afforded the opportunity of being kept closely informed of the activities of the committee, and that they too will take the opportunity to present their views and give the benefit of their advice to the committee. If the clauses of Bill C-60 dealing with the Senate are adopted, the members of the new house will not only be more partisan than members of the Senate are now, but they will be wildly partisan, so the committee will need all the advice it can get from the independent senators.

[Senator McElman.]

The third gap, if you like, in this report—and one that I regret—is that there are no lady senators nominated. To the extent that we have a different point of view, I think it is perhaps regrettable that we are not to be included as members of the committee. I would therefore urge very strongly, with all sincerity, that those of us of the other sex who have expressed an interest be kept closely informed of the work of the committee, and I suggest that we too will be able to make our contribution to it.

Motion agreed to and report adopted.

• (1210)

INTERNAL ECONOMY, BUDGETS AND ADMINISTRATION

COMMITTEE AUTHORIZED TO PUBLISH AND DISTRIBUTE REPORT OF NATIONAL FINANCE COMMITTEE ON THE ACCOMMODATION PROGRAM OF THE DEPARTMENT OF PUBLIC WORKS

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(h), moved:

That the honourable senators authorized to act for and on behalf of the Senate in all matters relating to the internal economy of the Senate during any period between sessions of Parliament or between Parliaments be authorized to publish and distribute the Report of the Standing Senate Committee on National Finance on the Accommodation Program of the Department of Public Works.

Motion agreed to.

COMMITTEE AUTHORIZED TO PUBLISH AND DISTRIBUTE REPORT OF FOREIGN AFFAIRS COMMITTEE ON CANADA-UNITED STATES RELATIONS

Senator Langlois, with leave of the Senate and notwithstanding rule 45(1)(h), moved:

That the honourable senators authorized to act for and on behalf of the Senate in all matters relating to the internal economy of the Senate during any period between sessions of Parliament or between Parliaments be authorized to publish and distribute Volume II of the Report of the Standing Senate Committee on Foreign Affairs on Canadian relations with the United States.

Motion agreed to.

The Senate adjourned during pleasure.

At 2.10 p.m. the sitting was resumed.

DOCUMENTS TABLED

Leave having been given to revert to Presentation of Petitions:

Senator Langlois tabled:

Report of the Farm Credit Corporation, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1978, pursuant to sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Report of the Army Benevolent Fund Board, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1978, pursuant to section 13 of the Army Benevolent Fund Act, Chapter A-16, R.S.C., 1970.

Copies of Statement on operations under The Returned Soldiers' Insurance Act for the fiscal year ended March 31, 1978, pursuant to section 17(2) of the said Act, Chapter 59, Statutes of Canada, 1951.

Copies of Statement on operations under the Veterans Insurance Act for the fiscal year ended March 31, 1978, pursuant to section 18(2) of the said Act, Chapter V-3, R.S.C., 1970.

Report of the President of the Federal Business Development Bank, including accounts and financial statements and the auditor's report thereon, for the fiscal year ended March 31, 1978, pursuant to sections 75(3) and 77(3) of the Financial Administration Act, Chapter 10, R.S.C., 1970.

Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:

1. The Town of Port Hope and its employees represented by the Port Hope Police Association, dated June 14, 1978.

2. The Hamilton Hydro Electric System and its employees represented by the International Brotherhood of Electrical Workers Local 138, dated June 13, 1978.

3. Bell Canada and its clerical and associated employees, represented by the Canadian Telephone Employer's Association, dated June 13, 1978.

4. Oxford County Board of Health and its employees represented by the Nurses Association, Local 40, dated June 13, 1978.

5. Renfrew County and District Health Unit and its public health nurses, represented by the Ontario Nurses Association, dated June 13, 1978.

6. United Counties of Stormont, Dundas and Glengarry and its registered and graduate nurses, represented by the Ontario Nurses Association, dated Jun 13, 1978.

Report of the Department of the Solicitor General for the fiscal year ended March 31, 1977, pursuant to section 5 of the Department of the Solicitor General Act, Chapter S-12, R.S.C., 1970.

Report of Teleglobe Canada, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1978, pursuant to section 16 of the Teleglobe Canada Act, Chapter 77, Statutes of Canada, 1974-75-76, and sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans, as follows:

1. Brewer's Warehousing Company Limited, Toronto, Ontario and the group of its permanent employees represented by the United Brewers' Warehousing Workers Provincial Board, representing Local and Branch Unions, and the Canadian Union of United Brewery, Flour, Cereal, Soft Drink and Distillery Workers. Order dated June 23, 1978.

2. Carling O'Keefe Breweries of Canada Limited, Toronto, Ontario and Carling O'Keefe Transport Limited, Toronto, Ontario and the group of their Toronto and Waterloo employees represented by Locals 325, 304 and 173 of the Brewery and Soft Drink Workers Union of the Canadian Union of United Brewery, Flour, Cereal, Soft Drink and Distillery Workers. Order dated June 23, 1978.

3. Molson's Brewery (Ontario) Limited, Toronto, Ontario and the group of its employees represented by the Canadian Union of United Brewery, Flour, Cereal, Soft Drink and Distillery Workers, Local 304 (Toronto plant and Hyatt Transport) and Local 306 (Barrie plant). Order dated June 23, 1978.

Report of expenditures and administration in connection with the Family Allowances Act for the fiscal year ended March 31, 1977, pursuant to section 14 of the said Act, Chapter F-1, R.S.C., 1970.

Report of expenditures and administration in connection with the Old Age Security Act for the fiscal year ended March 31, 1977, pursuant to section 26 of the said Act, Chapter O-6, R.S.C., 1970.

BUSINESS OF THE SENATE

Senator Flynn: Honourable senators, I should like to ask the Deputy Leader of the Government in the Senate for a general outline of what is expected of us in view of the fact that the plan is to adjourn the Senate tomorrow for the summer recess.

Senator Langlois: I can still say that the plan is to adjourn tomorrow. During the luncheon adjournment I endeavoured to reach the right person in the other place to ascertain the program. Unfortunately, I was unable to do so. Someone is now trying to do just that. As soon as I have definite information, I will pass it on to the house.

FOREIGN AFFAIRS

USE BY U.S.S.R. OF GANDER INTERNATIONAL AIRPORT—QUESTION

Senator Marshall: I should like to ask the Deputy Leader of the Government a question on a very important issue, and in asking it I am taking into account the fact that the house may adjourn tomorrow. Rumours from a reliable source indicate that the Minister of National Defence will ask Russia to stop using the air base in Gander, Newfoundland. I understand it is the intention of the government to use Gander as a base for a squadron of interceptors whose responsibilities will be to undertake surveillance of the 200-mile limit.

While I do not quarrel with the decision, I wonder whether we could be given that information because of the impact this decision has on the economy of Newfoundland, and I wonder if that information will be forthcoming before we adjourn.

Senator Langlois: I shall do my best to get this information before the Senate adjourns.

DEPARTMENT OF JUSTICE

STATEMENT BY MINISTER WITH RESPECT TO LIBEL ACTION—PAYMENT OF LEGAL FEES—QUESTIONS ANSWERED

Senator Langlois: Honourable senators, I should like to answer three questions put jointly by Senator Roblin and Senator Forsey on May 2 and May 3. These are lengthy questions which necessitate a lengthy answer. The questions cover two or three pages in the *Debates of the Senate* for those dates, and I will endeavour to summarize them. My honourable colleagues can then tell me if my summary is complete.

The following would appear to be the questions asked by Senator Roblin and Senator Forsey on May 2 and May 3:

> 1. Would the government be prepared to produce the precedents for legal rulings referred to by the Minister of Justice when he advised the other chamber that the government would pay to Mr. Stopforth any damages which a court might award him in the action that he brought against the Honourable Jean-Pierre Goyer, together with the costs of the action as taxed by the court?
>
> 2. What is the legal basis for the action which it is proposed to take in this matter?
>
> 3. By what authority, either statutory or prerogative, is such an action being taken?

The answers to these questions are lengthy. I shall deal first with the precedents.

From time to time the Attorney General and the Deputy Attorney General of Canada have provided various ministries and agencies of the government with opinions in respect of the liability of the government or Crown as master in respect of wrongful acts or torts which have been committed by servants of the Crown in the course of carrying out their employment or duties. These opinions are based upon the general rule that, at law, a master is vicariously liable for the damages which his servant, in the course of his employment, has committed.

As a matter of policy, the government, in lieu of providing legal liability insurance for its servants, provides counsel and undertakes the payment of any judgment or costs awarded against the servant as the result of a tort or wrongful act committed by him in the course of his employment.

It would be contrary to government policy to disclose or table the various opinions which the Deputy Ministers of Justice have, from time to time, expressed in matters of this nature.

I shall deal now with the legal basis.

The legal basis for the views expressed by the law officers of the Crown is, of course, the rule that the Crown, as a master, is liable for the torts or wrongful acts of its servants. This rule is set forth in section 3 of the Crown Liability Act, R.S.C. 1970, chapter C-38, which states:

> 3(1) The Crown is liable in tort for the damages for which, if it were a private person of full age and capacity, it would be liable
>
> (a) in respect of a tort committed by a servant of the Crown—

The general rule in regard to a libel or slander committed by a servant is expressed in *Gatley on Libel and Slander,* 7th edition, paragraph 872, as follows:

> The agent or servant will be deemed to have acted within the scope of his employment when the publication, although itself unauthorized, is so directly incidental to some act which he was authorized to do that it may be said to be a mode, though no doubt an improper mode, of performing such authorized act. "*Although the particular act which gives the cause of action may not be authorized, still if the act is done in the course of employment which is authorized, then the master is liable for the act of his servant.*" On the other hand, if the publication was wholly unconnected with the act which the agent or servant was authorized to do, the principal or master will not be liable.

It should be noted that, in general, it is difficult for a master to avoid liability on the ground that the servant was acting outside the scope of his employment, and in that respect I need only cite the case of *Jacques Anctil v. Queen,* (1959) Exchequer Court Reports, page 229.

Dealing next with the aspect of authority for action, as of today no costs or damages have been paid. If it should finally be found by a court that Mr. Stopforth is entitled to recover from Mr. Goyer damages and costs in respect of the statement made, then the normal practice is that a submission will be made to Treasury Board for the approval of payment of the damages and costs awarded out of the appropriate vote.

Finally, I wish to note that this answer does not deal with the payment of Mr. Scott's bill. It is not clear whether by reference to costs Senator Forsey is referring to a solicitor's bill for services rendered. However, the normal practice is that when a servant is sued and he asks the Crown to undertake his defence, the solicitor will be paid out of the appropriate vote.

• (1420)

Senator Roblin: I thank my honourable friend for that reply. I think I may say on behalf of Senator Forsey and myself that we will give it some study and see if we have any further inquiries on the matter.

ENERGY

POSSIBLE CHANGE IN CONTROL OF ASSETS OF HUSKY OIL COMPANY—QUESTION ANSWERED

Senator Langlois: Honourable senators, I have the answer to another question which was asked by Senator Austin on June 28, when he said:

> Honourable senators, I wonder if the deputy leader could either answer or take as notice this question with respect to Husky Oil. Does the government have information as to whether the funds being used by Alberta Gas Trunk Limited are sourced in the heritage funds of the Government of Alberta? That is to say, that the equity owner of Husky may in fact be the Government of Alberta.

In answer to this let me say that Senator Austin will by now have noticed reports that the Alberta Provincial Treasurer, who is responsible for the Heritage Fund, has denied rumours that the Alberta government is aiding in the financing of Alberta Gas Trunk Line's purchases of Husky Oil stock. The Provincial Treasurer has also said that the Alberta government has not been asked to help finance the possible development of Husky's Lloydminster heavy oil reserves if Alberta Gas Trunk Line eventually gains control of Husky.

ALBERTA GAS TRUNK LINE COMPANY LTD.—QUESTION

Senator Austin: Honourable senators, I should like to direct a supplementary question to the deputy leader regarding the Husky Oil matter. I am delighted to have him provide the information with respect to the statement of a minister of the Government of Alberta that that province is not involved in terms of its own finances. I did read that in the press this morning. I am wondering whether the deputy leader can give us assurance that in no way has the Alberta Gas Trunk Line acquisition of shares of Husky impaired its ability to carry on with the entire financing of the northern pipeline. I have seen assurances in the press from Mr. Blair, the president of Alberta Gas Trunk Line, that this does not impair its financing ability, but I believe that questions can legitimately be raised, and they ought to be answered, in that respect.

Senator Langlois: It seems to me that the answer should not come from the federal government, but I shall inquire and see what information I can get.

Senator Austin: We have the Northern Pipeline Agency which is responsible to the Deputy Prime Minister. Perhaps Mr. Sharp can supply some information in this regard.

Senator Langlois: I shall endeavour to obtain whatever information I can.

AIR CANADA

THREATENED STRIKE BY PILOTS—QUESTION ANSWERED

Senator Langlois: Honourable senators, on June 22, Senator Olson asked the following question:

> Honourable senators, I should like to direct a question to the Leader of the Government respecting the question I asked yesterday about what was then a threatened Air Canada pilots' strike. I understand that the leader did not reply to that question because of some news reports that have come through since then. Could the leader tell us whether all of the outstanding issues in principle as well as in specific detail have been resolved to the completion of the present contract so that we will not be faced with a similar situation during the course of the contract the pilots are operating under now?

The answer to that is the pilots are currently operating without a contract; their contract expired in January. The talks never got beyond the basic issue of pilots deadheading first-class, and this issue has still not been finally resolved. It was the pilots' insistance that this basic issue be resolved before any meaningful talks begin. On July 5, the negotiations will begin again, and at that time all contract items will be brought forth.

CRIMINAL CODE

BILL TO AMEND—THIRD READING

Senator McIlraith moved the third reading of Bill C-42, to amend the Criminal Code.

Motion agreed to, and bill read third time and passed.

THE CONSTITUTION

APPOINTMENT OF SPECIAL JOINT COMMITTEE

The Senate resumed from yesterday the debate on the motion of Senator Langlois:

> That the Senate do unite with the House of Commons in the appointment of a Special Joint Committee of the Senate and House of Commons to examine and report upon proposals that have been and in the future are from time to time made public by the Government of Canada, on subjects related to the Constitution of Canada;
>
> That the Committee have power to examine and enquire into all such matters as may be referred to it by the Senate, to report from time to time, to send for persons, papers and records, to sit during sittings and adjournments of the Senate, to print such papers and evidence from day to day as may be ordered by the Committee and to delegate to sub-committees all or any of its powers except the power to report directly to the Senate;
>
> That the Committee have power to adjourn from place to place within Canada;

That some Members of the Senate, to be designated at a later date, act on behalf of the Senate as members of the said Special Joint Committee; and

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

Hon. Ernest C. Manning: Honourable senators, I rise to support the motion of Senator Langlois. There is only one clause in the terms of reference on which I have any reservation, and that is the provision that the committee have power to adjourn from place to place within Canada.

During the past five years there has been a whole succession of committees and task forces travelling back and forth across this country hearing representations on many matters which closely relate to the subject now before us. They have undoubtedly done much good, but it reaches the point where many of the submissions are little more than rethreshing straw that has been threshed many times before.

Personally, I think it would be a mistake for this committee to spend a lot of time travelling to and fro across the country. The nature of the subject matter referred to the committee is such that the committee should concentrate on bringing before it, here in the capital and perhaps in one session in the maritimes and one session in the west, evidence from constitutional experts and certainly the detailed position papers of the various provincial governments. It would be advantageous to hear from such people as retired judges and former members of regulatory bodies. Evidence should be invited from the business community, from labour and from responsible groups representing the public as a whole.

The importance of the subject matter referred to the committee certainly is fully appreciated by every honourable member of this house. There are those who would say our interest is self-interest. Someone has said that there is nothing that does more to focus a man's attention on the problem at hand than the imminent prospect of being hanged. That may be a little strong in its application to our situation, but certainly the proposals to be referred to the committee are designed, among other things, to effect the demise of this house.

However, that is not, I am certain, the reason for the concern honourable senators have in this matter. We are all keenly aware that the future form of Confederation, if not Confederation itself, may well depend upon the ultimate decisions and actions which will stem from these proposals. It seems to me the committee's first task should be to try to arrive at some consensus as to what kind of Confederation we want Canada to be and what roles and responsibilities we want each of the two levels of government to assume.

If one is restructuring one's home, it is wise for the family to agree on the kind of home it wants when the restructuring is completed, before calling in the carpenters. With regard to this legislation, I am afraid the carpenters—in this case, the draftsmen—got there first.

What we have is a considerable number of uncoordinated structural changes in the parliamentary institutions of this country. Some of those changes are merely cosmetic, nothing more than painting a new name over the door of the Privy Council or over the door of the upper chamber. But other structural changes, if implemented, would alter the form of Confederation and the kind of Confederation house in which the Canadian people will be living in the future.

Having said that, may I commend the Prime Minister and his government for two things: first, for the time and effort they have put into the preparation of both the white paper and the draft bill. I concur with the government's position that there is value in having some definite proposals as a base from which to initiate discussions on an issue as important as this.

I should also like to commend the government on its stated intention and desire that its proposals be subjected to thorough and frank analysis and discussions, and its stated willingness—which was emphasized by the leader in speaking to this motion yesterday—to revise its proposals in the light of consultations with the provinces and in response to public reaction.

I have some regret that this commendable position is somewhat marred by the stated intention to proceed unilaterally in fields of federal jurisdiction if no consensus or agreement can be reached. That threat may be capable of fulfilment from a purely legal standpoint, but it would certainly do violence to the spirit and the essence of cooperative federalism which the government purports to support.

I can understand the government's position in this matter. There has been a long period of time in which efforts have been made to reach agreement and consensus on these important matters, and those efforts have largely failed. It would be unfair to say that the total blame for that failure rests on the federal government. At times there has been unreasonableness on the part of provincial governments, just as there has been unreasonableness on the part of the national government. But if the government attempts to proceed on its own if it cannot get consensus, it will do serious and perhaps irreparable damage to the already frayed fabric of Confederation.

I should like to focus my remarks on three major areas of the bill that is being referred to this committee: first, the proposed Canadian charter of rights and freedoms; secondly, the proposed House of the Federation; and lastly, the procedure for appointment to the Supreme Court and to major federal regulatory bodies.

I should like to discuss these from the standpoint of their bearing an the two objectives of the government's proposals, which, as I understand, are, firstly, to provide Canada with a modernized, all-Canadian Constitution and a more functional and acceptable governmental structure; and, secondly, to resolve, if possible, the festering problems which for far too long have impaired the national unity of this country and severely strained the ties of Confederation.

I submit, first of all, that to appreciate the nature of the government's proposals it is necessary to take note of the model or concept of Confederation on which they appear to be based. In my region of Canada it is referred to as the "Trudeau model of Confederation", which seems to be based on the

concept that Confederation is primarily a union of two founding races and cultures, and that the accommodation of the cultural and linguistic interests of francophone Canadians is the key to national unity and the preservation of Confederation. This concept is clearly reflected in the proposed constitutional amendment bill.

It is not my purpose to argue the pros and cons of that concept. However, I would draw your attention to two facts which are basic to an assessment of the practicability and the acceptability of the government's proposals. The first is that this concept, to which I have referred, is not supported by the facts of history. Secondly, it is a concept rejected by many of the provinces and, I believe, a majority of the Canadian people.

When Confederation took place in 1867 it did not purport to be a union of races and cultures. It was a union of British North American colonies, namely, Upper and Lower Canada which became Ontario and Quebec, and the provinces of New Brunswick and Nova Scotia. The preamble of the British North America Act makes that quite clear:

> Whereas the Provinces of Canada, Nova Scotia and New Brunswick have expressed their desire to be federally united into One Dominion under the Crown of the United Kingdom of Great Britain and Ireland, with a Constitution similar in Principle to that of the United Kingdom:—

There is nothing there about a union of races or cultures.

The parties to the prolonged negotiations which led to the union were the four provinces that first joined together and Prince Edward Island which took part in the negotiations and discussions but deferred its entry until 1873. The other party was the government of Great Britain. That union produced a new entity, namely, the federal government of Canada which henceforth would figure prominently in additions and alterations to Confederation.

I remark in passing that it is ironic that it is this new entity, which came into being in that way, which now seeks to alter the structure of Confederation with or without the concurrence of the provinces which gave it its birth. There is nothing in the historic background of Confederation which would suggest that the provinces ever conceded to the federal government powers incompatible with its intended role as an equal partner with them in Confederation, just as there is no historic background to support the relatively recent concept of Confederation as a union between two founding races, cultures and linguistic groups.

● (1430)

That is why that concept has not been and, I predict, will not be accepted, especially by those provinces which came into Confederation after the original union was consummated. This fundamental difference in position as to the intended nature of Confederation is beneath and behind many of the disagreements which are impairing national unity and preventing a consensus as to why and how Confederation should be restructured.

When Manitoba came into the union in 1870, the key issue certainly was not the extension of a union between two founding races and cultures. The key issue was, in fact, a major real estate deal between the Hudson's Bay Company and the British government and the Government of Canada. The Hudson's Bay Company surrendered vast territories in Rupert's Land in the Northwest Territory to the British Crown, including governmental responsibilities which had been assigned to the Hudson's Bay Company. The British government in turn agreed to transfer the land to Canada in return for a land grant and a cash payment of £300,000. Honourable senators will recall that this part of the deal was what caused the Red River Settlement, under Louis Riel, to rebel against what they termed the arbitrary transfer of their region to a foreign government, namely Canada, whose interests, they felt, were very different from their own.

Again, when British Columbia came into Confederation in 1871 its entry had nothing to do with a union of founding races and cultures. British Columbia had already established institutions of its own and was not enthusiastic about union with Canada. An address by Dr. Helmcken in the British Columbia Legislative Council debates in 1870 indicates the sentiments of the colony in these words:

> It is absurd to attempt to ally ourselves with a people 3000 miles away . . . Anything that deprives this Colony of the power of protecting local industries and interests of the Colony and of regulating and fostering its commerce and trade cannot be otherwise than dangerous and injurious to the country . . . We know what is best for ourselves and are able to legislate to effect that. We have no wish to pay Canada to do our legislating . . . No union between this Colony and Canada can permanently exist unless it be to the material and pecuniary advantage of this Colony to remain in the Union.

What I am pointing out is that our history teaches that the development and evolution of Confederation was based on much more earthy things than abstract ideals and racial issues, or cultural and linguistic rights.

When I say that, I am not dismissing or discounting for one moment the importance of those matters, which are of deep concern to many Canadians. What I am saying is that if we would succeed in restructuring Confederation in a way meaningful and acceptable to the majority of the Canadian people, we must approach the problem from the standpoint of the issues and realities with which the majority of the Canadian people is concerned. The federal constitutional amendment bill is not based on that premise and does not take that approach.

I have tried to analyse the government's proposals objectively from the standpoint of their practicability and whether they will alleviate regional alienations, produce national unity and provide Canadians with a more functional and desirable governmental structure. I say with regret that I am forced to the conclusion that they will not accomplish those objectives in their present form, and in some important respects I am afraid they will aggravate the very problems they seek to solve.

This is why I attach tremendous importance to the committee we are discussing, for hopefully the committee, in the light of the information it gathers, will be able to recommend fundamental changes that will make these proposals both practicable and acceptable to the Canadian people.

Let me turn now to the proposals regarding a Canadian charter of rights and freedoms. The theme of declared and entrenched rights, particularly linguistic rights, runs prominently throughout both the white paper and the draft bill. It bears witness to the Prime Minister's preoccupation with this aspect of Canadian life. In my part of Canada constitutional changes to enshrine linguistic or abstract rights would not even be on the list if people were asked to name the issues about which they are most deeply concerned.

Some Hon. Senators: Hear, hear.

Senator Manning: It was interesting to note in a survey published within the last ten days conducted in the province of Quebec, where we have been led to believe constitutional issues are of particular importance, seven out of ten people interviewed listed economic concerns, particularly unemployment and inflation, ahead of constitutional reform.

However, there are other, more fundamental reasons why, like many Canadians, I am not an advocate of bills of rights, particularly entrenched bills of rights. It is not because I do not subscribe to the ideals and objectives of such bills, but because their practical value is so debatable. The cold, hard fact is that no Parliament can legislate human attitudes or eliminate discriminatory practices by legalistic means. For this reason, I submit that bills of rights primarily are little more than political window-dressing. Canada's Official Languages Act is an attempt to establish linguistic rights by a legalistic approach, and most would agree that it has been largely a failure. Canada remains bilingual in name only. The legalistic approach to this highly emotional issue has been divisive, rather than unifying. In my judgment, if the hundreds of millions of dollars spent on bilingualism by legislation had been used to provide instruction in French in the junior grades of the schools of our nation, by now Canada would be largely a bilingual nation in actual fact and without the divisive controversy statutory or constitutional linguistic rights have fostered. But there are other dangers in the entrenchment of what today are affirmed to be rights. Here, again, history teaches that public attitudes change with time and circumstances and what are regarded as rights today may not be so regarded tomorrow. Let me use a simple illustration: one of the rights of association that labour unions hold dear is the right to force all employees in a plant that has a closed shop agreement to be members of their union.

● (1440)

This is a right guaranteed by law to a majority, but at the expense of the right of a minority of individuals not to join a union, if such is their preference. The time may well come when society's attitude to this violation of minority rights may change. In the United States, already there are 17 states which now have right-to-work laws which prohibit majorities from forcing minorities to belong to unions in order that they may hold a job.

But what if these rights as now accepted are entrenched in a Constitution? What if society some day decides that owners of properties have the right to say who is acceptable as a tenant, or that the owner of a business has the right to say who he is prepared to employ? If presently accepted rights and anti-discrimination provisions are entrenched in a Constitution, changes could not be made without the unlikely concurrence of the federal government and all of the provincial governments.

The proposed procedures for entrenchment also may well further impair federal-provincial relations. Certain provisions in the proposed bill become binding on the provinces if they choose to, what is called, "opt in". In this respect, I refer to clause 14(2). It states:

> Any individual has the right to use English or French, as he or she may choose, in any of the debates or other proceedings of the legislative assembly of any province.

Clause 16(2) states:

> Either English or French may be used by any person in, or in any pleading or process in or issuing from, any court of Ontario, Quebec or New Brunswick.

Clause 19(2) states:

> Any member of the public in any province has the right to use English or French, as he or she may choose, in communicating with any principal office of a department or agency of the executive government of that province—

And so forth.

Whatever the merits of those proposals—and I am not arguing against their merits—such clauses have no place in a federal statute in advance of those positions first being adopted by the provinces. To include them gives rise to the valid contention that the federal government, here again, is interjecting itself into areas which it acknowledges in the bill are within provincial jurisdiction. It acknowledges this by providing that these clauses do not become operative as far as the provinces are concerned until they pass legislation opting into the provision.

Provinces which might move in these directions on their own initiative, if they could retain the right to reverse their position if experience so dictated, will not move to lock themselves into such a provision of a federal enactment. For that reason, it seems to me that these provisions are not only unwise but are counterproductive.

May I make one further observation regarding this charter of rights? I refer to an omission rather than an inclusion in the bill. If detailed attention to linguistic and abstract rights is desirable and warranted, why is there no comparable attention to such matters as economic rights? Such rights are of vital concern to provincial governments in the management of their resources, and they are also vital to a great many individuals.

On page 5 of the bill there appears a listing of powers and rights with respect to individuals. Included in this provision is:

> —the right of the individual to the use and enjoyment of property, and the right not to be deprived thereof except in accordance with law—

Honourable senators will agree that is a pretty weak provision. When you say that a person can be deprived of the ownership of property in accordance with law, it is left wide open for any government, by law, to take his property away from him.

In the United States they have gone much further than we have in Canada in ensuring that these economic rights receive equal protection to other more abstract rights. The Fifth Amendment to their Constitution states:

> No person shall . . . be deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.

Honourable senators would agree that that goes a lot further than what our Constitution provides. I know we have expropriation acts that provide for compensation, but these are statutes that can be changed at the whim of a government, which is the argument for entrenching these rights in a Constitution.

If we are going to give detailed attention to cultural and liguistic rights, there are millions of people in this country far more concerned to see greater attention paid to their economic rights, which directly affect their livelihood.

I turn now to the subject of the House of the Federation. We can all appreciate the political problem the Prime Minister faced in advancing this proposal. What he is proposing to do is give up the government majority in this upper house. Today the Liberal Party has 74 members in this house. Under the new proposals, that number would be reduced to less than 45 seats out of a house of 118. That is a substantial concession. I submit that it is the kind of concession that simply would not be politically saleable to a Liberal caucus or the Liberal Party if the giving up of that majority would have any meaningful effect. I assume that this is the reason why the House of the Federation, as proposed will not have any meaningful powers. It will, in fact, have less power than this house presently enjoys. It will have no power of veto; its role with respect to legislation is obstructive; it can delay a bill for 60 days, and not even that if the government moves to have the bill declared one which requires speedy passage. In other words, the new House of the Federation is assigned, as far as legislation is concerned, the role of an obstructionist only. Exercising that role, I submit, will not endear it either to the other place or to the general public.

● (1450)

The closest thing to effective powers given to the upper house is in the matter of protecting linguistic rights. This is done by introducing the principle of double majority. In this case, it means dividing the upper house along linguistic lines. Whenever there is a vote on a matter involving linguistic rights, in order to pass it has to be approved by a majority of both groups. I submit that is not very democratic or a very sound principle. It is inevitably divisive. The last basis upon which we should divide people anywhere in this country is on linguistic and cultural lines. This, therefore, is a very undesirable proposal. And even this dubious veto power can be overriden by a two-thirds vote in the other place.

What about the House of the Federation as a mouthpiece for the various regions of Canada? Certainly, what is proposed would bring about more representation for some regions than exists today. But I doubt that there is a single provincial government that would accept such representation as a satisfactory mouthpiece for their province. Those who have had the responsibility of the leadership of a provincial government know that no provincial premier is going to let someone other than himself speak for his government in dealing with the federal government on important issues.

Some Hon. Senators: Hear, hear.

Senator Manning: You could have the House of the Federation go through all the motions, but when the chips are down no provincial government is going to take the position that the House of the Federation should resolve conflicts between the provincial and federal governments. The provincial governments must insist that they confer directly with the federal government as equal partners in Confederation. They cannot reasonably be expected to accept as their mouthpiece representatives of an appointed house not responsible to them once appointed. The same applies to the proposal for the new house to approve appointments to the Supreme Court of Canada and to major federal regulatory bodies. The provincial governments will not accept this arrangement as an alternative to direct consultation and involvement.

The powers which it is proposed to give to the House of the Federation turn out to be little more than window dressing, to give the impression that a chamber with no meaningful powers is performing an important and necessary role.

If I may, I should like at this point to state clearly my position on this matter. Since coming to this chamber I have been deeply impressed by the calibre and dedication of the members of this house. I have been impressed by the great wealth of experience and expertise in this house. My deep regret is that these resources are not being used to anything approaching their maximum potential. My own conclusion is that the proposed new House of the Federation will have no more powers or no more effective role than has this house—

Senator Flynn: Less.

Senator Manning: —and I therefore say that surely we have reached the juncture in Canada where we should either give the upper house, whether this one or a new one, a more meaningful role and more meaningful powers or else abolish it altogether.

The expenditure of over $12 million of taxpayers' money each year for the proposed House of the Federation cannot be justified if its role and powers are to be restricted to what is proposed in the constitutional amendment bill as currently drafted.

I should now like to make a few observations on the proposals respecting the Supreme Court of Canada and federal

regulatory bodies. As you know, the membership of the Supreme Court is to be increased from nine to 11. The province of Quebec is to be guaranteed four appointments. There has to be one from the Atlantic provinces, one from Ontario—Ontario by tradition, not by constitutional guarantee, has had three appointments—one from the prairie provinces, and one from British Columbia. The appointments, it is proposed, should be approved or rejected by the House of the Federation. There is a provision that if the house is in adjournment when an appointment is proposed, the appointment is deemed ratified unless 10 members of the upper house request a debate. The ratification procedure does not apply to the appointment of the Chief Justice if he is selected from those who are already members of the Supreme Court.

Another interesting provision is that cases relating to the civil law of Quebec are to be heard only by the four justices from Quebec, whereas cases arising from the civil law of common law provinces are to be heard by the entire court. Such a provision is bound to invite criticism. It will be interpreted across the country as another concession to Quebec, and we will have yet another divisive element introduced at a time when we should avoid such things if at all possible.

The members of this house must also feel some concern over the acceptance of the premise that the quality of justice depends upon the region from which a judge comes and on who does the appointing. Surely, that is not the basis of justice in this country.

Hon. Senators: Hear, hear.

Senator Manning: An individual is appointed to the bench to examine the facts of law with respect to the case before him, and whether he comes from Vancouver Island or Newfoundland, what difference if the man has the capacity and the ability and dedication to fairly and justly adjudicate on the matter before him?

I am troubled by the introduction of the premise that the quality of justice is influenced by the region from which a man comes and by who does the appointing. I suggest that is something to which the proposed joint committee should give very serious attention.

With respect to regulatory tribunals, there is perhaps some justification for having appointments made on a regional basis. The decisions of regulatory tribunals affect the various regions of the county differently. The appointment of people from different regions of the country with a knowledge of the local circumstances could well be beneficial and helpful.

But, there again, I do not think the provincial governments are going to be happy with having the House of the Federation being the body to approve of appointments to these regulatory bodies. That is a matter on which the provinces will insist on dealing directly with the federal government.

Before leaving the matter of appointments to regulatory bodies, it should be noted that there is an inherent danger in the concept of regional appointments. Somewhere down the road, if we start on this course, we will have to decide how many regional and special interest groups should be represented on such tribunals. In a sense, the regional representative from one part of the country represents the special interests of that region. That is why they want him on the board. Environmentalists and consumer groups then want a representative on the board on the basis that they have special interests and so on. Where do you stop once you accept the premise that special interest groups, whether they be representatives of regions of the country or certain groups in society, are entitled to representation on regulatory boards?

• (1500)

I hope that what I have said does not sound wholly negative; such was not my intention. I have tried to analyze these proposals in relation to their practicability and to their acceptability to the Canadian people. I would like to close on a more positive note by making a few alternative suggestions with respect to an upper house.

I have said that if no more meaningful powers and roles are to be assigned to the upper house I would favour its abolition. That would not be my choice. I believe there is need in our Canadian parliamentary system for an upper house. Our attention and, it is to be hoped, the attention of the committee, should be directed to developing a role for the upper house that will be meaningful and worthwhile to the Canadian people. One area of responsibility that might well be assigned to either this or a restructured upper house relates to this whole question of the evolving confederation that we have in this country. Basically, Confederation was and will remain the end product of an ongoing process of negotiation between the regions and the two levels of government of the country. Meaningful and acceptable restructuring can only come about in the same way. Surely, a constructive role for this or for a new upper chamber would be the task of facilitating and overseeing that ongoing process of negotiation and renegotiation. To this end there is need to compile and constantly update a catalogue of the aspirations and concerns and valid grievances of the various regions of the country, together with their proposals for coming to grips with their problems. Certainly, there is need for the comparable information to be compiled from the standpoint of the federal government for the nation as a whole. Surely, the upper house is an appropriate chamber in which to do the detailed research necessary to work out compromises and trade-offs between regions and positions that would lead to practical recommendations for the consideration of both the federal and provincial governments for future changes in the Constitution.

I should like to see the upper house given a more meaningful legislative role. I should like to see a system under which a bill, when it has received approval in principle in the other place, is immediately introduced into the upper chamber to receive at that stage the attention of the committees of this house in order that they can place in the hands of the committee of the other place the considered judgment and recommendations of this chamber at the stage in the parliamentary process where the members of the other place are most amenable to making changes. This is not the case after the bill has gone through

third reading because if changes are made here then it has to go back and go through the whole process again.

I should like to see the upper house given veto powers in certain restricted fields, such as amendments to certain sections of the Constitution, in the case of legislation which is demonstrably contrary to the public will and legislation which invades provincial jurisdiction. This house could be made the guardian of both federal and provincial jurisdictional rights and powers, if you like, a sort of collective ombudsman to safeguard the constitutional rights of both levels of government. It could properly conduct continuous examinations into which level of government, in the light of changing circumstances, could best serve the public need in various areas and recommend changes in jurisdiction by constitutional amendments or by the delegation of powers where such is deemed desirable.

The upper house could propery be assigned a meaningful investigative role. It could carry on investigative studies on important issues for both the federal Parliament and the legislature of every province in this country. Why should we not bring them together by actions of that kind? If that type of work were done by the members of the upper chamber, we would avoid one of the great weaknesses of royal commissions. I have nothing against royal commissions. Too often the people who serve on royal commissions have no political expertise and so they produce a beautiful report, very sound from the standpoint of argument, but a report that is not politically saleable to the Canadian people. That is why such reports too often are put on the shelf and governments do nothing about them. Surely, members of this house could contribute their political expertise in investigative work to the benefit of the country as a whole.

These are but a few of the important areas in which the experience and expertise of the upper house could be utilized for the good of all Canadians.

I must not detain you longer. There will be some, perhaps many, who will disagree with my analysis of the government's proposals and with the alternative courses of action which I have proposed. My attitude to those who disagree is that of John Wesley, whose expressed convictions, perhaps, did more to change the course of British history following the French Revolution than most of the politicians of his day. He said this to his dissenters:

> Are you persuaded that you see more clearly than me? It is not unlikely that you may. Then treat me as you would desire to be treated yourself upon a change of circumstances. Point me to a better way than I have known.

Hon. Florence Bayard Bird: Honourable senators, as a new and inexperienced backbencher it had not occurred to me to speak in this debate. I agree with much that the Honourable Senator Manning has said this afternoon, although it occurred to me as I listened that perhaps what he said would be better presented to the two committees that are being set up on the Constitution, since these are matters to be studied in detail.

But there were some things that he said which I feel I must go on record as disagreeing with very strongly. Those of us who in 1968 read the admirable background papers to the Victoria Conference must surely be aware that we need an entrenched bill of rights in this nation. It is certainly obvious that if we are to be a united country we must respect the rights of the French minority, which was one of the great founding races of this country. If we do not entrench those rights, we are not going to have a country, and we must face this fact.

There is another thing that he said that seemed odd, coming from a gentleman primarily engaged in legislation. I think we must have legislation, because in the discussion leading up to it you get some agreement among the people of the nation generally and of the lawmakers. It is not window-dressing to bring in strong legislation; it is something that we are here to consider during the brief period, indeed, that we may be here. Unless you have legislation, you have nothing to turn to in order to have a standard. Therefore, I want to say strongly, "Let us not turn down any idea of an entrenched bill of rights for this country."

● (1510)

There is one rather minor point which, I guess, weakens my argument. I quite agree that Senate committees do a very good job, but I have had some small experience with royal commissions and should like to say here and now that the strength of a royal commission is that it is apolitical, that it is not political, that it is not influenced by cabinet ministers or the need to be elected, or the need to get somebody elected. A royal commission makes its recommendations, and they are accepted by an enlightened government such as we have today. If two-thirds of 122 recommendations of a royal commission have been implemented in the period since it reported, I think you must see that there is some value in its being non-political.

Hon. Royce Frith: Honourable senators, I should like also to congratulate Senator Manning on an exhaustive, persuasive and eloquent analysis of this bill. I do not propose to speak to the bill, but as a fellow Canadian I do wish to comment on one theme that ran through his intervention.

His speech is important because, in my respectful view, it represents a traditional approach that has been abroad for some time, and is still abroad in this country. I think it will continue to be important with reference to the future of this country.

What I am referring to is the fact that when he developed his analysis and exposé of this bill, the cornerstone of his analysis was that Confederation was not based on an agreement between two founding races. He said "races." That was the word that originally appeared in the terms of reference of the B & B Commission, of which I had the honour to be a member. We, as you will remember, decided to interpret that as "peoples," and not "races," since it is not a matter of ethnicity.

Senator Lamontagne: The French version says, "les peuples."

Senator Frith: The French version, as Senator Lamontagne points out, does say, "les peuples."

But the point is that, in effect, Senator Manning was building a strong case against the compact theory of Confederation. He has a good deal of support in the academic world where it is considered not to be a compact in terms of a compact between founding peoples. There is also a good deal of opposition to that analysis, but the point I wish to make is that, apart from whether Confederation was a compact between two linguistic groups or not, Confederation today is a relationship between two major linguistic groups. Surely, the importance of this bill is how it addresses itself to present realities rather than to academic casuistry and theories, either of a compact of Confederation or otherwise.

This thread ran through the senator's exposé, for example, with reference to the entrenchment of linguistic rights. That, of course, could not receive his support because it did not follow logically, as a corollary, from his original principle, which was that the provinces got together for reasons which had nothing to do with linguistic rights or linguistic communities.

From there on his whole house was built on this traditional view that, if we accept the fact that there are in existence two linguistic groups, if we fail to ignore that fact, on, in other words, if we do not take what I call the traditional or ostrich approach to it—and we went through this in the B & B Commission time after time—then we are being divisive. In other words, ignore the fact that there are these two communities, because if you mention it you are being divisive.

Everywhere the B & B Commission went people would stand up and say, "We do not know what you are doing here. Everything is fine here. We have a francophone community. We get along fine with them. They do not have any linguistic rights, of course, but everything is fine. Now you just go off to some other place where there are problems. Go back to Quebec. That is where the problems are. Don't come out and see us here in Alberta or any place else. Everything is fine here. We have this well-settled, traditional view, which you might call the ostrich view, that if you keep your head buried in the sand, and don't worry, everything will be fine." Of course, the trouble was that there were a few people who were members of the linguistic minority who stood up and told us frankly that things were not quite that fine, that they did have some linguistic rights they would like to have protected.

I want to repeat that I found Senator Manning's analysis elucidating, edifying and interesting, and, knowing the respect he knows I have for him as a Canadian statesman, it is against that background that I feel it is important to say this: If the anglophone people, if the non-French-speaking people of this country, approach this constitutional bill on the basis of saying, in effect, to our francophone brothers and sisters, "What is important to you is not important to us;" if that is the outcome; if these little symbolic things, the change of "Privy Council" to "Council of State," cause us to say, "You have gone too far, you are pushing our British institutions too far;" if we argue against changing any of these other things, like the double majority; or if we argue against the entrenchment of linguistic rights, the result may well be that our francophone brothers and sisters will say, "They say we are pushing them too far. It is quite clear that the things that are important to us are not important to them, just as Mr. Lévesque has been telling us for years."

And, honourable senators, that could happen. That opinion or statement or position could be expressed within the next year as a result of a federal election, and I suggest, with respect, that if we ignore that reality, if we ignore the fact that that might be the way our reaction is interpreted, then, to use the phrase that is popular in constitutional terms in Canada now, or at least a version of it, I suggest that our francophone brothers and sisters will "opt out".

● (1520)

Hon. George I. Smith: Honourable senators, it is not my purpose, you will be pleased to know, to speak at any great length on this subject. There are one or two points that I should like to make, and it is quite likely that I shall be voicing the view of a great many, if not all, honourable senators when I compliment Senator Manning on his careful analysis of the proposed legislation—or whatever one might want to call it—and his eloquent method of bringing to our attention some of those matters which he considers to be of fundamental importance.

Hon. Senators: Hear, hear.

Senator Smith (Colchester): I do not intend to deal with the linguistic rights problem and related matters, except to say that while some honourable senators might disagree with Senator Manning's view as to the importance thereof, it will be vitally necessary to keep in mind that what he states as a fact in regard to beliefs held by Canadians is pretty accurate, and it would be very unwise, in any effort to develop a better Constitution, to forget that.

That is not an argument either for or against what is contained in the bill in this respect. I merely say that all of us, no matter what our views might be, have first to recognize what are the facts of life in Canada, and that is really what both Senator Manning and, I believe, Senator Frith, were trying to emphasize. I do not intend either to agree or disagree with either of them, except to recognize that what they said is fundamentally important. I wish to direct my remarks only to the proposition with regard to the change, abolition, or substitution of this house.

As honourable senators know, I have not been here for very long. The facts of life are such that even if this legislation had never come forward, or is never passed, it is unlikely that I shall be here for very long; so it is highly probable that, insofar as someone can have a substantial amount of disinterest, in the sense of thinking of one's own future, I probably have it.

I should like to say that I concur completely with Senator Manning in his assessment of the potential of this house and in

his comments on its membership. I have not been in public life, or in positions of responsibility, for as long as Senator Manning, but I have no hesitation in saying that I have not before encountered a group of legislators who, on the average—if I might use the term "average" in relation to the membership of this house—show such a wealth of experience, accompanied by the willingness and energy to use that experience in improving those matters which come before us, and in applying that energy, knowledge and experience to the problems of the day.

I believe there has been, and continues to be, an imbalance in the membership, with regard to representing the various political faiths, which should be remedied and which I notice in the proposal contained in the bill would be remedied by the method of appointment suggested for the new House of the Federation.

I wish to say, however, that I believe, and am quite prepared to argue, that anything that is an improvement, or is intended to be an improvement, of this body or its replacement can be accomplished without any substantial change in the legal jurisdiction or composition of the Senate as it now exists. I am not speaking about membership in particular, but I am saying that every power which the bill proposes to give to the Senate can be given without legislation which affects in any way the composition of the house.

I should like to make one or two suggestions, in addition to those made by Senator Manning, on how I believe the function of the house might be improved, aside from better representation of the political beliefs of our country. It is essential that that difficulty be dealt with; but, again, it does not have to be dealt with by legislation.

Certainly, as Senator Manning has said, if more legislation were introduced here, or—I believe I am paraphrasing what he said—the influence of this house upon the affairs of the day was substantially increased—and, of course, the fact that more legislation is not introduced here may be due to the disposition of the other place or of the government not to take too much account of the knowledge, abilities and beliefs of the membership of this chamber—there would be a great upswing in the usefulness of the work of this house, which is already useful.

I believe that if ministries were better represented in this house, in order that we might have placed before us an early explanation of what the minister is trying to achieve, the policies and activities of the government could be more conveniently investigated during the question period. I am not in any way criticizing the responses of the Leader of the Government or the deputy leader, but the fact is that they are trying to answer for a whole group of widely conflicting responsibilities of government, and it is beyond the capability of any two people to respond in a complete manner for all of the activities of government, and I think the designation of members on the government side to respond to and explain matters relating to a particular ministry would be very helpful indeed.

Senator Manning's views on early reference to this house of legislation introduced in the other place also has much merit. It is clear to me—I do not know if it is clear to others—that some of the excellent views formed by committees, after very careful study, come to nothing in terms of being represented in legislation, simply because of the difficulty in dealing with a bill after it has received full approval in the other house, and the difficulties which arise from trying to persuade a house, which has already legislated a matter to its satisfaction, to go back and change the whole thing. We have more than one recent instance of this which, I am sure, will spring quickly to the minds of senators. I think that is another point which ought to be emphasized by our members on the joint committee.

• (1530)

My last comment—at least, my last comment for the day—is that anyone who has seen the committees of this house work, especially on complicated and difficult questions, could not help but be impressed by the care and ability which is exhibited, and also by the fairness which is exhibited in terms of hearing all kinds of interested groups, no matter what their beliefs may be. I submit that this is unequalled and that more use should be made of the ability, powers and able composition of those committees, perhaps in the way that Senator Manning mentioned, but certainly in a way which would assure that the thoughtful and able product of their potential is fully used in a country which, like every other country, needs the best brains brought to bear upon its increasingly difficult problems.

Hon. Edward M. Lawson: Honourable senators, I would like to make a few brief observations. First, I endorse the substance of the outstanding presentation that Senator Manning made this afternoon. I think it is unfortunate that his remarks do not receive the widest possible dissemination. If they did, and the people of the country could hear the fair and enlightened way in which they were presented, they might have a significant impact on attitudes towards this chamber.

One observation I want to make concerns the reference Senator Manning made about the provinces, and whether provincial governments would surrender their right to make representation to the federal government. I agree with his proposition that they would not do so. I heard the Premier of British Columbia, some months ago at the first minister's conference, talk in terms of making a recommendation concerning the need for the provinces to be represented. However, at no time during the term of his government, and certainly in the eight years I have served in this chamber, has he ever called the senators from British Columbia together in Victoria to hear the concerns of British Columbia and to ask them, regardless of party, to support them in the best interests of the province. At no time has he made such a request. On only one occasion did the previous government call me—I don't know whether they called anybody else—to serve on a committee at a premiers' conference. I am satisfied that had the premier of our province called the British Columbia members of this chamber together to hear matters he was urging support for in the best interests of the citizens of British Columbia, we would have supported them regardless of party.

It seems to me that those premiers and provincial governments who are quick to criticize the effectiveness of this

chamber, but who have not utilized the senators who are here and available to them, have forfeited their right to complain. I certainly share Senator Manning's view on that issue.

The other passing comment I would like to make is that there is a feeling across the country—while I have not been here much lately, I have certainly been speaking to many groups in many parts of the country—that the Senate has already been abolished. It comes as a great surprise to many of the groups I have spoken to, whether they are chambers of commerce or whatever, to hear that the Senate is still here and still active, and that no changes have taken place.

It seems to me that there is a reluctance on the part of members of this chamber to defend its role, or to make recommendations as to its future usefulness such as have been made here today, because we, apparently, have a vested interest. Certainly we have a vested interest, but we also have a vested responsibility as the people best qualified and best informed on our past accomplishments, and best able to make recommendations as to the future.

I think we, especially the senior members of this house, have a responsibility to go throughout the country and acquaint the people not only with what has been done in the past but also with what we will be able to achieve in the future. We should have no hesitation in discharging this responsibility.

I think the people of Canada are expecting us to discharge our responsibility, and to counsel and guide them on the good points contained in the proposed constitutional amendments, and certainly to counsel and advise them about many things that are impractical and ineffective.

As one member of this chamber, I am in favour of and am willing to support any constructive proposal to make it a more efficient and more effective body. I am certainly going to oppose these simply cosmetic proposals which give the appearance of a lot of change and a lot of activity. In my view, that would be a very ineffective body. We would have to arrange for revolving doors to be installed in the chamber to cope with the constant change of people going in and out. Governments of British Columbia, on the average, have been in office for three years. It would be like a construction crew. You would have one group coming, one group here, and one group leaving. It does not seem to me that that would be in the best interests of what we are trying to achieve for the Canadian people.

I feel we have a responsibility to speak out loudly and clearly, and to discharge our vested responsibility in the best interests of the future of all Canadians.

Hon. Léopold Langlois: Honourable senators—

The Hon. the Speaker: I wish to remind honourable senators that if the Honourable Senator Langlois speaks now, his speech will have the effect of closing the debate.

Senator Langlois: Honourable senators, I am sure I am interpreting the feelings and opinions of each and every one of us when I express sincere thanks to all those who have contributed to this debate so far. In particular, I would like to underline the speeches by the Leader of the Opposition and the Honourable Senator Manning.

Some Hon. Senators: Hear, hear.

Senator Langlois: I will endeavour to be very brief in dealing with some minor aspects of the speeches made by these two gentlemen.

At the outset of his remarks, Senator Flynn criticized the timing of these constitutional proposals, and he even went so far as to suggest that the nation was almost taken by surprise. I need not remind this chamber that at the outset of this session the Speech from the Throne contained an announcement that the goverment intended to put forward some constitutional proposals during the present session. It was also mentioned in speeches made by ministers of the Crown. Thereafter, several references were made to the necessity of considering constitutional proposals, and there was the formation or the creation of this Pépin-Robarts group which is due to report sometime in September. This group studied and made soundings of opinion across the country of these constitutional proposals in an endeavour to find if there existed a general consensus on our future Constitution.

Also, since the events of 1976 in Quebec when, for the first time, a separatist government was elected, there has been much discussion in that province, and throughout the country, about the alternative to the proposals put forward by this new government of Quebec. I think I am safe in saying that there seems to exist across our land a general consensus that the alternative is not the status quo. I think I am right in saying that the Canadian people want an alternative of change to the present Constitution.

● (1540)

These events convinced the government that the announcement made earlier, at the beginning of the present session, should be fulfilled, and that is why we have the present constitutional proposals. I do not see any element of surprise in that. I believe we have been pretty well warned in advance that these proposals were coming.

I think the time is appropriate, because there will be an election very soon. The target date for Phase I of these constitutional proposals is July 1, 1979, and the target date for Phase II is somewhere in 1981. Whatever happens, the life of the present Parliament will come to an end on July 31, 1979. I am not trying to forecast political events, but I say it is very likely that the people of Canada will, in the midst of the coming general election, have an opportunity to discuss fully these constitutional proposals, because it is unlikely that they will be debated and/or adopted, even those in Phase I, before the time of the next general election. I think that would be an appropriate time at which to debate this important question and try to obtain a consensus from the Canadian nation as a whole.

I turn now to the remarks of Senator Manning, who criticized the item in the order of reference of the joint committee that the committee have authority to sit outside of Ottawa. I am inclined to agree with this criticism of the motion,

although I sponsored it. I need not remind the house that the proposal is to unite with the other place in forming the joint committee, and that the motion made in the other place was in almost identical terms to the one now before us. If we are going to unite, surely we should not try to impose a veto and say, "We won't follow you if you go outside Ottawa." We have to go along with the suggestion that we may be called upon to sit outside the capital. We do not have to do that. If the committee comes to the conclusion that it is necessary for members to travel around the country, to go and meet witnesses and question them outside of Ottawa, we have the proper authority to do so, and it would be up to the committee to decide. I hope the committee will not find it necessary to go outside the capital in order to carry on with its study and prepare its eventual report on these very important matters.

That is all I wish to say on the subject. I commend this motion to the favourable consideration of my honourable colleagues.

Motion agreed to.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

SIXTH REPORT OF STANDING JOINT COMMITTEE ADOPTED

Leave having been given to revert to Reports of Committees:

Senator Riley, Acting Joint Chairman of the Standing Joint Committee of the Senate and the House of Commons on Regulations and other Statutory Instruments, presented the following report:

Thursday, June 29, 1978

The Standing Joint Committee on Regulations and other Statutory Instruments has the honour to present its Sixth Report as follows:

In relation to its permanent reference, section 26, The Statutory Instruments Act, 1970-1971-1972, c. 38, your Committee proposes to continue its review and scrutiny of statutory instruments during the adjournment of Parliament in the summer of 1978.

Your Committee therefore recommends that for this purpose, and notwithstanding an Order of the Senate of Thursday, November 17, 1977, and an Order of the House of Commons of Tuesday, November 22, 1977, respecting the quorum of the Committee, the Joint Chairmen be authorized to hold meetings during the forthcoming summer recess to receive and authorize the printing of evidence when three members of the Committee are present, provided both Houses are represented.

Respectfully submitted,

Daniel Riley
Acting Joint Chairman

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Riley: Honourable senators, with leave of the Senate, I move that the report be taken into consideration now.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Senator Grosart: I wonder if we might have an explanation. The purpose of giving this authority to three members is not entirely clear. What are the limitations to the authority that would be given to three members?

Senator Riley: Honourable senators, I would point out that the matters that will be considered will be in the nature of corrections that have been made. They may be translation corrections, or they may be explanations coming from different departments regarding certain regulations and other statutory instruments. Normally we do not have a large attendance at the meetings, because we have legal counsel for both official languages who do all the research and handle all the correspondence. It is mainly a matter of approving corrections that have been made, or suggesting others. Is that satisfactory?

Senator Grosart: I take it that the authority sought is merely to expedite the publication of the report?

Senator Riley: That is correct. It is mostly routine work. There are so many of them that it is necessary for us to get approval of these corrections, and so on, or to instruct legal counsel and our assistants to proceed to contact the appropriate departments with respect to translation and other corrections.

● (1550)

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Riley: With leave of the Senate and notwithstanding rule 45(1)(f), I move that the report be adopted now.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to and report adopted.

EXPORT DEVELOPMENT ACT

BILL TO AMEND—SECOND READING

Hon. Richard J. Stanbury moved the second reading of Bill C-36, to amend the Export Development Act.

He said: Honourable senators—

Hon. Senators: Hear, hear.

Senator Stanbury: Honourable senators, I can understand the applause. This is what is called the $26 billion bill. It is the bill to amend the Export Development Act.

The Export Development Corporation was created by statute, the Export Development Act, in 1969 as the successor to the Export Credits Insurance Corporation. This crown corporation began doing business on October 1, 1969. It has 12

directors appointed, seven of whom are from the public sector and five of whom are from outside the Public Service of Canada. The powers of the Export Development Corporation are to facilitate and develop export trade by providing insurance, guarantees, loans and other financial facilities. EDC is the only institution providing these services in Canada. It has assets today of $2 billion, a present operating capacity of nearly $9 billion, and has consistently operated at a profit over its 33-year history. Its mandate is to help Canadian exporters meet international credit competition and, in doing so, contribute substantially to generating and maintaining jobs for Canadians. In other words, the corporation is a facility to assist Canadian exporters and investors abroad and to protect them against the uncertainties in foreign markets. The facilities of the corporation are not a subsidy, either on exports or to exporters. The flexibility of EDC's programs provides a competitive edge by meeting foreign competition on financial terms so that the Canadian exporter can win business on the basis of price, delivery and quality.

The export support programs provided by the corporation consist of the following:

1. Export credits insurance to protect Canadian firms against non-payment when Canadian goods and services are sold abroad.

2. Surety insurance to protect exporters who must issue performance bonds and the financial institutions supplying the guarantee. Members of an export consortium are also able to protect their performance guarantees against non-performance by the other members of the consortium.

3. Long-term loans to foreign buyers of Canadian capital equipment and technical services and guarantees to financial institutions against losses incurred in financing either the Canadian supplier or the foreign buyer in an export transaction.

4. Foreign investment guarantees to insure Canadians against loss of their investments abroad by reason of political action.

The Export Development Act specifies ceilings of maximum liabilities that are provided for these programs. The corporation under the authority of its board of directors, that is, the corporate account, is empowered to enter into loans and financial guarantees, which are called direct liabilities, to a maximum of $4.25 billion. This account provides for tied export financing. These loans have terms generally extending from 5 to 12 years and in many cases involve chartered bank participation.

The corporation has an interesting provision, a government account for loans and financial guarantees under which the corporation may transact business with the appoval of the government by order in council. This account exists to transact business that fails to meet the commercial criteria of the corporation but which nevertheless merits consideration by the government on the basis of national interest. Presently, loans and guarantees may be undertaken to a maximum liability, committed and outstanding, at any one time of $850 million.

[Senator Stanbury.]

Similarly, the Export Development Corporation has a corporate account and a government account for insurance, surety, and other contingent liabilities. The ceiling under the corporate account is $2.5 billion and $1 billion for the government account.

You may recall that the Senate considered a bill last year, Bill C-47, that amended the Export Development Act to establish these ceiling amounts for insurance. It was estimated at that time that these ceilings would accommodate business until about the end of 1978. A ceiling is provided in the statute under government account for foreign investment guarantees. The ceiling is $250 million. Currently, the position against this ceiling is reaching the limit established for this program by Parliament in 1974. The bill now before the Senate contains provisions to regroup these existing ceilings and to increase them substantially.

Clause 1 of Bill C-36 seeks to amend the Export Development Act by increasing the authorized capital of the corporation from $400 million to $1 billion. The capital surplus of $25 million which is fully paid-up will remain unchanged. The corporation has forecast that a maximum liability of $10 billion will be needed to accommodate long-term loans under corporate account. This amount was seen to be required to serve the needs of Canadian exporters until the early 1980's. The present statute provides for a ratio of 10 to 1 for authorized capital to authorized borrowings. The corporation also wishes to retain this relationship between debt and equity for the corporation. This ratio is seen as being a prudent relationship by credit rating agencies such as Moody's and Standard and Poors, and by lenders in international capital markets. Hence, clause 1 of the bill provides for an authorized capital increase to $1 billion. This will retain the existing organic relationship between authorized capital, authorized borrowings and the maximum liability for loans under the account of the corporation and the maximum contingent liability under corporate account.

Clause 2 of the bill pertains to the authority of the Export Development Corporation to insure or issue bid bonds when a Canadian exporter is bidding on a foreign contract, and to insure or issue performance guarantees. At present the corporation may guarantee the performance bond provided by a surety company, exporter or other institution. EDC cannot directly provide cover for bid bonds, because the powers under the statute pertain to export transactions only. Bid bonds are instruments that are used prior to there actually being a commercial contract or an export transaction per se.

● (1600)

Just recently, EDC provided the largest amount of insurance coverage ever issued in the corporation's history in support of an export transaction to cover a Bell Canada contract, part of a multi-billion-dollar project to expand and modernize the Saudi Arabian telephone system. A surety insurance policy of $250 million covers a portion of the guarantees that Bell Canada provided to the buyers. Export credits insurance coverage of a maximum of $180 million was also provided on the sale.

Clause 3 of the bill provides a maximum limit of liability for all the contingent liability programs of the corporation. The financial guarantees formerly were included under the ceiling for loans. The traditional export credits insurance programs are to be accounted for under this ceiling and any new insurance program liabilities are to come under this account ceiling as well.

The corporation estimates that $10 billion will be sufficient to accommodate corporate business in this area until the early 1980s.

With respect to contingent liabilities under government account, a ceiling has been fixed at $3.5 billion. This ceiling will also include the liabilities for the investment guarantee program.

Clause 4 establishes the maximum limit of liability of the corporation for loans at ten times the authorized capital of $10 billion.

Similarly, the direct and contingent liabilities are to be regrouped for risks entered into under the account of the government.The growth of liabilities under government account is more difficult to estimate because the transactions are large and sporadic in nature. The corporation estimates that a ceiling for loans of $2.5 billion for the account of the government will suffice.

Clause 6 is consequential on the provisions of clause 5—namely, the deletion of the account for foreign investment guarantees.

I should add that the volume of business before the corporation is reflecting the successes which Canadian exporters are achieving this year. The liability position is pressing against the corporate loans and the foreign investment guarantee ceilings. These ceilings will be exhausted within the next short while. Should this happen, then the corporation will have to curtail its lending and foreign investment guarantee programs this summer. The result of this would mean a loss of potential new jobs and possibly could result in layoffs. It would seriously undermine the confidence of Canadian exporters in the Government of Canada and would jeopardize Canada's reputation as a dependable country around the world. I, therefore, urge that this legislation be given speedy passage.

Senator Smith (Colchester): I wonder whether the honourable senator would permit a question. I notice, or at least I thought I noticed, reference to a contract between Bell Canada and some interest in Saudi Arabia, perhaps the country itself. I wonder whether this is the contract which was recently the subject of an inquiry before the Canadian Transport Commission, in respect of which publication, or the making public thereof, was declined.

Senator Stanbury: I suspect that it is the same contract. However, I am uncertain of that, but I suspect it is because, as far as I know, Bell Canada has only this one large contract with the authorities in Saudi Arabia.

Senator Smith (Colchester): Will the particulars of the contract sponsored or otherwise dealt with by the Export Development Corporation be available to this chamber or a committee thereof?

Senator Stanbury: I have no basis for undertaking to you that it would be made available to members of the Senate or to a committee thereof. I assume that if it was not made available to the Canadian Transport Commission, as you have stated, then it may be that it will be difficult to have it made available here. However, I will look into that matter, if you wish.

Senator Smith (Colchester): I believe it was made available to the commission itself, but the publication to any persons involved in the inquiry was refused, as I understand it.

Hon. Jack Marshall: Honourable senators, I am pleased to respond to the introduction of Bill C-36 in this chamber. It is a bill which tends to have far-reaching implications for Canada's economy. After reading the committee proceedings of the House of Commons and *Hansard* of that house, it would seem, as Senator Smith (Colchester) and Senator Manning stated earlier, that this is a perfect example of a bill that could have been aired before in the Senate in less time than it took in the other place and with, perhaps, better results.

My previous interest in the Export Development Corporation has been narrow in scope. Any contact I had with the corporation was in an attempt to seek their assistance on behalf of Newfoundland's industries, which are hard pressed because they cannot beat their way into the market or because they are so far from offshore markets that they need help from government.

Obviously, since I have been given the responsibility to speak on this bill today, I have to be more national in scope. I say again that I have read extensively the committee proceedings and the debates in the House of Commons. Obviously, it is a very confusing bill and one which has far-reaching implications.

The bill, if I may be permitted to reiterate its objectives, increases, as Senator Stanbury said, the operating limits of the corporation to $26 billion from $8.85 billion. This will enable the corporation to increase support for job-creating Canadian exports under the act. The act now provides ceilings for insurance up to $3.5 billion, loans to a maximum of $5.1 billion, and investment guarantees of $250 million. This bill would revise the act in three key areas: by increasing the authorized capital to $1 billion; by increasing the ceilings for loans to $12.5 billion and insurance guarantees to $13.5 billion; and by enabling—and this is most important—the corporation to provide further support for bid bonds on performance guarantees issued for export contracts.

When I mention these figures, I wonder if we should not stop for a moment to comprehend the amounts of money we are talking about. We are talking about increasing ceilings for loans to an amount of $12.5 billion, an amount which almost equals Canada's deficit. When taking into account the insurance ceilings of another $13.5 billion, we are talking about an amount of $26 billion, some 54 per cent of Canada's total budget.

While some senators might not think of these amounts as being particularly significant, in my limited experience I find them to be not only staggering but unbelievable, particularly

when parliamentarians, responsible for the welfare of 23 million Canadians, are prepared, through a simple amendment, to give authority to a corporation, appointed for whatever reason, to commit the equivalent of 54 per cent of Canada's total budget, presumably with limited accountability before the fact. I make this comment on the assumption that what I take from my readings of the debates of the other place is accurate. Furthermore, it goes beyond this authority in that it enables the corporation to provide further support for bid bonds—and I am glad Senator Stanbury clarified what a bid bond is—and performance guarantees issued for export contract. In my limited financial experience, this in essence means that the corporation is given what amounts to almost carte blanche authority to exceed Canada's financial limits, even beyond its total budget.

• (1610)

In this regard, I am wondering if I am correct in my assumption that the Government of Canada is fulfilling its responsibility to the people of Canada in allowing, with little conscience, and without question, it appears, a crown corporation, the Export Development Corporation, to commit the Government of Canada to the expenditure of such large amounts of money. The Export Development Corporation is really being given unlimited authority to spend increasingly large amounts of money.

I think, too, we must ask ourselves how this mere fact of unbelievable proportions can be condoned by a majority vote in the House of Commons when we in the Senate are expected to give sober second thought to bills coming to us from the other place. We are expected to protect the rights of Canadians. This being so, how can we be expected, with conscience, to give passage to a bill of this kind within the short space of one or two hours? We are asked to do so to accommodate the government's schedule of events, which is to recess Parliament by the end of this week. We are asked to pass this bill, regardless of the effect it might have on the Canadian economy, and regardless of the fact that it gives carte blanche authority to a crown corporation.

Perhaps the sponsor of the bill on the other side can prove me wrong. I hope he can.

Honourable senators, because the bill does have some merit, we on this side of the house have agreed to forego committee consideration. It is obvious that it was the subject of close scrutiny and considerable debate in the committee of the other place. Notwithstanding that the government did not accept the many reasonable amendments put forth, I see no reason for us to hold up passage of the bill. I say that knowing that the bill does help in certain areas.

I mentioned earlier the work of the Senate in relation to bills of this type. Bill C-36 is a perfect example of the type of legislation that should be introduced in the Senate in the first instance. Given the business expertise and knowledge that exists here, such a procedure would have resulted in a much better bill than we now have.

[Senator Marshall.]

I have read with reasonable reflection all of the material published by the Government of Canada on constitutional reform. When I read the comment in the publication "A Time for Action" on the interdependence of the two orders of government, I can only repeat what has already been said by other honourable senators, that being that, indeed, if there is anything wrong with the Constitution, if there is anything wrong with our system of government, why in the hell do they blame us here in the Senate?

An Hon. Senator: A good question.

Senator Marshall: We get bills at the last minute and are expected to pass them without reasonable debate.

The one other aspect of the corporation that I wonder about concerns its objectives, one of which is to lend or guarantee loans to other countries in order to sell Canadian products. Given the spending authority that the Export Development Corporation has, some good has to be derived—even if it is by accident. But in most of the cases I have looked at, the efforts of the corporation are not having the desired results. The purpose of the corporation is to generate jobs for Canadians. In my opinion, it is generating jobs for other countries at the expense of Canada. While members of the other place quoted many examples in this respect, the one example I want to refer to today concerns the pulp and paper industry. Even though that industry is one which is insular in nature, even though it is parochial, it is national in scope and concern.

I will list some of the loans that were made to foreign countries. To Iran, $82.5 million for engineering services and forest industry equipment; to Mexico, $15 million for railway and papermaking equipment; to Poland, over $5 million for log skidders, and $50 million for engineering and design services for a pulp and paper complex; to the Cameroon, $.8 million for a sawmill; Poland again, $108.7 million for equipment and services for a pulp and paper complex; to Peru, $1.6 million for management service for a newsprint mill, and on and on. There are further amounts to Poland of $15 million, $14 million, and $17 million, and others. I cannot reconcile these amounts with the answers given by the Export Development Corporation. What the corporation is doing is selling these countries equipment, or guaranteeing their loans to buy equipment in Canada, the purpose of which is to establish competing mills, and the position taken by the corporation is that if they do not do it some other country will. To my mind, that would be the same as Eaton's sending its customers to Simpsons.

At the annual meeting of the Canadian Pulp and Paper Association, its chairman said, and I quote:

> We face the fact that world demand for pulp and paper will grow more slowly in the years ahead, and that many developing nations expect to produce more of their own pulp and paper needs. A few, such as Brazil, will also become exporters, especially of wood pulp.
>
> But these are not the factors that could sidetrack prospects for further development of the Canadian industry.

This is where we need the help in allowing the Canadian industry to compete. The chairman continued:

> For within the economies of North America and Western Europe there are still impressive opportunities to put our forest resource to good use. Indeed, of the 20 million tons of added world demand for paper and paperboard foreseen by the end of this decade, 80 per cent of it will be in those two areas, traditionally our largest markets.
>
> What must concern us is our ability to locate in Canada a reasonable share of the new production facilities required to serve that demand, rather than see them go overwhelmingly elsewhere. Whether we have that ability will depend, quite simply, on whether we are high-cost or low-cost producers in world terms.
>
> This is a theme being rendered with increasing urgency by much of Canadian manufacturing. And there has emerged the beginnings of a public debate that will be extremely important in determining the economic health of Canada during the next decade, and the ability of our society to tend to its needs.

I say that these are the pertinent points that we should be discussing.

I should like now to get into some of the remarks made by members of the other place on this bill. I think an important point was made by the member for York-Sunbury. He referred to what we were doing in helping paper mills in the United States, and in that respect he said:

> Canada currently exports 65 per cent of its newsprint to the United States. The capacity of the new mill in Virginia will be 175,000 tons—

And that is with the help of the Export Development Corporation. That capacity is about the same as that of the mills in New Brunswick.

The member for York-Sunbury went on:

> The EDC has lent something like $350 million to finance competing pulp and paper mills in Poland, Peru, Romania, Argentina and Iran.

The member for York-Simcoe also had some lengthy and interesting remarks, but there is no need to repeat what has already been said. I am sure most senators have read about the drastic effects—effects which could hinder the Canadian pulp and paper industry, which is probably one of the top three employers in the country. Here we are providing loans to other countries to set up competing operations, the rationale being that if we do not do so other countries will. Well, how ridiculous!

● (1620)

This is all right from the point of view of research and development and what we are trying to produce to sell. But when we are allowing our natural resources to be exported, the ones that we can develop, that is another matter. All we are doing is restricting pulp and paper industries and manufacturers by inflicting on them regulations and laws. How then can we expect to compete with other countries and take advantage of the rich resources that everyone says we have? We don't seem to realize the consequences.

I should like to give an example of what happened in my own constituency. This concerns the establishment of a $200 million Labrador liner board mill. We spent $200 million on a brand new mill, and in four years it went bankrupt. It went bankrupt because, among other problems, it could not compete in foreign and offshore markets, in spite of the fact that there are such markets, and despite the fact that we have experts from the Export Development Corporation and from the Department of Industry, Trade and Commerce saying that in addition to producing what we need for our domestic market in Canada we can produce enough to export.

So here was a firm established in a region where unemployment is probably the highest in Canada, and they had to close it down. All the government money that went into the infrastructure, schools, harbours and everything else necessary to support that mill went down the drain. This is quite apart from such things as the unemployment insurance payments, the relocation of people and the fact that the Department of Employment and Immigration had to pay people to go elsewhere. They have even gone to Iran. Two hundred Canadians have gone there to find jobs, the same Iran that we are lending millions and millions of dollars to compete with us. Sixteen families went to Iran from Stephenville, Newfoundland.

There are many other problems which I can understand, and I should like to repeat that the Export Development Corporation is doing some good. But we should be more flexible, and they have to take an interest in Canada rather than build pyramids. I don't think they should be competing with the Canadian Commercial Corporation, which I also went to for help on behalf of the liner board industry in Newfoundland. But they said no, that this was not within their terms of reference.

The same thing applies to the Export Development Corporation. They can still interfere with small business, and they are now going to interfere with another corporation, the Federal Business Development Bank, which exists for the purpose of helping small businesses. This will lead to duplication and even triplication, and will ultimately be to the detriment of the people who are trying to get ahead and trying to produce for Canada.

Let me give an example, using the words of the chairman of the board and the chief executive officer of the Canadian General Electric Company. He makes some pretty pertinent points. Probably the government listens more to him and to people like him than it does to us. Speaking on "Investment for the Means of Production," he said:

> Now let me turn to the second key ingredient essential for recovery—the matter of adequate investment for the means of production. This is an issue of critical importance. There may not yet be sufficient awareness of the serious extent to which Canada lags its competitors or of the difficulty we face in financing the large expenditures required.

I wonder if the Export Development Corporation, when they put out all their fancy pamphlets, ever read some of these plain, ordinary pamphlets.

This gentleman goes on to say:

> On a per capita basis the investment dollars needed by Canada for the means of production are probably the highest of any industrialized nation. Large sums are needed for the discovery, recovery and processing of natural resources. Hydro-electric power generation in remote areas and nuclear power will also consume vast amounts of capital.

And this brings me to another point, the potential of energy resources in Newfoundland. There we have potential resources, renewable resources, and all that is lacking is the money needed to develop them and get them off the ground. When we seek the means of doing this, all we get is excuses. We are told that the money is just not available. We are dealing with a corporation that should look at this. Perhaps they could consider Newfoundland as a foreign country and look at the situation from that point of view, because we can produce enough hydro-electric power to help all of Atlantic Canada and have enough left over to help many other parts of Canada.

Another thing I should like to point out, honourable senators, is the potential of our fisheries. To my mind our fishery potential in 10 years will make us a "little Alberta". That sounds like a pretty wild statement, but I think we have that potential. But again there is a need for infrastructure support; there is a need for money, which Newfoundland does not have in abundance, for developing and increasing our capacity. Here we are in Canada importing $183 million worth of fish, and I am sure that most of that fish came from Canada originally. It is fish which we exported raw and which we are buying back at about 15 times the original cost. This is where the Export Development Corporation could be a little flexible and not simply say, "We cannot do that because it is not within our terms of reference." The corporation should be flexible in its operations and help Canadians wherever they may be.

Honourable senators, I have probably gone on too long. There are many other things I should like to say, but I should just like to repeat that I agree that the Export Development Corporation is trying to help, but I wish that instead of their far offshore visions they would take a close look at the country they are supposed to represent, and take advantage of our rich potential. We holler about this at every election, and then do nothing about it.

Honourable senators, I have no hesitation in supporting this bill, from that point of view, and I hope it will get second reading today.

Senator Frith: Honourable senators, if, as Senator Marshall predicts, Newfoundland turns out to be a "little Alberta," I wonder if we shouldn't recommend to the sponsor of this bill that we arrange a loan to tow them back to the mainland.

[Senator Marshall.]

Some Hon. Senators: Oh, oh.

Hon. Richard J. Stanbury: Honourable senators—

The Hon. the Speaker: Honourable senators, I must inform the Senate that if the Honourable Senator Stanbury speaks now his speech will have the effect of closing the debate on second reading of this bill.

Senator Stanbury: Honourable senators, I think I should take a moment or two to respond to some of the comments made by Senator Marshall.

First, I feel that I should take seriously two or three of the remarks that the honourable senator has made. Regarding the amount involved, I would point out that I commented on it at the beginning, as he has commented on it, and I agree it is a very large amount. I believe he called it a staggering amount, but I am not sure that I would so define it.

Senator Marshall: It is a staggering amount, if you come from Newfoundland.

Senator Stanbury: We must remember that while he compared it to an annual budget, it is not in fact an annual amount; it is expected to take us into the eighties, and the last time there was a major improvement in those figures was in 1974. That applies to some of the figures, in any event.

The other thing which must be taken into account is that the corporation does not operate on the basis of carte blanche; it has indeed to operate under the act, and all the regulations under the act, and in accordance with the policies of government. It is carefully monitored and is run by a capable board of directors who have the welfare of the Canadian people at heart at all times.

• (1630)

When I said that I wanted to take seriously "those remarks," perhaps it seemed like an indication that I would take less seriously some of the other remarks the honourable senator made, and, indeed, it did seem as though he considered that all of the troubles of the world, and particularly of Newfoundland, should be loaded on to the back of the EDC.

My personal criticism of the EDC—and perhaps not so much of the EDC as of all agencies of Canadian government and of Canadian businessmen—is that over the years we have not seen nearly far enough or thought nearly big enough in terms of the things we must do in the world. Since 1973 we have allowed the whole world to break out into a great commercial development and yet we are still sending 80 per cent of our production to the United States and most of the rest of it to Europe. In fact, it is only because of the programs of the EDC that we are able to branch out into these new areas such as Saudi Arabia, Nigeria, Venezuela and so on, and thus take advantage of the opportunities available there to businessmen today.

I should also indicate that most of the leadership into these "funny" projects that my friend has mentioned was not given by EDC. Most of that leadership came from Canadian businessmen. It was they who wanted to sell; it was EDC who, in the light of their purposes, was simply facilitating those deals.

That is their job: to facilitate the work of Canadian businessmen.

I am not sure whether or not I should mention this, but I am a little concerned by, and take with a grain of salt, the remarks of the president of the Pulp and Paper Association of Canada, because I remember well an experience I had a year ago when I returned from Portugal. I came back with an order in my hands, a request by letter from three Portuguese newspapers saying that they would like to buy Canadian newsprint. First, I went to two specific companies, because I knew the people personally, and asked them if they would like to supply these Portuguese newspapers with the newsprint. They said, "Oh, we are sorry. We are completely filled up. Our capacity is gone. We haven't anything to sell." And I asked, "Well, then, whom should I call?" They said, "Well, call the president of the Pulp and Paper Association." So I called the president of the Pulp and Paper Association at that time, and it took me about three weeks to get him. I finally got him out of a hotel room in which he was at a meeting. I explained the situation to him. His response was, "I am sorry, but our organization has nothing to do with marketing." I said, "Then would you please send me a list of the companies in your association who might be interested in this kind of transaction?" Today I am still waiting for that list.

All I want to point out to you now is that not all of the problems of the world are the fault of government agencies. We have a business community which has never yet learned to move out of Canada into the rest of the world and go head to head with the big people in the rest of the world in order to gain the major contracts which are just sitting out there waiting for us, if we only had the energy and the resourcefulness to go and get them.

So, thank goodness for the EDC, because at least it facilitates the activities of those who are prepared to go out and look for that kind of business.

The Hon. the Speaker: It is moved by the Honourable Senator Stanbury, seconded by the Honourable Senator Frith, that this bill be now read the second time. Is it your pleasure, honourable senators, to adopt the motion?

Senator Benidickson: On division. It has come too late.

Motion agreed to and bill read second time, on division.

THIRD READING

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

Senator Stanbury: With leave, now.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Senator Benidickson: It is not the appropriate time.

The Hon. the Speaker: It is moved by the Honourable Senator Stanbury, seconded by the Honourable Senator Frith, that this bill be now read the third time. Is it your pleasure, honourable senators, to adopt the motion?

Senator Benidickson: On division. It is not the appropriate time.

Motion agreed to and bill read third time and passed, on division.

BUSINESS OF THE SENATE

Senator Perrault: Honourable senators, I move that the Senate do now adjourn during pleasure to reassemble at the call of the bell at approximately 8 o'clock this evening.

Senator Grosart: On that motion, I wonder if the Leader of the Government could give us an indication of what legislation is likely to come before us. I appreciate the fact that we have had a corridor, and perhaps a confidential discussion, and for that reason I will not refer to it, but perhaps the leader could give us an indication now as to what we may be expected to pass either this evening or tomorrow, or, in any event, before Parliament adjourns.

Senator Perrault: Honourable senators, yesterday there was the expectation that we would be able to have royal assent this evening and then adjourn for the summer break. However, matters have not worked out that way because of events in the other place.

I understand that third reading has just been given to the Petroleum Corporations Monitoring bill. This proposed measure, I am informed, is on its way to us at this moment. It was thought that there would be a possibility of commencing debate on the bill before adjourning this afternoon, but that bill has not arrived.

A debate is taking place in the House of Commons regarding the Maritime Code bill, suitably reshaped as a result of Senate recommendations. As I have said, it is under debate at the present time in the other place, and it is expected that it may come to us later this evening.

I can report that there is not a great deal left for Parliament to deal with before the adjournment, although it is possible that one or two relatively non-controversial measures will come to us.

Senator Grosart: May I ask the leader if he can be a little more specific, if he has the information, because we were told earlier that certain other bills might come before us, and that it might be the wish of the government to have those bills disposed of before the adjournment. I refer specifically to the bill dealing with election expenses and to the bill dealing with changes to the Customs Tariff and schedule, and to the bill dealing with small businesses under the Excise Tax Act. Are we likely to receive those bills?

Senator Perrault: Honourable senators, I will be prepared to give a full report when the Senate meets this evening.

Senator Grosart: Has the Leader of the Government given consideration to delaying the adjournment for a short time so that we might await receipt of advice from the House of Commons respecting the Petroleum Corporations Monitoring bill, in the hope that we might begin dealing with it before we adjourn?

I make that point for the particular reason that one senator on this side, who is fully prepared to deal with that matter, would like to leave this evening in order to attend a meeting of a Senate committee in Winnipeg tomorrow. This points up the problems that this type of last-minute legislation creates for us on this side, and, indeed, for senators generally.

● (1640)

Senator Perrault: Honourable senators, the government would certainly consider the suggestion for a temporary recess. What is the time frame suggested by the opposition?

Senator Macdonald: The plane leaves at 7 o'clock!

Senator Grosart: I could say it is a double problem, because in the case of the Maritime Code bill we have exactly the same problem. We have an expert on that matter—

Senator Perrault: Shall we say 30 minutes?

Senator Grosart: The Leader of the Government would perhaps be more aware of the time we might need, because I understand an amendment has been made in the other place to the bill we are discussing. I would say we should adjourn until 5 o'clock.

Senator Perrault: That is satisfactory. We shall know if there is any further delay at that time, and we may well have to adjourn until 7 or 8 o'clock.

Senator Smith (Colchester): Honourable senators, with reference to the Maritime Code, I have the very strong feeling that we are being taken advantage of in our being asked to deal with this matter now.

It was not intimated, as I followed the program of legislation—and I thought I followed it with some care—that this bill was to come before us before June 30. We now find an apparent intention to throw it at us.

It will be remembered that this bill, as it previously existed, occupied the time of the Senate committee for many long hours. I believe it is the bill in connection with which the Senate eventually accepted some 80 amendments put forward as the result of extended hearings by the Standing Senate Committee on Transport and Communications. This bill was introduced in the other house a long time ago—I have forgotten when. I had prepared myself to deal with it because, as the Leader of the Government may know, I was assigned that duty previously and, in any event, I am the chairman of the committee to which it was previously referred.

I find it extraordinarily difficult to understand why it is being thrown at us here, when many honourable senators have left the chamber; when I myself have made travel arrangements, which I have tried unsuccessfully to rearrange; and when arrangements have been made to take care of all the bills which we were warned would be presented. Now we have this one. I know that the Leader of the Government wishes to say something, and I will be glad to hear him.

Senator Perrault: Honourable senators, there is no guarantee that the bill will be given third reading in the other place before the adjournment. If it is passed tonight and comes to us, I wish to assure you that the government will not exert special pressure to achieve acceptance if there are outstanding questions remaining. However, I have been given to understand that virtually all of the amendments proposed by the distinguished committee now chaired by the Honourable Senator Smith (Colchester) have been incorporated in the new draft of the bill, which must represent a substantial improvement.

I want to provide the assurance that there will not be inordinate pressure by the government to hasten passage. The government, of course, would like to see the bill given royal assent this week, but I want to give the assurance that there will be no effort on the part of the government to obtain hasty and ill-considered approval.

We do know now, however, that the Petroleum Corporations Monitoring bill, which has almost acquired the status of a hardy perennial, because it has been here before—indeed, I recall a speech on the subject by the Deputy Leader of the Opposition—has been passed in the other place and will be available for debate very shortly.

That is the situation. So far as the other possible measures are concerned, I will have a full report later this day with respect to the bills which have been mentioned by the the deputy leader.

Senator Smith (Colchester): I appreciate the frankness of the Leader of the Government. However, it still leaves us in somewhat of a dilemma. Many senators who took a great interest in the bill—that is, in addition to myself—are unlikely to be able to deal with it tomorrow. Had we been warned that the bill was likely to be here in the dying moments, I am sure we would have made adequate provision to deal with it. It did not appear in the list of those which the government expected to be dealt with, and consequently arrangements have not been made to deal with it.

Senator Perrault: Honourable senators, I have just been advised that the Maritime Code bill has indeed been passed by the other house, with substantial support from the opposition. It may be available for debate in this chamber before we adjourn. That is the only thing that I can say. The honourable senator may wish to adjourn debate on the bill this evening and speak on it tomorrow, or he may suggest that we meet next week to discuss it.

Senator Smith (Colchester): I do not suggest that at all. I merely protest with all the vehemence I can command. It seems to me to be a highly improper method of dealing with legislation—and I am not blaming the Leader of the Government in the Senate. The bill could have been brought forward at a much earlier date if its passage was as easy as all that, because it was introduced in the other place some time ago. It could at least have been put on the list of legislation that it was

hoped would be dealt with before the summer adjournment. It seems to me—it is pretty hard to think of it in any other way—that someone decided to throw it into the hopper at the last minute just to catch us in this way, and I take the very strongest objection to that kind of action.

Senator Perrault: Honourable senators, I reiterate that most of the principal amendments made by the committee, chaired currently by the Honourable Senator Smith (Colchester), are incorporated in the bill. It is not a new measure which is somehow being sprung on Parliament in the pre-recess period. I have served in the other place and in a provincial legislature, and I know of no session in the dying days of which a number of unexpected legislative events have not taken place—unanticipated and unscheduled.

I should like to remind the honourable senator that the opposition in the other place, fully exercising its prerogative to debate strenuously all and every measure proposed by the government, spent many days in protracted debate on a wide range of measures. One need only review the debates in the other place to learn that an enormous amount of time was consumed by the opposition in debating certain measures. They had a perfect right to do so. In the process, many measures which it was hoped could be passed in the interests of the Canadian people were delayed. If there has been delay in bringing forward the Maritime Code, perhaps the opposition should share much of the blame.

Senator Smith (Colchester): I suppose the Leader of the Government and I could carry on this discussion for some time, without much advantage to either of us, except in keeping the house together until the bill arrives. But I do point out that at the very least this bill could have been included in the list of proposed legislation, in which case we could have prepared ourselves to deal with it.

• (1650)

Incidentally, some time ago I went to the trouble of preparing a comparison of the recommendations of the Senate committee with the changes which are apparent in this draft of the bill. I agree that a great many of the Senate recommendations have been accepted and incorporated. I know, however, that whatever is in it is of great interest to many—I will desist for a moment because I am sure that what is being discussed is relevant to what I am saying.

Senator Perrault: It is.

Senator Smith (Colchester): Perhaps I should just sit down and find out.

Senator Perrault: Honourable senators, I can well understand the honourable senator's viewpoint. I expressed the same viewpoint on many occasions when I served in opposition. I can only say that information was received in the Senate itself at a very late hour by the Leader of the Government. I can only say, as I have said earlier, that I regret the fact that we did not have prior information. However, in this case, it is not an entirely new proposal.

The honourable senator stated that he has had an opportunity to study some of these provisions. Presumably he takes great satisfaction from the fact that many of those provisions are those which he proposed himself as chairman of that committee.

Senator Smith (Colchester): That is true. I appreciate the Leader of the Government's repeated reference to that fact, but the point that worries me more than anything else is—it should be, and I am sure it is, a concern of the Leader of the Government—that people all over this country are interested in this bill. We had most vigorous representations from some organizations which deal with shipping in Canada.

As does the Leader of the Government, I come from a region of the country where shipping and the Maritime Code are of vital interest. How am I to say that the provisions that are now in it are good for the development of the shipping interests in every part of Canada, particularly in the Leader of the Government's province and in mine in the Atlantic region? It is really on behalf of the people who are going to be vitally affected by this bill that I make this objection. I feel they should have an opportunity to appear before the committee of this house. That is impossible if we are to deal with the bill now.

I want to make it clear that I am not primarily objecting on behalf of the committee which I have the honour to chair, or even on behalf of the Senate itself; I am objecting primarily on behalf of the people who nearly did not have a chance to say anything when the other version of the bill was introduced, and who may very well not have a chance this time.

Senator Perrault: Honourable senator, I will certainly give a commitment that, during the time between our adjournment and our reassembly at the call of the bell, I will contact the minister responsible for this bill and discuss your concerns with him. Perhaps arrangements can be made to debate this in the fall. I cannot give that assurance. However, I know the concerns the honourable senator feels, and I know the special concerns felt by those who live in the maritime regions of this country.

Senator Smith (Colchester): I thank the Leader of the Government for his assistance and understanding in this matter. I am not sure if I completely stated my own problem. Like many other senators, I have made firm travel arrangements which I find I cannot change without remaining here until the weekend is over, and that would hardly find acceptance in regard to some appointments I have made in another part of the country.

Senator Grosart: Honourable senators, I would not like to let Senator Smith's protest go without comment. We, on this side, fully support him. I personally regard the sudden production of bills that have been lying dormant for a long time as an absolutely intolerable situation. It is insulting not only to this chamber, but to Parliament. I shall have further comments to make on this matter later; I do not think this is the time. However, I am required, as Acting Leader of the Opposition, to make it clear that this last-minute attempt to get legislation

through without proper consideration is intolerable. I am not in any way blaming the Leader of the Government because I believe he shares my concern, and I know the problems he has in this connection. However, I will make a statement later concerning this matter.

I am particularly concerned about the Maritime Code for the reasons that have been indicated by Senator Smith. It is absolutely intolerable that a bill of this importance should be presented to us at this time when we do not even have the opportunity of finding out what was said in the other place. I would ask the Leader of the Government to do what he can to obtain the blues of the debates in the House of Commons on bills that are going to come to us at the last minute. If he will let me have then, I will do whatever I can to get them to those who may wish to speak.

I now ask the Leader of the Government what the situation is on the Petroleum Corporations Monitoring bill.

Senator Perrault: First, I have listened with interest to the criticisms directed towards the government with respect to this important measure, which has been considered very carefully and extensively by the Senate prior to this time. As I said, it is not an entirely new bill. However, I understand the concern. I have been in that position myself on other occasions. I will discuss the matter with the minister who is sponsoring this bill, and state your concern.

I shall also obtain material from the other place which will indicate the nature of the debate which took place this afternoon. Perhaps there are circumstances which led to the speedy passage of this measure in the other place which we are not aware of at this time. That research will be carried out.

Secondly, I have been advised that the necessary body of material in connection with the Petroleum Corporations Monitoring Act cannot be made available for approximately an hour and a half. For that reason, honourable senators, may I suggest that we adjourn during pleasure to the call of the bell at approximately 8 o'clock?

The Senate adjourned during pleasure.

At 8.15 p.m. the sitting was resumed.

THE CONSTITUTION

SPECIAL JOINT COMMITTEE—SEVENTH REPORT OF COMMITTEE OF SELECTION PRESENTED AND ADOPTED

Leave having been given to revert to Reports of Committees:

Senator Petten, Chairman of the Committee of Selection, presented the following report:

Thursday, June 29, 1978

The Committee of Selection appointed to nominate Senators to serve on the several Select Committees during the present Session makes its Seventh Report as follows:

[Senator Grosart.]

Your Committee has the honour to submit herewith the list of Senators nominated by it to serve on the Special Joint Committee of the Senate and House of Commons on the Constitution of Canada, namely, the Honourable Senators Asselin, Buckwold, Flynn, Forsey, Grosart, Hicks, Lafond, Lamontagne, Langlois, McIlraith, Molgat, Neiman, Roblin, Smith (*Colchester*) and van Roggen.

Respectfully submitted,

William J. Petten
Chairman

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Petten: With leave of the Senate and notwithstanding rule 45(1)(f), I move that the report be adopted now.

Senator Grosart: Could the Leader of the Government inform the Senate of the possible date on which the first meeting of this joint committee might be held?

Senator Perrault: Honourable senators, I have not yet been advised of the views of the other place. I am sure this will be a collegial decision arrived at by members from both chambers.

Motion agreed to and report adopted.

SPECIAL JOINT COMMITTEE—COMMONS MEMBERS

The Hon. the Speaker informed the Senate that the following message had been received from the House of Commons:

Ordered: That a message be sent to the Senate to acquaint Their Honours that the following Members have been appointed to serve on the part of this House on the Special Joint Committee on the Constitution of Canada, namely: Messrs. Beatty, Breau, Broadbent, Bussières, Caccia, Collenette, Dawson, Gauthier (Ottawa-Vanier), Gauthier (Roberval), Goodale, Guay, Hnatyshyn, Lachance, La Salle, Lawrence, Lee, MacGuigan and Miss MacDonald (Kingston and the Islands) and Messrs. Stanfield and Whittaker.

Attest

Alistair Fraser
The Clerk of the House of Commons

PETROLEUM CORPORATIONS MONITORING BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-12, to require the reporting of certain financial and other statistics relating to the affairs of certain petroleum companies carrying on business in Canada.

Bill read first time.

SECOND READING

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

Hon. Daniel A. Lang moved, with leave of the Senate and notwithstanding rule 44(1)(f), that the bill be read the second time now.

He said: Honourable senators, this is not exactly a bill to stir the hearts and fire the imagination of senators. I do deprecate the fact that it is coming to us at the last minute. However, that judgment is modified to a great extent by the additional fact that in substance we have had this bill before us previously. In substance, it has been through this chamber and has received full consideration in the Standing Senate Committee on Banking, Trade and Commerce. In my opinion, it returns to us this evening incorporating the amendments that were stipulated when it went through this chamber on that earlier occasion, and it is very considerably improved. Having said that, I shall take just a few moments to enlarge on that evolution.

Basically, the purpose of this bill is to give the Minister of Energy, Mines and Resources access to information with respect to companies engaged in exploration, development, production or refining and marketing of petroleum products. It is the opinion of the minister that the information he requires in this regard, in the present economic and energy situation in Canada, he cannot adequately obtain by normal methods, through statistical information provided through Statistics Canada. I am in no position to judge whether that is a valid argument, but I can only say that I would assume it to be so because of the importance of the petroleum industry to our economy and the necessity for our government to be able to ascertain production by petroleum-producing companies and the utilization of the moneys received from that production.

Honourable senators may recall that this legislation originally came before us as an "S" bill, one originating in the Senate, on June 28, 1977, which is just one year ago. It was then referred to the Standing Senate Committee on Banking, Trade and Commerce, and within that committee five amendments to the bill were proposed. Those five amendments are now incorporated in this new bill.

To my mind and the minds of many other senators, the main defect in Bill S-4, as it then was, was that it required certain companies to report, which companies were named in an appendix to the bill. In other words, it was not a piece of legislation of general application, but it applied to certain named oil companies, and the list of names could be changed by addition or deletion through order in council. I believe that was the aspect that offended members of the Senate committee more than anything else and, really, in retrospect I am rather surprised that we ever allowed it to receive passage through this chamber in that form. Fortunately, the bill died on the order paper in the other place.

● (2020)

Bill C-12 is a bill which originated in the House of Commons on November 2 last. I suggest that it would be interesting to note the dates on which this bill went through the parliamentary process. It received second reading on January 27 of this year. It was referred to a committee of the other place on January 30, and was reported on June 27. It received third reading on June 28, which was yesterday. If our committees operated on that schedule, the business of this country would be in pretty bad shape. I mention those dates to illustrate the manner in which we conduct the business of the Senate, as contrasted with the manner in which the House of Commons conducts its business.

Notwithstanding that history, I should like briefly to outline the contents of the bill so that senators unfamiliar with the provisions of Bill S-4, as it then was, may become familiar with the similar provisions contained in Bill C-12, and so that others may refresh their memories.

As I said, the purpose of the original bill was to provide information to the Minister of Energy, Mines and Resources. That bill listed companies. Basically, the improvement in this bill is that no companies are listed as an appendix to the bill. It states that all companies within the definition must report, and goes on to state that companies with less than a certain gross income or assets in Canada are exempt. Obviously, it is directed to larger companies and is not concerned with companies operating in an area that is not going to affect the national economy to any great extent.

As far as I am concerned, the introduction of that principle in this bill is to be greatly commended, and I am pleased to see that the Department of Justice and the Department of Energy, Mines and Resources have recognized what we did decry, in principle, in the Standing Senate Committee on Banking, Trade and Commerce. These corporations will now have to report in a prescribed form, and that prescribed form will be determined by order in council.

I think honourable senators will be interested in the information I received from the department on this bill. An explanation reads, referring to clause 5(1), "It will catch every corporation above the size threshold." Even the word "catch" staggers me. I cannot believe that this is the type of mentality we have in our bureaucracy. Of course, that is only an aside of my own and does not detract from the validity of the provisions contained in the legislation.

The bill goes on to require corporations to keep specific records on their operation in the petroleum and natural gas field, and so forth. Supplementary information, as may be required from time to time by the minister, must also be produced.

There is no doubt that this measure will result in a lot of paperwork for those involved in the business. In the circumstances, however, I do not think they are unduly onerous requirements.

It was during the time our colleague Senator Greene was Minister of Energy, Mines and Resources that it dawned on the government that it had very little knowledge of the resource potential of Canada in this area, or knowledge as to the effectiveness of our exploitation of those resources. Looking back to those years, I can see that the requirements of this bill are directed to the same ends that brought about the incorporation of Petro-Canada.

The bill goes on to provide the usual penalties in the event that a corporation does not comply, and so on and so forth. There is one rather annoying feature of the bill which I hesitate in bringing up this evening . During committee consideration of the bill on the other side, some members of the committee insisted that it have a sunset clause in it—that is, a clause saying it will expire in five years unless re-passed. The minister did not accept that. As a result of the ensuing standoff, the bill was amended by the addition of clause 14, which reads:

> This Act shall be deemed to be referred for review and report to the first sitting of the Committee of the House of Commons that normally considers oil and gas matters, following the fifth anniversary of the coming into force of this Act.

I have never seen a clause such as this before. It offends me, because it refers only to the House of Commons. It does not refer to Parliament. However, I am quite prepared in this case to overlook it, because I do not think it has any legal validity. It is a cosmetic which I presume was applied in order to have the bill accepted by the committee of the other place.

If I were on the other side I would, of course, take the position that this bill creates more paperwork for the industry. It creates more bureaucratic extrapolations. Honourable senators know me well enough to appreciate that that would be the last thing I would encourage. However, I do feel, in view of the experience of the federal government over the last six to eight years, that everything that can be devised to increase its knowledge and expertise in this area must be supported. Energy production in Canada can no longer be a matter of the absolutely free exercise of the private marketplace. The national interests are very deeply involved.

If I recall correctly, when this bill, in the form of Bill S-4, was before the Banking, Trade and Commerce Committee, the representatives of the oil companies that appeared before the committee did not object to reporting as will be required. In fact, they were rather relieved that by this legislation they would all be placed on the same footing. What they did mention, of course, was the fact that there is a clause in this legislation whereby the information furnished to the minister can be released to the public, and they were concerned about it. This was obviously inserted to enable the minister to bring public opinion to bear on some corporate actions that he felt were not in the national interest. The Senate committee, when it was considering the measure, amended it to preclude the minister from taking such action without prior consultation with the company concerned. That restriction, for what it may be worth, is retained in the bill now before us.

● (2030)

Honourable senators, in view of the fact that we considered this legislation a year ago, that it has been studied by our committee, and that it comes to us now in a form which I consider is improved as compared with its previous form, I hope that we are able to pass it without once again referring it to committee.

[Senator Lang.]

I shall be quite candid and say that I was not prepared to speak to this bill tonight, as I assumed that it would be coming back to us in the form that it left us, namely, with an appendix attached designating the companies to which it applies, and a provision that names can be added or deleted by order in council. That, to my way of thinking, trespasses on some of the very fundamental principles of legislation. However, that is gone. We now have a bill of general applicability incorporating the amendments of the Senate committee, and improved in terms of legislative precedent.

Honourable senators, I hope that we may be able to debate this bill tonight and let it proceed to third reading without the necessity of referring it to committee. However, that is for the Senate to decide.

Hon. Allister Grosart: Honourable senators, we have had an excellent explanation of this bill, which has come to us suddenly and unexpectedly tonight. I said earlier that I felt it my duty to formally protest the procedures of the last few days, and I proceed to do that now.

I repeat what I said earlier, that I think this situation is utterly and absolutely intolerable, when at the last minute important bills are rushed through Parliament and presented to us with what, in effect, is an ultimatum that we must dispose of them hurriedly under a guillotine—the guillotine of recess or adjournment—the alternative being that if we do not rush them through, if we do not send a bill such as this to committee, as Senator Lang has suggested, then we will have to come back next week and deal with the bills in the normal way under our rules, and that the House of Commons will have to come back, because it would be necessary for them to return, and this would raise certain doubts about the role of the Senate.

Personally, I should like to see those doubts raised. I should like to see them raised tonight. I should like to see us refuse to pass certain bills—not this bill but another one which will be before us this evening. I should like to see us say, "No. We will not pass all these bills under these circumstances."

That has been said in this chamber before. I can remember a most distinguished colleague of mine, when I sat as his seatmate, the late Senator O'Leary, saying that never again would he agree to give leave to pass legislation brought to us at the last minute. And other honourable senators have said the same thing. But we have always caved in. I presume we will cave in again tonight.

This may be one of the reasons, it may be the main reason, why suggestions are now being made that this second chamber, this upper house, needs certain kinds of reformation. It is my own belief that, if we had had the courage to make a stand in situations such as we have tonight, we would not be faced with some of the criticism that has been made of this place. It is my belief that, if we had sent back to the other place legislation such as this, which appears to need amendment, and had done so regularly over the years, the House of Commons and the public would have come to understand that it is the function of this house to amend legislation and to send it back to the

House of Commons for amendment, and that it was not necessarily a cause for a national crisis because the Senate had decided to perform what surely is its function: to give sober, second thought to legislation and, if we find it needs amendment, to send it back to the House of Commons.

Some of us have said that a good many times over the years. It has not been done. We have found formulas; we have found ways to get round it, ways not to embarrass the government. We have found reluctance on the part of senators to put themselves in the position of voting against government measures.

I will not criticize any individual senator for his decision in any such matter. I can only say that whatever has happened to us we have brought it on ourselves, we have brought it on our own heads by submitting to the kind of insult to Parliament that we are presented with tonight.

I was much more annoyed about this matter before the supper hour than I am now. That is so because, when I checked into the background of these bills that are coming to us, I discovered that the House of Commons had, itself, caved in. The caving in of the House of Commons on these very bills suggests to me that if reform of Parliament is needed, it might well have started with the House of Commons rather than with the Senate.

● (2040)

I shall indicate—I hope that honourable senators will bear with me—the utter absurdity, the ridicule of all the concepts of parliamentary discussion concerned with legislation that has taken place in the House of Commons this very day. It is incredible. It is unbelievable when one reads, as I have done, through the courtesy of the Leader of the Government and our staff, the press copy of Commons *Hansard*, indicating what did go on in the House of Commons in connection with these bills.

I have not had a great deal of time to look into the background of the bill which Senator Lang has introduced and discussed so well, and I compliment him on the information he has given us. I am glad that his memory is better than my own, because when I protested the fact that for various reasons I would have to speak to this bill tonight, someone reminded me that the last time the bill was before us I had made a speech on it. I had completely forgotten what I had said at that time. Senator Lang has reminded me of some of those things, and I thank him for that.

If I were permitted under our rules to quote exactly what was the impression of the official opposition on this bill, I am sure that honourable senators would be interested. I know that our rules say that I can quote, from the proceedings of the other place, only the statement made by the minister introducing a bill. But I might be permitted to suggest that honourable senators would be interested in what was said, to use the British tradition, "in another place" rather than "in the other place," to say that somewhere someone, speaking of this bill today, described it in the following fashion. Perhaps I should say first that there was an amendment to the bill, which was referred to by Senator Lang, and the Speaker there took the amendment under consideration and, if I may paraphrase Mr. Speaker Jerome's comment on the bill, he said that it was about the silliest thing he had ever heard, but that procedurally he could not interfere, that procedurally this amendment was in order, silly though it may be. That was the general impression of the Speaker, and I will refer to that a little later.

So someone said somewhere:

> Perhaps I could open my brief remarks by notifying the Chair that concerns about procedural matters might be academic, because as soon as we form a government we will change the legislation or get rid of it. The kindest thing to say about this legislation is that it is lousy.

Senator Perrault: Who said that?

Senator Grosart: It was said somewhere. I prefaced my remarks by saying it was said somewhere "in another place," not "the other place." To continue:

> At no time has the minister or any of his colleagues offered a sensible argument for the necessity of this legislation. No evidence or data has been presented which would in any way, shape or form indicate any necessity for passing this legislation, the effect of which would be to impose upon 85 or 90 oil companies in Canada the necessity of supplying detailed, extensive financial information at a frequency to be determined by the minister.

I thank honourable senators for allowing me to transgress the rules to that extent, because I have not had the time, under the circumstances, to make as thorough an investigation of this piece of legislation as was done by this person who came up with a conclusion that was certainly much more positive than anything I might indicate. He says it is lousy legislation. Perhaps that is so. The reasons for that, I think, are understandable.

Senator Lang referred to some part of the background of this legislation. The background, of course, was the unbelievable series of errors and miscalculations made by the government about the state of our energy resources in Canada. So as not to embarrass any particular person, I merely say we were told that we had energy resources for thousands of years. This was an official statement by the government.

Senator Benidickson: The industry said the same thing.

Senator Grosart: No doubt the information came from the industry. That is a very interesting comment by Senator Benidickson, who has a great deal of knowledge in this field. He now says that the industry said the same thing, and the whole purpose of this bill is to get the industry to say the same thing, or some similar thing again. If that is correct, and the fault was with industry, then this bill is really nonsense, because the whole purpose of this bill is to force industry to disclose this information.

We all remember that this was one of the reasons given for establishing the crown corporation in this field. They said then, "Well, of course, we made mistakes. We didn't know what was going on. We had no energy policy. If we had one, it made no sense." This caused all sorts of problems in Canada. Therefore,

we set up our own corporation so we would be in the club and get all the information we needed. Well, this did not happen in the normal course of events, so the predecessor of this bill was introduced in this chamber. Now it is back again.

Senator Lang, with some feeling of criticism, I think, gave us some background dates on this bill. I believe he said it was introduced on first reading on November 2 of last year, that it received second reading on January 27, and that it went to committee on January 30. Those are the dates when this bill was dealt with by Parliament. January of this year.

Now, for some reason it comes to us tonight with the usual excuse by the government that it takes a long time to get a bill through Parliament. This bill was rammed through in an hour today. Why could this bill not have been dealt with two or three months ago?

We all recall, and I am in no way critical of the Leader of the Government, the many times that he told us, when there was an expectation of dissolution, that we must get through certain bills. These were the only bills that the government insisted we must get through before a possible dissolution which, he said at that time, he believed would come soon. I am in no way criticizing him. I sympathize with him. I would not want to be in his shoes at that time or at this time. However, he bears up well and we all sympathize with him and wish him the very best with the difficult problems he has in his dual capacity as a member of the cabinet and the Leader of the Government in the Senate. I say "Leader of the Senate," because we all believe his heart is with the Senate. I will not say it is not with the cabinet, but I think we all know his heart is with the Senate, and he has given evidence of that. Therefore, I an not being critical of him, but this is the situation we are faced with.

Senator Lang described what he called the "sunset clause," and he read it. I believe he said it would have no legal effect. I am not quite sure of that. It is an extraordinary clause that says five years from now, following the fifth anniversary of the coming into force of the bill, certain things shall be done. I think we know that we will not have the present Parliament in being at that time.

● (2050)

The honourable senator is an eminent lawyer, and it may be that it has no legal effect. One wonders, then, what effect it might have. It might be that if we were inclined to send back a bill we would have every justification for sending this one back, because it refers only to reporting to the first sitting of the committee of the House of Commons that normally considers oil and gas matters. I think we would be inclined to say that at least it should also be sent back to the House of the Federation, or the House of the Provinces, or whatever it may be called at that time. It may still be the Senate. Who knows?

As far as we know, this bill, if it becomes an act of Parliament, will require 80 per cent to 90 per cent of the corporations in this general field of oil exploration, exploitation, marketing and so on, to make these reports to the government. It seems at the present time to involve perhaps 35 companies. The question has been asked whether this information is not already available through Statistics Canada, the provincial boards and the National Energy Board. If the information that this bill or the minister seem to require is not available, one wonders what Statistics Canada is doing, and particularly what the National Energy Board is doing. If the National Energy Board does not know what is going on in this area one wonders if it is in any way effective.

Of course, the bill goes beyond the powers that some of these other organizations may have. It gives the minister or his officials the right to seize books and to hold them for, I think, 120 days. In this area it gives them the full police powers that exist under the Income Tax Act. Whether or not that is too drastic I do not know. One has to wonder whether this kind of compulsion of disclosure of information makes sense with this particular group of companies. Will the government, or perhaps the bureaucrats, not be inclined to say, "Why not get this information from any company? Should anyone be exempt? Should people in the transportation business, the communications business or ordinary retailers be exempt? Is there anyone who should not be forced, under an act of Parliament, to disclose any information about the way his business is run?"

I do not think a very good case has been made for saying that these petroleum companies, to give them the general designation that has been used, are in a very different position from any other type of company. We are told that one of the reasons is that five of these companies appear to have refused to comply with, I suppose, requests. I see no evidence as to who those five companies may be, or what their reasons were for objecting to what they would regard as a mandatory report. It is true that companies in this field have shown very high profits in the last few years, both before and after taxes, and that prices are going up. I think next month crude oil prices will be up $1 a barrel, and they will have substantial profits.

The purpose here seems to be to make sure that they are reinvesting an appropriate portion of their profits in continuing exploration in Canada. I admit that my examination of the background of the bill has been cursory, but I do not see anything to indicate what is regarded as an appropriate proportion of profits that the government would appear to require to be reinvested in exploration, in the search for new energy supplies in Canada.

These matters have been raised. Some have said that the companies are making exorbitant profits. I see no evidence of that. I am inclined to agree with the anonymous gentlemen I quoted earlier, that on balance this bill seems to be completely unnecessary. It would seem to me that there are easier and more effective ways for the government to obtain information and secure private sector co-operation in an area such as this other than by resorting to mandatory and compulsory requirements in an act of Parliament for one particular group of companies.

On behalf of this group, I would say that under the circumstances we would agree with the suggestion of Senator Lang that it is not necessary for this bill to go to a committee. As he said, it has been thoroughly examined by a committee of this

house. This bill is not very much different, as Senator Lang explained, from the bill that we discussed before. I agree with him that it is a better bill than the one we passed before. I share his wonder that we allowed that bill to go through with that unbelievable schedule. I have forgotten why we did so, but we did, and I am glad that the protest we made at that time has had the effect of eliminating that schedule from the bill.

Hon. Daniel A. Lang: Honourable senators—

The Hon. the Speaker: I must remind honourable senators that if Senator Lang speaks now his speech will have the effect of closing the debate.

Senator Lang: In reply to the honourable senator, I would merely like to say that I would certainly not be one to bring forward a bill at this time, and under these circumstances, if I considered it of any national significance. This bill is not one that I would put in that category. Nor would I be doing so if it was not a bill that we had already dealt with in this chamber, and dealt with extensively in committee. Nor would I do so if I did not think it was much improved over the bill we originally had.

● (2100)

I should like to remind Senator Grosart that those provisions for seizure of books, documents and records to which he refers were actually the provisions that were inserted in this bill when we considered it last time, and in lieu of very harsh, restrictive provisions that were in the bill when we first received it. We transposed into this bill, almost verbatim, sections of the Income Tax Act regarding seizure of books, records and documents, so I think in that sense it is not an unduly onerous provision.

Honourable senators, Senator Grosart has said that it is a much, much better bill than we passed here, and I am shocked in retrospect that we passed it in the form in which it was previously, so I have no hesitation in recommending it to you at this time.

Motion agreed to and bill read second time.

THIRD READING

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

Senator Lang: With leave, I move third reading now.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to and bill read third time and passed.

THE CONSTITUTION

REPRESENTATION ON SPECIAL JOINT COMMITTEE—QUESTION OF PRIVILEGE

[*Translation*]

Hon. Pietro Rizzuto: Honourable senators, on a question of privilege, may I say a few words concerning the selection of the senators who will be members of the committee to study Bill C-60.

Having checked the names of the senators chosen, I think it is my duty to point out to honourable senators that, through an oversight in the way the committee members were selected or otherwise, regional representation was not taken into account. Personally, I noticed that there is no senator from the greater Montreal area. It is not because I am from the Montreal area, but I think we all agree that, when it comes to constitutional or linguistic problems or any other problem, Montreal is one of the most affected regions. I think it would have been highly desirable to have at least one representative from the Montreal area among the senators chosen to sit on the joint committee.

The same oversight has been made concerning the special committee. Honourable senators, I checked the list. Only one of the 25 members is from the Montreal area, Senator Wagner, who sits on the other side of the house. With respect, I think that the Montreal area should have at least one representative from this side of the house in view of the problems we had in the past and those we have today and might have in the future. I hope that the situation will be corrected as soon as possible.

In the Montreal area, honourable senators, one third of the people are from a culture other than French or English. The problem is that they want to tear those people apart. On one side the Anglophones say that they should be integrated into the large majority of Canadian Anglophones. On the other side, honourable senators, the Francophones want them to go to French schools and to be integrated into the French-speaking community as it is the majority in Quebec. Those people are expecting much from Parliament, from senators or members of the joint committee.

I for one think that the senators who sit on those two committees should be aware of that—I do not intend to blame anyone—and should pay particular attention to the Montreal area because that is where the problem really is. That is where it is today more than in any other part of the country.

I thank honourable senators for having given me the opportunity to express my views on that problem. I think it is a real mistake to have neglected the Montreal area.

[*English*]

Senator Perrault: Honourable senators, I appreciate Senator Rizzuto's concern with respect to the composition of committees. It was not an easy task for those who were called upon to make the selection of members to be appointed to the special committees to determine who would be selected and those who could not be selected at the present time. However, I would point out that there will be many opportunities for every senator to participate in the deliberations of the committees. Indeed, the suggestion has come forward from more than one senator that all notices of these committee meetings should be sent as a matter of course to all senators so that they may be able to be present for committee deliberations.

I should like to point out, furthermore, that the membership of the select committee chosen today involves senators from every province and from one territory. The two provinces with

the greatest representation are Quebec with five, and Ontario with five. There has been an earnest effort made by all parties represented in this chamber to make sure that the representation on these committees is as broad as possible under the circumstances. I would like to say, furthermore, that an invitation went forward in recent days asking honourable senators who wish to participate in either or both committees to make their views known to their respective party leaders and a great many senators wrote in and volunteered to serve. Indeed, more volunteered to serve then there were places to fill. I feel that these facts should be put on the record.

● (2110)

MARITIME CODE BILL

FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-54, to provide a maritime code for Canada and to amend the Canada Shipping Act and other acts in consequence thereof.

Bill read first time.

SECOND READING

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

Hon. George J. McIlraith, with leave of the Senate and notwithstanding rule 44(1) (f), moved that the bill be now read the second time.

He said: Honourable senators, this bill is to provide a maritime code for Canada and to amend the Canada Shipping Act and other acts in consequence thereof. It is a voluminous bill, but it is one that has been thoroughly examined by this chamber at an earlier stage.

The general objective of the maritime code is to revise and update Canadian law relating to navigation and shipping through a series of legislative stages, of which this bill is the first. When the maritime code is complete, it will consist of five books covering all aspects of ship operation in Canada. This bill contains the major elements of the first two books, and they deal with the establishment of the code and its general principles and with the ownership and registration of vessels in Canada.

It will be recalled that in the last session of Parliament, Bill C-41 was before this chamber and was studied in great detail by the Standing Senate Committee on Transport and Communications. All senators can take pride in the work of the committee, which resulted in 80-odd amendments to the bill. The amended bill was then passed by the Senate and returned to the other house just before the conclusion of the last session of Parliament. At that time the House of Commons took no action on the bill and it died on the order paper. In this session of Parliament a new bill, Bill C-54, which is currently before us, was introduced in the other place. It contains the amendments made by the Senate in the last session of Parliament plus two other amendments to which I shall make reference.

The two additional amendments were not made by the Senate, although the points involved were discussed in committee. The first one deals with the time of transferring the registration system from the Customs Branch of the Department of National Revenue to the Department of Transport. It was formerly stated to be one year, but now there is no limit on it. The effect of that should be to enable a much more orderly system of transfer of the registration, and should also result in a considerable saving of money which would have been spent had the one-year deadline been left in the legislation.

The other amendment concerns the compulsory registration of small craft. That has been removed from the legislation. The registration of small craft—that is, craft under ten meters—will be on a voluntary basis. The registration of ships has been moved to the Department of Transport, as I indicated, but the system of indentification, which I could, perhaps, liken to the system of licensing small craft, is, at least for the time being, remaining with the customs branch of the Department of National Revenue.

There is not a great deal more that I can usefully add. This measure has been exhaustively studied by the Senate. I say that is a matter of personal satisfaction to see before us in legislative form recognition of the work done by a committee of the Senate on a subject as important as shipping is in Canada. That gives me, after so many years in both houses, great satisfaction, and those who have followed the parliamentary system in recent years will, I believe, share that satisfaction with me. The other house, and those responsible for bringing this about, deserve our commendation.

I should like to acknowledge the work done by the Standing Senate Committee on Transport and Communications, particularly by the former chairman, the present chairman and the deputy chairman. I refer to our former colleague, Senator Haig, and to Senator Smith (Colchester) and Senator Bourget.

I commend this bill to the favourable consideration of the Senate.

Senator Grosart: Honourable senators, I need hardly remind you of the strong protest made by the distinguished senator to whom reference has just been made, Senator G. I. Smith, the chairman of the committee. He protested against the Senate's proceeding to deal with this bill, and any possible suggestion that it might be passed by the Senate today or tomorrow. The Leader of the Government was good enough to say that he would determine whether it is urgent that this bill be given royal assent before the adjournment. Perhaps he would care to indicate what the situation is before I proceed.

Senator Perrault: The government would like royal assent given to this measure, if possible, tomorrow afternoon. However, in no way do we wish to restrict the debate on it.

Senator Grosart: Without in any way suggesting any attempt at obstruction on this side of the house, I move the

adjournment of the debate. Perhaps I should say it is my intention to merely adjourn the debate so that we on this side of the chamber may have an opportunity to examine the implications of proceeding at this particular time.

On motion of Senator Grosart, debate adjourned.

• (2120)

BUSINESS OF THE SENATE

Senator Perrault: Honourable senators, I am now in a position to report to the Senate regarding the matters which are to come before us.

The House of Commons is now debating Bill C-59, to amend the Income Tax Act and the Excise Tax Act in matters relating to the ownership and operation of small businesses. Once that is completed, the government intends to proceed with Bill S-2, to amend the Canada Business Corporations Act; Bill S-3, respecting Canadian non-profit corporations, and Bill S-4, to implement the International Convention for Safe Containers. In addition, there is the possibility that the election expenses bill, which is a short bill and one which has not caused an undue amount of controversy in the other place, may also be dealt with before the summer recess.

That is all of the information I have at this point.

Senator Riley: I wonder if I might put a question to the Leader of the Government in respect of the proceedings in the other place at the present time. Is it expected that the other place will conclude their deliberations on these bills this evening?

Senator Perrault: Honourable senators, there is that possibility, although the opposition is in no way being pressured to pass them tonight. I understand that all of the measures under consideration in the other place are regarded as non-controversial. However, those of us who have been connected with the parliamentary system for any period of time know full well that that is often not the case when matters come under scrutiny.

I understand that Bill C-48 has been passed by the other place, and will be here momentarily.

CUSTOMS TARIFF

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-48, to amend the Customs Tariff and to amend an act to amend the Customs Tariff.

Bill read first time.

SECOND READING

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

Hon. Royce Frith, with leave of the Senate and notwithstanding rule 44(1)(f), moved that the bill be now read the second time.

He said: Honourable senators, this bill is not one that I can see as calculated to raise political or professional passion. I shall try to be brief in my explanation of it. In fact, I was so impressed by the record-breaking five-minute performance of the Deputy Leader of the Opposition the other night that I am going to try to equal if not beat it.

The object of the bill is to amend the Customs Tariff. The amendments cover four areas. Before dealing with the areas in detail, let me tell you what they are. The first is the extension of temporary tariff reductions due to expire on June 30, 1978. Honourable senators will recall that last year we had a similar amending bill to the Customs Tariff—a bill which I also had the honour to sponsor.

The second area concerns amendments to withdraw the British Preferential Tariff rate on certain products imported from Britain and Ireland; third, are the proposals to assist Canadian manufacturers of industrial tractor tires and chemicals for pesticides; and fourth, a number of amendments typical of those normally introduced at the time of the annual budget.

The first area, and the most important provision of the bill, concerns the temporary tariff reductions due to expire on June 30, which is tomorrow. Clause 5 of the bill would extend most of these temporary reductions for another year, until June 30, 1979. The proposed extension will result in continued tariff reductions on a wide range of consumer goods which were first introduced in the budget of February 19, 1973. These tariff cuts will apply to products with an estimated value of $1.5 billion. Some of the more important items in trade terms are raw sugar, medicinal and pharmaceutical preparations, motor vehicle parts, hand tools, photographic equipment, vacuum cleaners, chinaware and sporting goods.

The temporary rates for certain processed vegetables, glass tableware, synthetic detergents and certain canned meats are not being continued.

These changes are designed to reflect Tariff Board recommendations in the case of frozen asparagus and frozen brussels sprouts. In the other cases, it was decided that a change in the rates was warranted to take account of changes in the competitive position of Canadian producers since the temporary reductions were introduced.

Going to the second area of amendments, the measures to withdraw the benefits of the British preferential tariff from certain goods imported into Canada from the United Kingdom and Ireland are to be found in clause 3. These goods include confectionery, cranes for mounting on trucks, certain diesel engines, certain apparatus used in community antenna television transmission lines, and knitted garments. Again, this action will assist Canadian manufacturers who are operating at below capacity at the present time or who have lost significant business to imports from the United Kingdom and Ireland. Imports of these goods from those two countries were

valued at about $52 million in 1976, representing approximately 12 per cent of total imports of the products in question. These imports will now be dutiable at most-favoured-nation rates of duty.

Honourable senators will be aware that since Britain and Ireland joined the European Economic Community, Canada no longer has an obligation to extend preferential tariff treatment to British and Irish goods. Many of the remaining margins of preference will disappear as a result of tariff reductions made in the multilateral trade negotiations.

Dealing with the third area, clause 3 introduces a measure to exclude tires for non-agricultural tractors from duty-free entry. The reason for this change is to assist Canadian manufacturers of industrial tractor tires and to correct an anomaly whereby tires used on the tractor portion of some equipment are free of duty while the same tires used on the non-tractor portion are subject to duty. In addition, this clause would impose a tariff on two basic chemicals used in the manufacture of pesticides. This action will result in substantial investments being made in expanded production of these chemicals and will help ensure a reliable Canadian source of supply. Formulated pesticides used in agricultural applications are now free of duty, and will continue to be so.

Moving on to the fourth area, clause 3 of the bill also provides for a number of miscellaneous amendments—the ones that normally follow a budget. Some examples of that are temporary duty-free provisions covering aircraft and aircraft engines of types and sizes not made in Canada. It will have to be continued for another year, and the duty is being removed from catgut for markers used for aerial spraying of crops. A reduction in duties is also proposed for certain parts for electric light fixtures.

● (2130)

Honourable senators, that concludes my general remarks. I know the burden that the acting Leader of the Opposition is under, and the pressure that is being put on him. I suggest to honourable senators that there is no need to refer this legislation to a committee. However, the ink is still wet on this bill, figuratively speaking, and the Acting Leader of the Opposition has not had an opportunity to examine it in detail. I have the departmental official here, and he is waiting outside in case the Acting Leader of the Opposition might want to question him and me. If he wishes to adjourn the debate, perhaps we could spend some time with the departmental official and have our own mini-Banking, Trade and Commerce Committee meeting at which Senator Grosart can ask any questions he might need to ask to assure himself that it is not necessary to send this legislation to a committee. Of course, I do not in any way suggest that he is limited, but I do make that offer in case it will assist him in his very difficult job here in these last few days.

Senator Benidickson: Honourable senators, I well recall the very large and broad list of consumer items upon which tariff duties were reduced in the budget of 1973. In subsequent years it has been our practice to extend those duties, but not formally to amend the act. I think that has been done because we have wanted to hold our position with respect to negotiations in GATT. But, Senator Frith, you spoke very rapidly. With respect to the first section in those items for the year 1973, did I understand you to say that some of the items on that original list are being eliminated in the bill tonight?

[Senator Frith.]

Senator Frith: Yes, honourable senator, they are. The temporary rates—and I will speak more slowly—for processed vegetables, glass tableware, synthetic detergents and certain canned meats are not being continued. I have some detail of each of those categories. Gradually, I guess, we are not automatically continuing that schedule every year. Some items are being dropped.

Hon. Allister Grosart: Honourable senators, I thank Senator Frith for his explanation of the bill and for his very kind offer to make available one of the officials of the department in case there should be certain questions. However, it seems to me that this is very much a routine bill; we have had this type of bill before us on other occasions. It is in almost exactly the same terms as previous bills, with just some changes in some of the products and some of the items.

We are all aware of the purpose of the first group, the extension of the temporary tariff reduction on certain items, mostly food items. The purpose of this, of course, was to help to keep down the consumer cost of living, particularly in the area of food imports.

The withdrawal of the British preference is always a matter of some regret, but it is understandable that this is obviously at the request of Canadian manufacturers who appear to have the problem of competing with imports. The same would apply to the bill generally.

It points up, of course, the dilemma facing Canada. Here we are at the present time proclaiming to all the world that we are in favour of trade liberalization, that we are taking this position at the Tokyo Round of the GATT negotiations, and at the same time we have the dilemma of raising some of our tariffs or eliminating some of the preferences from certain goods such as those involved in the case of the British preferential tariff. This is a problem that is facing every nation today, in a world where international trade is not running as smoothly as had been hoped, and GATT itself has not proved to be the efficient regulator of international trade that many hoped it would be. No one of us knows at the moment just what the outcome of the present GATT negotiations will be, but as I see it the tendency at the moment is to be pessimistic. This may be premature, but our Foreign Affairs Committee is dealing with this very problem at the moment, particularly with respect to Canada-United States trade where some of the problems which arise and which make it necessary from time to time for changes to be made in the customs tariff are under consideration.

I do not believe it is necessary for this bill to go to committee, and on behalf of the official opposition I would be quite prepared to see it given second and third readings tonight to expedite the matter.

I regret that I have to be on my feet again. I thank Senator Frith for his expression of, shall I say, pity, and I can only say to honourable senators that they are the ones who should be pitied.

Senator Frith: Perhaps "empathy" is the word rather than "pity".

Motion agreed to and bill read second time.

THIRD READING

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

Senator Frith: With leave, now.

Motion agreed to and bill read third time and passed.

ADJOURNMENT

Leave having been given to revert to Notices of Motion:

Senator Petten, with leave of the Senate and notwithstanding rule 45(1)(*g*), moved that when the Senate adjourns today it do stand adjourned until tomorrow, Friday, June 30, 1978, at 11 o'clock in the forenoon.

Motion agreed to.

Senator Perrault: Honourable senators, before I move the adjournment I want to thank honourable senators for their co-operation, especially those in opposition who, because of their smaller numbers, are faced with a rather more difficult task than government members. I feel sure that on the present schedule we can have royal assent some time tomorrow afternoon or evening, depending on the vagaries of our fellow parliamentarians in the other place.

The Senate adjourned until tomorrow at 11 a.m.

APPENDIX

(*See p. 965*)

COMPETITION POLICY

REPORT OF THE STANDING SENATE COMMITTEE
ON
BANKING, TRADE AND COMMERCE

ON

THE SUBJECT MATTER OF BILL C-13

AN ACT TO AMEND THE COMBINES INVESTIGATION ACT AND TO AMEND THE BANK ACT AND OTHER ACTS IN RELATION THERETO OR IN CONSEQUENCE THEREOF

June 29, 1978

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SUMMARY OF PRINCIPAL RECOMMENDATIONS

The Committee has concluded that the central provisions of the Bill, namely, those dealing with mergers, monopolizations and joint monopolizations should be withdrawn and reconsidered. To the extent that any revision of the existing provisions of the Act may be necessary, it should take the form of provisions to control abuse of dominant position and the practice of articificial restraints as they occur rather than the setting up of machinery to monitor and prohibit structural changes on the mere chance that they could lead to such situations.

The industrial and intellectual property provisions should be withdrawn and, if the current study of related legislation indicates the desirability of placing further limits on the scope of these rights, which the Committee doubts, any changes should be made by way of amendment to the specific statutes dealing with them and not in competition legislation.

The amendments to the price discrimination section are in the Committee's opinion obscure and the need for them has not been sufficiently explained. They also, therefore, should be withdrawn.

The proposed price differentiation provision, a retrogressive step at a time when authorities in the United States are strongly recommending the repeal of similar provisions there, should be deleted.

The Committee considers that the proposed review of orders of the Competition Board by the Cabinet, subject to the consent of the Minister of Consumer and Corporate Affairs, is entirely unsatisfactory. It continues to recommend that a Cabinet review of the type provided in the *National Transportation Act* should be provided as well as a full right of appeal to the Federal Court of Appeal. In view of the Committee's recommendation that a substantial portion of the Competition Board's jurisdiction proposed by the Bill be deleted, the recommendation with respect to appeals would relate only to the jurisdiction of the Board under the Phase I amendments.

The Committee considers that the proposed exemption for regulated conduct should be expanded and clarified.

While your Committee is in full agreement that there should be a provision exempting specialization agreements from certain provisions of the Act, it considers that the definition of such agreements proposed by the Bill is too narrow and the proposed manner of seeking the exemption unnecessarily complicated. It recommends a new definition and proposes that the provisions requiring prior approval by the Competition Board be deleted but that the parties to such an agreement be permitted to obtain an advance ruling at their option. Similar recommendations have been made with respect to joint ventures, to be defined as recommended by the Committee.

The Committee considers that legislation containing its recommendations with respect to specialization agreements and joint ventures should be introduced without delay in view of their importance to the competitive position of the Canadian economy. There could be included in the same legislation such non-controversial and apparently desirable provisions of Bill C-13 as the expanded exemption with respect to employers under the collective bargaining provision (clause 4) and the exemption for certain franchise arrangements from the exclusive dealing and market restrictions reviewable practice provisions of the Act (clause 26).

COMPETITION POLICY

REPORT OF THE STANDING SENATE COMMITTEE ON

BANKING, TRADE AND COMMERCE

I—INTRODUCTION

The Standing Senate Committee on Banking, Trade and Commerce, which was authorized to examine and report upon the subject matter of Bill C-13 entitled: "An Act to amend the Combines Investigation Act and to amend the Bank Act and other Acts in relation thereto or in consequence thereof", in advance of the said Bill coming before the Senate, or any matter relating thereto, has, in obedience to the Order of Reference of November 23, 1977, examined the said matter and now reports thereon.

Bill C-13, introduced in the House of Commons on November 18, 1977 represents the re-draft of Bill C-42 which was introduced in the House on March 16, 1977 and immediately withdrawn with the intention that a fresh bill be introduced following public representations on the subject matter. It will be recalled that your Committee, as did the Commons Committee on Finance, Trade and Economic Affairs, studied the subject matter of Bill C-42 and its report thereon was tabled in the Senate on July 7, 1977.[1]

Your Committee, in addition to a number of study sessions, held six hearings on the subject matter of Bill C-13 at which seven briefs were presented—two by organizations that previously had submitted briefs to your Committee on the subject matter of Bill C-42 and one by Dr. L. A. Skeoch and Mr. Bruce C. McDonald, principal authors of the Report[2] upon which the Government claimed Bill C-42 was modelled. A complete list of appearances will be found in Appendix A.

The Minister now responsible for the legislation, the Hon. Warren Allmand, Minister of Consumer and Corporate Affairs and officials of the Competition Bureau were unable to appear for questioning on account of pressure of other business. However, the views of the Department are well known from the material published by it in connection with both the Phase I and proposed Phase II amendments to the *Combines Investigation Act*.[3] In addition, reference can be made to the testimony of the then Minister (the Hon. A. C. Abbott) and the officials before the Commons Committee during its study of Bill C-42[4].

For the sake of brevity, the *Combines Investigation Act,* which the Bill would amend and whose name it would change to the "Competition Act", will be referred to as the "Act". References to "the Board" are to the "Competition Board", the new name proposed for the present Restrictive Trade Practices Commission. References to "the Advocate" are to the Competition Policy Advocate, the proposed new title for the present office of Director of Investigation and Research.

Unless otherwise indicated, references to Senate Committee Proceedings will be to those in the present (Third) Session of the Thirtieth Parliament and references to Commons Committee Proceedings will be to the last (Second) Session.

II—GENERAL

Bill C-13 comprises what the Government has referred to as "Phase II" of amendments to the Act.

The centrepiece of these amendments are new provisions dealing with corporate concentration. Under the present Act, mergers and monopolies may only be attacked under criminal provisions if they are operating "against the interest of the public". The Bill would substitute for the criminal provisions relating to mergers, a civil review process under the jurisdiction of the Board. The present criminal monopoly provisions would be retained but, in addition, the Board would be given jurisdiction over what has been defined by the Bill as "monopolization". Finally, a newly defined type of conduct—"joint monopolization" would be reviewable by the Board. In all three cases, the Board would have the power to order divestiture, where it saw fit, or to issue orders prohibiting certain types of activity.

To some extent related to these matters are proposed amendments giving the Board jurisdiction, in certain circumstances, to deal with patents, trademarks, copyrights and industrial designs and interlocking directorates and management.

A new provision would allow temporary exemption of "specialization agreements" from section 32 of the Act (the conspiracy provisions) by the Board under certain circumstances.

Other new provisions would amend the "price discrimination" provisions of the Act, add a new reviewable practice called "price differentiation" and create a new offence called "systematic delivered pricing".

Finally, the Bill proposes new Part V.1 providing the class action remedy against persons who have engaged in conduct contrary to the Act for those who may have suffered loss or damage as a result thereof, complementing the Phase I amendment which introduced a civil damage recourse (section 31.1).

For a more detailed history of the genesis of these proposed amendments as well as the "Phase I" amendments enacted with effect January 1, 1976, reference is made to the introduction to your Committee's report on Bill C-42[5] and the various reports of your Committee dealing with Phase I listed in footnote No. 2 to that Report.

In its Bill C-42 Report, your Committee indicated its concern that the basic philosophy of the Skeoch-McDonald Report had not been followed and questioned the wisdom of introducing further highly interventionist legislation, particularly at a time of economic uncertainty. Your Committee's criticism of Bill C-42 may be summarized by quoting the following passage from its Report:

> "Your Committee has regretfully concluded that there is hardly a provision in the Bill which does not warrant serious reconsideration either from the policy or the drafting point of view and in many cases, both."[6]

The Commons Committee, whose report was released approximately three weeks after that of your Committee, made considerable recommendations for amendment of Bill C-42. A number of these recommendations followed the same lines as those of your Committee. Divergent claims as to the proportion of Commons Committee recommendations actually reflected in Bill C-13 have been made and obviously any attempt at a purely numerical analysis would be misleading because of the relative importance of some recommendations as against others. Suffice it to say that not all of either the Commons Committee or Senate Committee recommendations were accepted. In several cases, of which appeals from decisions of the Board is an important example, recommendations of neither the Commons nor the Senate Committee were fully accepted.

It would appear, however, that the Commons Committee accepted the basic thrust and philosophy of Bill C-42 and that its recommendations, while more than merely cosmetic in a number of areas, were directed at making what they conceived to be a more workable piece of legislation, within the framework of Bill C-42 as laid down by the Departmental draftsmen, rather than questioning the fundamental need for or desirability of the main provisions.

The changes in Bill C-13 from Bill C-42 are, with minor exceptions [6A], largely cosmetic: sections have been rearranged, a word changed here and there, but no material change in approach is apparent. It should not be surprising therefore that, in your Committee's view, on the basis of the evidence before it, Bill C-13 does not respond adequately to the criticisms of Bill C-42.

III—MERGERS (new s. 31.71), MONOPOLIZATION (new s. 31.72) and JOINT MONOPOLIZATION (new s. 31.73)

Since the introduction of both Bills C-42 and C-13, there have been a series of developments which confirm the tentative conclusions reached by your Committee in its Bill C-42 Report that these provisions should be shelved and, if anything, a fresh approach in limited areas developed.

1. *Release on May 15, 1978 of the Report of the Royal Commission on Corporate Concentration*[7]

Commissioned several years ago, the Government did not await the results of this study before proceeding with legislation to implement Phase II although the matters being studied by the Royal Commission were clearly relevant. One beneficial result of having put the cart before the horse is that the Royal Commission has been able to make specific comments on Bill C-13.

With respect to the merger provisions, the Royal Commission said as follows:[8]

> "We expressed the opinion earlier that competition was not seriously threatened by corporate mergers, and also that the costs of a review process by the Competition Board were not justified by the unsatisfactory results that may be expected from it . . . It is not that a process requiring a prediction of the economic effects of mergers cannot be made to work; it is that the process can operate only at what we think will be a prohibitive cost and that the results of the process will not be sufficiently worthwhile.
>
> This conclusion reinforces the view we stated earlier: that competition law should deal with abuses or further entrenchment of market power. The law should act in the traditional prohibitory fashion: if facts are established showing that a firm is guilty of proscribed conduct, the court or responsible tribunal makes an order designed to stop the practice and, possibly, to compensate those who have been injured by it . . . "

2. *Reaction of the authors of the Government commissioned "Dynamic Change Report".*

As one of the papers in the Institute for Research on Public Policy's Compilation on Bill C-13 aptly put it[8A]:—

> "Bill C-42 made a polite bow to acknowledge the existence of the Skeoch-McDonald Report but then took off in the opposite direction and Bill C-13 is much the same."

Dr. Skeoch publicly disavowed many of the provisions of Bill C-42 and submitted a brief to the Commons Committee, listed in the Commons Committee's Report under the heading "List of Provincial Governments, Organizations and Individuals who submitted briefs but were not selected to appear . . . "

Both Messrs. Skeoch and McDonald appeared before your Committee in the course of its study of Bill C-13, which they found to be little improvement over Bill C-42, and their evidence clarifies the reasons for their dissatisfaction[9].

It would appear that in some instances the draftsmen of Bill C-42 may have simply misunderstood what was intended in the "Dynamic Change Report" and that therefore divergence from it was unintentional. For example, the Deputy Minister of Consumer and Corporate Affairs in her evidence before the Commons Committee on Bill C-42 appeared to assume that the "efficiency defence" in the merger review section of the Bill was the same as Dr. Skeoch's "real cost economies" defence [10].

In their evidence before your Committee Dr. Skeoch and Mr. McDonald were highly critical of the simple efficiency test and clarified that their concept of "real cost economies" was something entirely different[11]:—

> "The Chairman: You say efficiency is overrated as a yardstick.
>
> Dr. Skeoch: Yes. It is not a sufficient goal for public policy. I would say that quite strongly.
>
> . . . .
>
> . . . We, in the report, believe that you cannot appraise things just in terms of efficiency, because efficiency takes current goods and current costs . . . Efficiency is important, but it is not a sufficient test . . . efficiency is sort of equivalent to what economists call "static economies of scale". You can achieve certain economies by operating on a larger scale, and so on. But this is not really what public policy should worry so much about as change. How

do you promote change? At the rate the world is changing today, we cannot just continue to turn out buttoned shoes more efficiently, . . . We have to produce new products by new methods, distribute them by new methods, and so on. The whole world is becoming an integrated market.

. . . .

. . . So we do not like such concept as 'short run efficiency,' 'static economies of scale,' and that sort of thing, enshrined as the relevant criteria in the legislation."

In your Committee's view whether there was a genuine misunderstanding or a deliberate departure from the Skeoch-McDonald recommendation is immaterial. What is clear is that legislation developed under these circumstances cannot be allowed to pass without further consideration.

Dr. Skeoch considered that the joint monopolization provisions were unnecessary:[12]

"Oligopoly, as such, I think, should not be a matter of concern as regards public policy except under certain very limited circumstances. The fact that you may get something called conscious parrallelism of pricing should not really be surprising.

. . . .

In the first place it is probably not as close as it looks, because you have to distinguish between quoted prices and transaction prices . . .

. . . .

I am not nearly as worried as some people seem to be, and as the legislations seems to be, about oligopolistic behaviour . . . It is the dynamic elements that the oligopolists refuse to bring under control that bring about the lowering of these prices.

. . . .

. . . If a group of oligopolists get together and agree that they will control their investment, agree that they will not introduce new technology and agree that they will not distribute to any new retail or wholesale system, then I think you have to take a pretty hard look at them. This is where the dynamic variables are brought under control, and at that stage you have to intervene; but you do not find that out by any of the criteria set out in this legislation, which are too much concerned with appearances and not enough with substance."

3. *The deep divergence of views at all levels on the amendments proposed by Bill C-13.*

In early June 1978, the Institute for Research on Public Policy[12A] published a useful book of papers by a cross-section of critics of competition policy.[13] The widely differing opinions expressed in the various papers illustrate the absence of any clearly accepted role for refinements to competition laws in directing economic policy.

The paper by Mr. Roy M. Davidson, Senior Deputy Director of Investigation and Research, Bureau of Competition Policy, Department of Consumer and Corporate Affairs, entitled "An Overview of the Stage II Amendments—Bill C-13"[14] is of particular interest because of the notable lack in the "Proposal Books" put out by the Department of Consumer and Corporate Affairs[15] of any convincing explanation as to why such drastic changes are essential. The Department's Stage II Proposals book contents itself in this regard with simplistic generalities such as "many economists believe that a relationship holds between concentration and profits" and that the present merger law is "inadequate".

Perhaps recognizing the Proposals book's weakness in this regard, Mr. Davidson attempts to elaborate on the rationale for the Bill in his paper. He states generally that the existing provisions on mergers and monopolization are unsatisfactory and those on mergers virtually unenforceable. Here he no doubt has in mind the various court cases which have held that certain mergers and monopolies were not being operated against the public interest. He then mentions four more reasons. First, he suggests that where output is concentrated in the hands of a few, "prices tend to be inflexible downwards". Secondly he says:—

". . . that Canada's international competitiveness suffers when needed inputs in one sector are supplied by another sector which is excessively monopolized. There are a good many resource industries in Canada which compete successfully abroad, and obviously that is gratifying, but we want to be sure that Canadian buyers, and Canadian users of these raw materials are buying at competitive prices. In other words, other procurement costs besides labour costs can affect the international competitiveness of Canadian industry . . . "

Next he states "that competition, it is generally believed, can stimulate improved productivity" and finally he states that "an effective policy on competition . . . helps to promote a consensus about the fairness of income distribution."

With the greatest respect, and without commenting individually on Mr. Davidson's reasons other than to suggest that some of them are repetitive, most seem to beg the question and none is self-evident, in your Committee's opinion, something more forceful and convincing than these undocumented assertions is required before thrusting drastic changes on a protesting system, especially in view of the very cogent and well documented contrary views expressed in a number of other papers published in the same book as well as in the Report of the Royal Commission, the Dynamic Change Report and by others.

Your Committee does not consider this to be an adequate response to the basic question summarized by a witness before your Committee who said:—

"First, why Bill C-13, which is really C-42 in slightly modified form? If you are going to have a piece of legislation brought forward, I think one has to ask why do we have this legislation; what is it going to do? We tried to find out the reason for Bill C-42 when it was first brought forward, and we could not find a logical answer. A couple of the answers that were given to us, which I do not think I like very much, was, first, "Well, no other

department is doing anything in this field and therefore we feel we should do something." That is really not a good reason for bringing forth legislation."[16]

Amongst the speakers at a seminar organized by the Conference Board in Canada to discuss Bill C-42 was the Hon. W. Darcy McKeough, Treasurer of Ontario.[17] Speaking of the report of the Commons Committee on Bill C-42, he remarked:[18]—

"... What the Commons Committee could better have asked however is, "Do we need Phase II at all? Do we need it at this point in our history when we face a massive series of institutional crises and a turbulent world trading environment? Do we need yet another encrustation of regulatory barnacles to reduce even further the country's capacity to adapt and change?"

Referring to Bill C-42 he said:[18A]—

"It embodies a highly technical view of competition and market influence; it creates the opportunity to exercise sweeping discretionary power; it apes the philosophical foundations of the U.S. model—which is a huge, insulated and irrelevant model for Canada at this point in time; it worships at the altar of domestic markets without regard to international competitive forces; and finally, it displays an erroneously static view of the industrial process. Taken together, these are the ingredients of a recipe for failure and public frustration."

He concluded as follows:[18B]—

"I am concerned by the open-ended character of the proposed Bill. The proposed civil review of mergers, monopoly, and joint monopolization are phrased in a manner that would make them applicable to a broad and unpredictable set of circumstances. The ill-defined limits that must be observed in order to avoid the high cost of a tangle with the competition bureaucrats will certainly intimidate the business community from engaging in the sort of aggressive business practices essential to our international competitiveness."

With one exception, those who appeared before your Committee both on Bill C-42 and Bill C-13 were opposed to most aspects and certainly the major provisions of the legislation, although it is true that the opposition was often for different reasons and that the proposed solutions were often conflicting. For example, while some of the business briefs welcomed the flexibility which they felt to be inherent in the civil as opposed to criminal reviewability of mergers (while still critical of the particular provisions proposed) others preferred the certainty of *per se* offences.

The lone proponent of the Bill before your Committee was Dr. W. T. Stanbury[19]. Professor Stanbury, an economist and prolific writer on competition matters, felt that the Bill did not go far enough in certain respects. Yet he did not bring out in his testimony any real reason why legislation of this kind is urgently needed, other than to point to what he characterized as a rather poor record of success before the courts on the part of the Crown in merger and monopoly cases. In discussing, e.g., the effects of the acquittals in the *Breweries*[20] and *B.C. Sugar*[21] cases, Professor Stanbury could not assert that consumers had been damaged and he agreed with the Skeoch-McDonald Report's statement that the market share of the accused beer companies dropped considerably in the years that followed the acquittal[22].

Professor Stanbury also conceded that legislation such as Bill C-13 ranked fairly low in terms of what is needed to help cure the economic ills facing Canada[23].

The great majority of submissions to the Commons Committee were likewise opposed to most aspects of Bill C-42. Amongst those who favoured all or some of the provisions were the Consumers' Association of Canada and the National Automotive Trade Association. The Consumers' Association, however, in their endorsement of the legislation appeared to assume that it would lead to lower prices. Your Committee would be as gratified as anyone to see lower prices. However, it is not as convinced as the Consumers' Association that tougher competition laws, especially on aspects dealt with in Bill C-13, will necessarily produce these results and in some cases the contrary may be the case. Lower prices were a symptom of the Depression, yet they benefited few people because of the parallel erosion of incomes.

Before the Commons Committee the National Automotive Trade Association supported in particular the proposed joint monopolization provisions of Bill C-42 (which have been retained only in slightly amended form in Bill C-13). They felt that these provisions would have been helpful to independent service station operators in their dealings with the petroleum companies. It would appear that the reviewable practices introduced in the Phase I amendments (refusal to deal, consignment selling) and provisions dealing with pricing would have been as well or better suited to deal with the complaints of the Association than the Board's power to compel structural changes under the proposed joint monopolization provisions, and the representatives of the Association were prepared to acknowledge this to a great extent[24].

The membership of the Canadian Federation of Independent Business gave no mandate to their representatives in their appearance before the Commons Committee to discuss the proposed merger provisions. To the question "Are you for or against greater control over industries where the supply of an article or service to a market is controlled by a small number of firms?" ("joint monopolization"), the membership was 56% against and 36% for (8% expressing no opinion).[25]

Finally, while complete parliamentary unanimity is hardly a condition precedent to the adoption of legislation, it is worth nothing in the light of certain remarks made recently by the Minister of Consumer and Corporate Affairs in British Columbia in an address to the annual national conference of the Association of Canadian Financial Corporations[26] that the opposition parties appear to be opposed in principle, rather than simply as to details, albeit for different reasons, to the main provisions of Bill C-13.

Mr. Allmand, who was speaking of Bill C-16, the proposed *Borrowers and Depositors Protection Act* which died on the order paper at the last session, is quoted as follows:—

> "'Nobody has been picketing Parliament Hill to get BDPB through,' he said. 'In the nine months I have been consumer minister, nobody from any of the other political parties or any of the consumer groups ever asked what had happened to BDPB.
>
> 'We haven't had one question in the House about when we were going to re-introduce the bill.'
>
> . . . .
>
> 'We believe the first resort of consumers and business when they meet a problem in the marketplace has to be self-help.
>
> 'Government regulation cannot cure everything, and can sometimes even be counterproductive to the interests of the marketplace. From this point on we will be much more careful before we move to regulate than we have in the past.'"

In your Committee's view no legislation on the efficacy of which there is such wide divergence of opinion in the country at the political, industrial and academic levels should go forward without further consideration. Much clearer evidence of a national consensus is required.

In 1969, the Economic Council of Canada, which had been requested by the Government in July 1966 to undertake a study, amongst other things, of "combines, mergers, monopolies and restraint of trade" made the following important recommendation:—

> "Since the formation of the Tribunal[27] would be a distinctly new departure, it would seem wise to make provision for a thorough-going review of the Tribunal's operations and of Canadian competition policy generally. Following the example of the *Bank Act*, this review should be decennial, with the first review taking place no more than ten years after the legislation setting up the Tribunal first comes into effect. Given the rapid structural and other changes that are likely to occur in the Canadian and world economies over the next decade, it may be anticipated that even the most flexible and forward looking set of competition policies will in some measure be overtaken by events and thus require reassessment." (Emphasis added.)[28]

The Tribunal which the Council had in mind was partly set up effective January 1, 1976 as a result of the Phase I amendments to the Act granting the Restrictive Trade Practices Commission jurisdiction to make orders in respect of certain trade practices. While ten years have not elapsed since that time and, of course, the Commission has never had any jurisdiction over mergers and monopolies, more than ten years have elapsed since the Council received its mandate and nearly ten since its report was released. The Council probably did not anticipate the long delay in implementing the jurisdiction which it recommended for the Tribunal over mergers and monopolies. (The fact that there has been such a delay is in itself a revealing comment on the nature of the legislation which has been proposed and not proceeded with, beginning with Bill C-256 in 1971.)

Thus, while it is not possible to "review the Tribunal's operations" as recommended by the Council, in your Committee's opinion, it is nevertheless appropriate, in terms of the Council's time table, to re-assess the policies to which it gave general direction in 1969 and which were first proposed in legislative form in 1971 by Bill C-256. Despite the passage of time, despite the overtaking of events and despite the warnings of the Skeoch-McDonald Report, Bill C-42 and C-13 indicate a lamentable resistance to new approaches.

What then do these portents spell for the future of Bill C-13, particularly the merger, monopolization and joint monopoly provisions? In your Committee's considered judgment, based on all the evidence available to it including the able submissions made by those who appeared before it, these provisions should not be proceeded with in their present form. To the extent that any revision is necessary, it should take the form of provisions to control abuse of dominant position and the practice of artificial restraints as they occur rather than the setting up of machinery to monitor and prohibit structural changes on the mere chance that they could lead to such situations.

To accomplish this, some extension of the Phase I reviewable practices jurisdiction of the Board may be required and this, together with provisions already in the existing Act, in your Committee's view, are adequate remedies until and unless some compelling reason for greater intervention and interference with the dynamics of the marketplace emerges.

Having said this, it is perhaps superfluous or anti-climatic for your Committee to comment in detail on the specific merger and monopolization provisions contained in Bill C-13. However, because some comment of this nature may serve to illustrate the conclusion which your Committee has reached and because many of the briefs and submissons to your Committee have expressed their point of view in this way, your Committee attaches as a schedule to the present report a more detailed analysis and commentary on these provisions and the changes from Bill C-42 to C-13.

IV—SPECIALIZATION AGREEMENTS (new s. 31.76) and JOINT VENTURES

A positive aspect of the Phase II amendments is the provision whereby agreements amongst firms in an industry to specialize in the output of certain products would be exempt from the conspiracy provisions of the Act where certain economic benefits are likely to result therefrom. As noted in its Bill C-42 Report, however, your Committee is of the opinion that the provision is far too narrow to be of any real practical value.

It must be recognized that Canadian industry is required to compete both domestically and in foreign markets not only with giant firms in the powerful industrial countries such as

our neighbour to the south, the U.K., France, West-Germany, Italy and Japan, but also with competition from smaller industrialized countries such as Sweden, the Netherlands and Denmark. In these countries, not only specialization but broader structural rationalization is encouraged and even compelled by governments. While such direct government involvement may not be as compatible with Canadian economic and political institutions, we must be wary, at the least, of new laws which would work against these changes occurring as a result of the operation of natural forces.

Another form of industrial arrangement which your Committee considers should be exempted from the application of competition legislation is the joint venture[29].

A.—Specialization Agreements

Your Committee's recommendation in its Bill C-42 Report was that proposed section 31.76 did not go far enough in encouraging the kind of improved performance necessary to assist competition in export markets or against foreign imports. The proposal was too restrictive as to the types of agreements which might be permitted, and the duration of the protection from the application of the conspiracy provisions of the Act was too short.

The "Backgrounder Documentation" issued by the Department of Consumer and Corporate Affairs commented as follows:

> "One of the major problems facing companies in a number of Canadian industries is that although their plants may be relatively large in size, they produce a wide range of different products or models. As a result, the volume of production of any given item tends to be small and the cost high by comparison with the much larger scale production of many foreign manufacturers. As a means of overcoming this critical problem, the bill proposes to permit groups of companies to apply to the Competition Board for registration of agreements to specialize their production in order to achieve larger scale, lower cost output. Each firm must undertake to discontinue production of particular products. The Board would be authorized to exempt such companies from charges they might otherwise face of conspiring together to prevent or lessen competition unduly if it concluded that the proposed agreement was warranted by the economic circumstances."

Your Committee commends the Department for identifying what is indeed a "critical problem", but considers that the solution proposed by the Bill does not go nearly far enough.

The restrictive conditions and the duration of the exemption are unrealistic in terms of the new capital expenditures which would in most cases be required to be made by industry to make effective adjustments for specialization. Objections to the restrictive nature of the provision were made by many of the groups and companies which appeared before your Committee or submitted briefs concerning Bill C-42 and Bill C-13. This was confirmed by Messrs. Skeoch and McDonald in their brief to your Committee:—

> "In general Bill C-13 does not recognize the breadth or long term nature of the rationalization that may well be required for several Canadian industries if they are to survive and prosper".
>
> "The application of the facts or the creation of the assumptions will vary not only from case to case but as the economic climate or the state of political thought in the country varies. This is, as was argued in the *Dynamic Change* report, particularly important for small countries.
>
> Such countries may feel impelled to encourage rationalization of industry or specialization arrangements and the like in order to develop industries which will be sufficiently strong by world standards to obtain export business and also, perhaps, to become strong enough to establish operations in foreign countries. Such small countries will also have to consider their policies on imports to provide sufficient, but not too much, competition from this source."

In view of s. 32[29A] of the Act, many specialization agreements would leave the parties open to prosecution thereunder. In essence, a specialization agreement is an agreement "to limit . . . the facilities for . . . manufacturing . . . a product". The only latitude allowed to parties to a specialization agreement would be through the word "unduly"—omitted from the above quotation.

However, it seems unlikely that parties would be willing to undertake specialization agreements in the hope that a court would find that the limitation was not undue, having regard to the niceties of judicial interpretation which that word has undergone and the further confusion likely to result from subsection 32(1.1) added by the Phase I amendments.

Moreover, even if the parties could reasonably satisfy themselves that the agreement did not constitute an "undue" limitation, instinctive wariness of any overt agreement in restraint of trade would likely deter any but the most courageous or foolhardy.

In view of the important role which specialization agreements could play in the Canadian economy, (to say nothing of broader forms of rationalization which are not only not encouraged, but rather, discouraged by Bill C-13) it is clear that some kind of exemption from s. 32 is essential.

The method proposed by the Bill is to grant exemption of a specialization agreement, as defined therein, for a maximum of five years[29B] provided it has first been found by the Board as "likely to bring about substantial gains in efficiency . . . that will save resources for the Canadian economy." Moreover, the Board may revoke its approval if it later finds that this condition is not being met.

Your Committee considers, for the reasons mentioned above, that the definition of a specialization agreement should be broadened to include agreements in respect of services and non-production matters such as research and development and

that regional specialization be permitted so that a party would not be obliged to completely discontinue production of a product.

Your Committee received representations, including those from Messrs. Skeoch and McDonald, that no time limit should be placed on the term of the specialization agreement. In your Committee's report on Bill C-42 it recommended increasing the maximum possible term from five years to ten years. While much is to be said for having no time limits at all, contracts in perpetuity have never been favoured. Your Committee therefore recommends that a ten-year term be permitted but that the parties be permitted, by mutual agreement, to extend the term from time to time for further periods of up to ten years each.

The "efficiency" and "saving of resources" tests, also found in the merger provision proposed by the Bill, have been criticized elsewhere in this Report and, in the opinion of your Committee, should be eliminated. In your Committee's opinion, the parties would be unlikely to enter into such an agreement unless they considered that it would result in greater efficiency or some other worthwhile benefit.

Your Committee also considers that the provisions linking permissible specialization agreements to tariff reductions are unnecessary in view of the broad powers to effect tariff reductions contained in section 28 of the Act and even dangerous in view of the possible effect of such reductions on firms in the industry that are not parties to the agreement.

With the removal of the efficiency and customs duties tests, the parties should be able to decide on their own whether or not the agreement falls within the definition, revised as suggested above. It would therefore be unnecessary and wasteful to require the parties to apply to the Board for prior approval of a specialization agreement and your Committee recommends that this requirement be deleted. In the result, any agreement which meets the statutory definition, revised as recommended above, would enjoy, through proposed s. 4.4 with consequential amendments to that section, exemption from s. 32 and s. 31.4, as it applies to exclusive dealing, of the Act. However, for those that wish greater certainty, a procedure permitting the parties, at their option, to apply to the Board for a binding advance ruling confirming that the agreement falls within the exempting definition should be provided.

It should be noted that if the operation of the agreement results in either of the parties having a monopoly, the provisions of the Act pertaining to monopolies are there and the sanctions resulting from operation against the public interest can be applied.

B.—Joint Ventures

Because of the increasing number of important projects in which Canadian companies are involved which can only be performed on a joint venture basis, your Committee recommended in its Bill C-42 Report that joint ventures be exempted from the definition "merger" in proposed subsection 31.71. As an added precaution, your Committee considers that there should be, in addition, an exemption from section 32 of the Act.

The Commons Committee apparently shared your Committee's concern.[30] It suggested that the words "or otherwise" be substituted for the words "or other similar manner". This recommendation was adopted in Bill C-13 (p. 33, line 33). However, no reflection of the Commons Committee's other recommendation to the effect that the position of joint ventures be specifically addressed and clarified was evidenced in Bill C-13 other than the inclusion in lines 36-39 of the words "and includes a joint venture that is effected or to be effected by the creation of a corporation". The word "includes" suggests that not only corporate joint ventures are intended to be covered. These two somewhat contradictory and perverse amendments do not appear to be what the Commons Committee had in mind and certainly do not respond to your Committee's recommendation.

Your Committee does recognize that the simple expression "joint venture" may not be sufficiently clear and therefore urges for consideration of the following:

> " "joint venture" means an agreement or arrangement between or among two or more persons for the production, supply or acquisition by them of a specified commodity or service, where
>
> (a) the agreement or arrangement relates to a single transaction or to a single series of related transactions, or
>
> (b) none of the persons could reasonably undertake, alone, the object of the agreement or arrangement either because of its size in relation to the physical, staff, financial or other resources of any such persons or because of the risk involved having regard to the magnitude of the risk of contingent payments that is involved in relation to the financial resources and other commitments, actual or contingent of any such person, and includes a joint venture that is effected or to be effected by the creation of a corporation."

Such a joint venture should be exempt from the conspiracy offence (s. 32 of the Act) and any merger provision.

As in the case of specialization agreements, the parties would be exposed to the monopoly provisions of the Act if they operated the joint venture against the public interest. They should also be permitted, at their option to obtain a binding advance ruling confirming that the joint venture qualified for the exempting definition.

V—INDUSTRIAL AND INTELLECTUAL PROPERTY (new s. 31.74)

Your Committee has little to add to the comments made in its Bill C-42 Report[31] dealing with these matters other than to note its continuing concern that these controversial provisions remain in Bill C-13, the only concession being the removal of the obnoxious provisions which would have permitted the Competition Board to revoke a patent or expunge a trademark, copyright or industrial design and to compel the licensing of trademarks. The provision allowing the Competition Board to

compel the licensing of a patent, copyright or industrial design remains. The draftsmen also appear to have taken the opportunity to tighten application of the provision by inclusion of the words "whether conferred by statute or otherwise" in line 34.

In view of the fact that the *Trademarks, Patent, Copyright,* and *Industrial Design Acts* do not "expressly authorize" licensing of the rights created thereunder, which are by their very nature and design restrictive of competition, all licenses appear to be exposed to application of the proposed provision. It is submitted that such a fundamental change should not be quietly slipped in amongst amendments to competition legislation. If reconsideration of the scope of these rights is required, which your Committee doubts, it should be debated in the context of the current review of the *Trademarks, Patent, Copyright,* and *Industrial Design Acts* which your Committee understands is being carried out and, as a matter of observing proper principles of law reform, any change proposed in due course by way of amendment to that legislation.

VI—PRICE DISCRIMINATION (existing paragraph 34(1)(a)) and PRICE DIFFERENTIATION (new s. 31.77)

The present price discrimination provisions in the Act prohibit a seller from making a practice of granting any price advantage to one customer buying comparable goods in the same quantities as another customer unless those customers are not in competition with each other. The provision has been interpreted as prohibiting a supplier from favouring members of a cooperative buying group who simply centralized orders in order to take advantage of any volume discount or similar benefit available from the supplier.

The changes, of which there appear to be three, to section 34 proposed by Bill C-42 (and which remain unamended in Bill C-13) were characterized by the Department as "minor".[32] One, by the addition of the words

> "between any of its customers and a person acting on behalf of persons one of whom at least is in competition with such customer"

is intended apparently to allow even a loosely knit buying group, including, presumably, one where the "agent" himself is not responsible to the supplier for payment of the price, to qualify for price benefits if their combined purchases at least equal that of another customer of the supplier. It is to be noted that only one member of the buying group need be in competition with that other customer, apparently in respect only of a tiny share of the market, in order for the whole group to qualify for the advantage.

Another change is the addition of the words:—

> "under substantially the same terms and conditions of delivery"

The purpose of this amendment is explained by the Department as follows:[33]

> "... When comparing two sales, not only the same quantity and quality will have to be demonstrated, but also substantially the same terms and conditions of delivery. It is made to accommodate the representations which have been made by some sellers who have thought that the existing provisions did not permit the reduction of prices to those buyers who cooperated with the sellers to reduce the costs of delivery."

The third change involves addition of the following words:

> "Between any of these customers who are in competition with each other for a share of the patronage of the same ultimate customers"

No explanation whatsoever for this change is offered by the Department in the Proposals Book, and your Committee suspects that it can hardly be passed off as "minor". The wording is obscure and this perhaps accounts for the fact that there has been little comment in the representations made to your Committee on this particular change other than complaints of confusion.

It would appear the Commons Committee had difficulties interpreting the wording of the revised section and your Committee considers that it may be of service to quote the explanation given in the Commons Committee by members of the Competition Bureau:—[34]

> "Mr. Roy M. Davidson (Senior Deputy Director of Investigation and Research, Department of Consumer and Corporate Affairs): Mr. Chairman, there are two issues here... . The reference to the same ultimate customers deals with a situation that you find, for example, in the grocery business, where a food manufacturer may be selling to Steinberg's, which is an integrated operation, and at the same time may be selling to a food wholesaler who is not integrated, the idea being that the food wholesaler is supplying retail stores and the retail stores are competing with Steingerg's retail stores for the patronage of the same ultimate customers.
>
> This provision means that if the unintegrated wholesaler is prepared to buy the same quantities as Streinberg's and it is competing, in the language of the proposed section, for the same ultimate customers, it is entitled to the same price.
>
> . . . .
>
> Mr. Clermont: Mr. Chairman I would like to know what Mr. Bertrand thinks about that.
>
> Mr. Bertrand: (Translation) Mr. Davidson has very well expressed the department's views on this subject. However, I would like to repeat the explanation in French for the benefit of Mr. Clermont. When we speak of the ultimate consumer, we simply would like that, if the IGA group, wholesalers, buys in the same quantities as a competitor, whether it be Steinberg or Dominion, which are completely integrated operations all playing the role of wholesalers, the two could obtain exactly the same prices, under section 34(1)."

In its report, the Commons Committee's only recommendation with respect to section 34, which was not followed in Bill C-13, was to make the subject of the section a reviewable practice rather than a criminal prohibition.

Assuming that the explanation given by the Competition Bureau officials before the Commons Committee represents the intention, your Committee considers that the manner in which the intention has been expressed in the Bill is confusing to say the least. The wording suggests that traditional functional discounts for different levels of trade (based on the assumption that one level does not "compete" with another) offered by suppliers may be put in jeopardy and your Committee does not consider that such a change should be allowed to slip through as an unexplained, obscurely worded, "minor" amendment. The possible ramifications do not appear to have been appreciated and there should be an opportunity for discussion by those affected in full knowledge of the true purpose and intent.

In addition to the above amendments to section 34, Bill C-13 would introduce a new section 31.77 making "price differentiation" a practice reviewable by the Competition Board. This new provision would permit the Competition Board in certain circumstances to order a supplier to cease granting, for example, volume discounts otherwise permissible under paragraph 34(1)(a) unless the supplier could show that such discounts were "based on a reasonable assessment of the difference in the actual or anticipated cost of supplying customers in different quantities . . . ".

This provision would be similar to that which applies in the United States under the *Robinson-Patman Act*, which was introduced, amongst other measures, during the Depression in the expectation that it would assist small business. As indicated above, our law in Canada under paragraph 34(1)(a) of the Act, did not go to the same lengths as the Robinson-Patman provision in that the supplier was not required to cost-justify the different prices.

Today, serious consideration is being given in the United States to repealing the *Robinson-Patman Act*. The U.S. Department of Justice in its report on the matter notes as follows:—[35]

> " . . . Unfortunately, Robinson-Patman, so just in principle, cannot be supported as a net benefit to American society because its real effects as an economic regulatory statute are on balance more costly than beneficial to society.
>
> . . . .
>
> The simple truth is that Robinson-Patman is a false promise: it provides little, long-run protection to small businessmen. It is just not possible to legislate equality in a free market system. The basic force in changing the structure of the American marketplace is the consumer. It is the consumer who decides the type of retail establishment with which he or she wishes to deal. The consumer makes the choice as to whether he or she wishes the personalized service and convenience of a small establishment, providing special goods with special know-how, or the lower prices, relatively less service, and greater inconvenience of a larger store . . . "

It is anomalous that Canada is considering introduction of legislation which, at the same moment, the United States is seriously considering abandoning. An important rationale for anti-trust laws must be lower cost to consumers. There is a lamentable absence of proof that such will in fact be the result of most of the Phase II amendments. In "Proposals for a New Competition Policy for Canada—Second Stage" the Department of Consumer and Corporate Affairs has contented itself with unsupported assertions that the present provisions of the Act relating to mergers and monopolies are "obviously inadequate". It is strange that in the matter of price differentiation, the one area covered by Phase II where there is some clear evidence of the effect on costs to the consumer, the Bill would move in the direction of increasing those costs.

Your Committee's recommendation is that the price differentiation provisions contained in proposed section 31.77 be deleted.

VII—MATTERS HELD OVER FROM PHASE I AMENDMENTS

Your Committee's concern with an effective right of appeal from decisions of the Competition Board and the status of regulated industries under the Act began with its examination of the Phase I amendments to the Act effected by Bill C-2 in the first session of the present Parliament. In its report, which appears as an Annex to the Senate Debates of December 10, 1975, your Committee noted in item No. 4 at pp. 1590-1593 that the then Minister of Consumer and Corporate Affairs had undertaken to consider the status of regulated industries in the Phase II amendments. Your Committee noted in item 7 at p. 1594 that it would be appropriate to consider the question of appeals following introduction of the Phase II amendments.

A.—Right of Appeal from decisions of the proposed Competition Board.

Your Committee recommended in its Bill C-42 Report[35A] a full right of appeal to the Federal Court of Appeal and in addition a right of appeal to the Governor in Council of the kind provided in subsection 64(1) of the *National Transportation Act;*[35B]

It is to be noted that the right of appeal to the Federal Court of Appeal was in part supported by recommendation 37 of the Commons Committee's report on Bill C-42.[35C].

The response to these recommendations in Bill C-13 has been to reject entirely the recommendation for any appeal to the courts.[36] Your Committee's additional recommendation of an appeal to the Governor in Council has been partly followed in proposed section 31.91 by giving the Governor in Council, on the recommendation of the Minister of Consumer and Corporate Affairs, the right to annul divestiture orders of the Competition Board and orders refusing to allow specialization agreements. No right of Cabinet review whatsoever is provided in respect of the majority of decisions of the Board.

Your Committee considers that this very limited right of review is totally inadequate and it adheres to its earlier

recommendation. The provision making exercise of this right of review, such as it is, dependent upon the fiat of someone who will be perceived by the public as the opposite party in the proceedings, is little short of a travesty of justice in a country where the rule of law has been a cherished institution.

B.—Regulated Conduct.

After pointing out the confusion to which industries, trades and professions already regulated by federal or provincial law would be subject if exposed to additional regulation in the form of prosecution or orders issued by the Competition Board under the Competition Act, and deploring the spectre of one government department acting as a watchdog over other departments, your Committee recommended, in its Bill C-42 Report that a statutory exemption should be provided, codifying and clarifying that which the *Breweries* case 1960 O.R. 601 and the *Natural Products Marketing Board* case 1957 S.C.R. 198 have already suggested.

The Bill C-13 response to this recommendation, consisting principally of the deletion of paragraph (c) of the definition "regulated conduct" in subsection 4.5(2) and the special status accorded to agricultural products marketing boards fall far short of your Committee's recommendations.

Your Committee considers that the statutory right presently granted to the Director of Investigation and Research (the proposed Competition Advocate) in section 27.1 of the Act to make representations before regulatory tribunals, together with the directions to such tribunals to exercise their powers in a manner least restrictive of competition contained in section 4.6 proposed by the Bill are more than an adequate safeguard against anti-competitive behaviour of regulated trades, industries and professions without subjecting them to the substantive provisions of the proposed Competition Act.

If a statutory right to appear before regulatory tribunals is to be given the Advocate, your Committee considers that there is much to be said for so providing only in the particular statute or regulations governing such tribunal. In this way only will the role of the Advocate be attuned to the context of the matters which the particular tribunal is charged to oversee.

Given that the purpose of most regulatory tribunals is to supervise because of a lack of competition, it seems presumptious to generalize through a blanket provision, as is proposed by Bill C-13, on the degree of competition which must be observed. Policy and implementing legislation in this regard should be worked out in the context of the particular government department concerned.

It is further recommended that the definition "regulated conduct" in proposed subsection 4.5(2) be replaced by the following:—

" "regulated conduct" means any conduct

(a) of a person the prices, fees or rates charged by whom are subject to approval or disapproval by, or

(b) that is subject to approval or disapproval by

a regulating agency that

(c) is not appointed or elected by the persons, or by classes or representatives of the persons, whose conduct is subject to be regulated by such agency, or

(d) is subject to supervision by a supervising agency that is not appointed or elected by the persons, or by classes or representatives of the persons, whose conduct is subject to be regulated by such regulating agency,

and includes the conduct of a regulating agency acting within a power referred to in the definition "regulating agency" or "supervising agency", whichever is applicable;".

C.—Franchises

In its report on the Phase I amendments to the Act your Committee noted its concern that legitimate franchise arrangements might be seriously affected by the provisions, which of course have since become law, giving the Board jurisdiction to make orders in relation to exclusive dealing, market restrictions and tied selling practices.

Your Committee is gratified to note that this particular difficulty appears to have been satisfactorily addressed by the amendment to subparagraph 31.4(5)(c)(i) of the Act proposed by Clause 26 of Bill C-13.

VIII—OTHER MATTERS

There are a number of other matters not dealt with in the foregoing in respect of which your Committee is content to refer to the comments in its earlier report. In particular, your Committee refers to systematic delivered pricing, interlocking management and interim injunctions.

Your Committee notes with satisfaction that its recommendations dealing with preliminary applications, the question of solicitor client privilege in section 10.1 and removal of the substitute action provisions from the class action section (although other concerns noted with respect to this section remain), have been reflected in the changes from Bill C-42 effected in Bill C-13.

Respectfully submitted,

SALTER A. HAYDEN,
Chairman.

SCHEDULE

SPECIFIC COMMENTS ON PROPOSED MERGERS, MONOPOLIZATION AND JOINT MONOPOLIZATION PROVISIONS

A.—Mergers (new s. 31.71)

This section would make a vast number of mergers in Canada subject to review. While the Advocate would have the burden of proving that the merger should be prohibited or otherwise interfered with by the Board in accordance with the provisions, in many circumstances the onus would shift to the parties to prove that the merger was acceptable within the criteria laid down. The result is to create a presumption that most mergers are bad while in the view of many most mergers are beneficial.

Your Committee made recommendations under the following sub-headings:

1. Advance Rulings.

It was recommended that the parties to a merger should be able to secure an advance ruling as to whether the proposed merger was permissible. While Bill C-13 has on one hand made provision in this direction by authorizing the Competition Policy Advocate to issue a certificate in the nature of an advance ruling, the effect of the provision is, in your Committee's opinion, virtually nullified on the other hand by the insertion of a provision which would allow the Advocate to proceed against the merger notwithstanding his issue of a certificate if directed by the Minister or on the application of six persons under section 7 of the Act. This is a particularly good example of the grudging response to representations which mark Bill C-13.

While it would have been reasonable to suppose that an advance ruling could be repudiated where there had been fraudulent misrepresentation in the disclosure of facts, the actual provision contained in paragraph 20(a) would permit such repudiation if the Board were satisfied that there had been a failure to disclose "material facts". The possibility of respectable differences of opinion as to what constitutes a "material fact" which could arise in almost any case is another reason why your Committee considers that the advance ruling provisions as proposed by the Bill would be unworkable.

2. Interplay with Foreign Investment Review Act.

Your Committee commented on the anomaly of a merger approved by the Governor in Council under the *Foreign Investment Review Act* being susceptible of attack under the *Competition Act*. This concern has been addressed in subsections 31.71(9)-(15) by the provision of an elaborate system of notices and certificates back and forth between the Competition Policy Advocate and the Foreign Investment Review Agency. However, your Committee notes that the effect of subsection (15) is to give permanent immunization from the application of the merger provisions of the Act to the parties to a merger subject to FIRA, while, as noted above, there is a broad range of opportunities for repudiating an advance ruling certificate which the Advocate may give with respect to domestic mergers. It is curious that such preferred treatment is reserved to foreign acquirers.

3. Substantive provisions dealing with mergers.

Your Committee at page 7 of its earlier report noted its concern, amongst others, that the jurisdictional threshold of intervention by the Competition Board of "20% of a market" was too low and the test of "substantially lessening competition" was too vague. No changes have been effected in Bill C-13.

Your Committee was also concerned that the "efficiency by way of savings of resources for the Canadian economy" justification in subsection (5) was too rigorous. The only reaction to this concern evidenced by Bill C-13 is the substitution of the expression "clear probability" in line 8 (Bill C-13 p. 36) for the expression "high probability" in line 24 (Bill C-42, p. 31).

If the result of a merger makes the combined firms more competitive on world markets with the result that export sales increase, it may be that a heavier demand for "resources" will result. Is this what the policy of competition legislation is intended to prevent?

B.-Monopolization (new s. 31.72)

Your Committee recommended at page 8 of its Bill C-42 Report that the section should be amended so as to define monopolization in terms of abuse of dominant power as was recommended in the Skeoch-McDonald Report. Your Committee also noted that the defence based on "solely" reflecting superior economic performance would impose an unrealistically difficult burden. Finally, your Committee objected to the "catchall" provision contained in the proposed subparagraph 31.72(2)(a)(b).

The Bill C-13 changes to this section have produced some re-arrangment of wording and the breadth of the catchall provision has been somewhat restricted.

The changes to the "defence" provision, subsection (5) are not of substance, including in your Committee's opinion, substitution of the word "clearly" in line 13 (p. 44) for the word "solely". "Efficiency" as in the case of mergers, remains the basis of the defence (although without the "saving of resources for the Canadian economy" provision) along with "superior economic performance".

C.-Joint Monopolization (new s. 31.73)

Your Committee recommended the complete deletion of this section.

The changes made by Bill C-13 consist of re-arrangement, restricting the catchall provision (now subparagraph 31.73(1)(a)(v)) in an attempt to make its construction *iusdem generis* with the preceding subparagraphs and substitution of "clearly" for "solely" in the defence subsection. Some improvement results from new subsection (2) which provides that the section only applies where the parties account for more than 50% of the relevant market.

Many complaints were directed against subsection (3) in Bill C-42 which provided that the impugned parallel policies might be "based on nothing more than a mutual recognition of... inter-dependence". The subsection has been re-numbered as subsection (6) and, while those particular words have been removed, the effect really remains the same because it continues to provide that no agreement or arrangement amongst oligopolists ("parties to a joint monopoly", in the language preferred by the draftsmen of the Bill) need be proved in order for the Board to make an order against them.

As a result of re-arrangement of the proposed section, the provision (paragraph 31.73(1)(e) in Bill C-42, 31.73(1)(b) in Bill C-13) making any conduct which would be subject to the Phase II reviewable practices jurisdiction of the Board grounds for invoking the remedies under the joint monopolization provisions, would no longer even be dependent on the existence of "parallel policies" or "matching conduct".

FOOTNOTES

1 Interim Report of the Standing Senate Committee on Banking, Trade and Commerce on the subject matter of Bill C-42, printed as an Appendix to Senate Debates, 2nd Session, 30th Parliament, July 13, 1977.

2 *Dynamic Change and Accountability in a Canadian Market Economy*, March 1976, Supply and Services Canada. Sometimes referred to as "the Skeoch-McDonald Report" or "the Dynamic Change Report".

3 *Proposals for a New Competition Policy for Canada—First Stage*, November 1973, Consumer and Corporate Affairs.

Proposals for a New Competition Policy for Canada—Second Stage, March 1977, Consumer and Corporate Affairs Canada.

4 Proceedings of the Standing Commons Committee on Finance, Trade and Economic Affairs, June 1-June 30, 1977.

5 See footnote 1, *supra*, p. 3.

6 See footnote 1, *supra*, p. 5.

6A Such as the removal of the "substitute action" provision from the Class Action section.

7 *Report of the Royal Commission on Corporate Concentration*, 1978, Supply and Services Canada.

8 *Ibid.*, pp. 166-7.

8A See footnote 13, *infra*, chap. 10, pp. 235-244: "Price Discrimination, Price Differentiation, Delivered Pricing and Specialization Agreements under Bill C-13", by F. H. Britton.

9 See Senate Committee Proceedings, Issue No. 33, April 12, 1978.

10 See Commons Committee Proceedings, Issue No. 49, June 1, 1977, p. 40.

11 See footnote 9, *supra*, pp. 35-7.

12 See footnote 9, *supra*, pp. 37-38.

12A The Institute describes itself as "a national organization whose independence and autonomy are ensured by the revenues of an endowment fund which is supported by the federal and provincial governments and by the private sector".

13 *Competition Policy in Canada: Stage II, Bill C-13*, ed. by J. W. Rowley and W. T. Stanbury. Dalhousie University Press.

14 *Ibid.*, chap. 3, p. 43

15 See footnote 3.

16 Senate Committee Proceedings, Issue No. 29, March 15, 1978, p. 7.

17 *Canadian Competition Policy in Transition*, The Conference Board in Canada, November 16, 1977, Bonaventure Hotel, Montreal. "Competition Policy: A Provincial Perspective", remarks by the Hon. W. Darcy McKeoch, Treasurer of Ontario.

18 *Ibid.*, p. 27

18A *Ibid.*, p. 28

18B *Ibid.*, p. 29

19 Associate Professor, Faculty of Commercial and Business Administration, University of British Columbia. Co-Editor of *Competition Policy in Canada: Stage II, Bill C-13*, published after his appearance before your Committee and referred to earlier in this Report.

20 1960 Ontario Reports 601.

21 1960 32 Western Reports (newseries) 577.

22 See Senate Committee Proceedings, Issue No. 32, April 5, 1978, p. 34.

23 *Ibid.*, p. 51

24 See Commons Committee Proceedings, Issue No. 67, June 28, 1977, p. 38.

25 Commons Committee Proceedings, Issue No. 64A, pp. 2 and 25.

26 See Globe and Mail, May 27, 1978.

27 The new name of which proposed by Bill C-13 would be "the Competition Board".

28 Economic Council of Canada, *Interim Report on Competition Policy*, July 1969, The Queen's Printer, at p. 130.

29 See your Committee's comments on this subject at p. 8 of its Bill C-42 Report.

29A "32.(1) Every one who conspires, combines, agrees or arranges with another person

(a) to limit unduly the facilities for transporting, producing, manufacturing, supplying, storing or dealing in any product,

. . . .

is guilty of an indictable offence and is liable to imprisonment for five years or a fine of one million dollars or both."

29B Ten years if approval is conditioned upon a gradual reduction of customs duties.

30 See Commons Committee Proceedings, Issue No. 70, paragraphs 184 to 186.

31 at p. 10.

32 *Proposals for a New Competition Policy in Canada, Stage II*, p. 62.

33 *Ibid.*, p. 63.

34 Commons Committee Proceedings, Issue No. 50, pp. 117-8.

35 *Report on the Robinson-Patman Act*, United States Department of Justice, 1977.

35A See footnote 1, *supra*, p. 7.

35B —"64.(1) The Governor in Council may at any time, in his discretion, either upon petition of any party, person or company interested, or of his own motion, and without any petition or application, vary or rescind any order, decision, rule or regulation of the Commission, whether such order or decision is made *inter partes* or otherwise, and whether such regulation is general or limited in its scope and application; and any order that the Governor in Council may make with respect thereto is binding upon the Commission and upon all parties."

35C See footnote 4, *supra*, paragraph 102, at p. 22

36 Other than the "section 28 review", provided by the *Federal Court Act* and on the inadequacy of which, in the present context, your Committee has commented in its report on Phase I.

APPENDIX

SUBMISSIONS RECEIVED ON BILL C-13

Name	Date of Appearance 1978
Canadian Petroleum Association	February 23
Independent Petroleum Association of Canada	February 23
The Canadian Chamber of Commerce	March 1
The Canadian Manufacturers' Association	March 8
The Canadian Federation of Agriculture	March 8
Canadian Construction Association	March 15
Professor W. T. Stanbury	April 5
Professor L. A. Skeoch and Mr. B. C. McDonald	April 12
The Canadian Bar Association	

THE SENATE

Friday, June 30, 1978

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

Prayers.

INCOME TAX ACT AND EXCISE TAX ACT

BILL TO AMEND—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-59, to amend the Income Tax Act and the Excise Tax Act in matters relating to the ownership and operation of small businesses.

Bill read first time.

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

Senator Perrault: Honourable senators, with leave of the Senate and notwithstanding rule 44(1)(f), I move that this bill be placed on the Orders of the Day for second reading later this day.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault tabled:

Report of the Minister of Industry, Trade and Commerce under the Corporations and Labour Unions Returns Act (Part II Labour Unions) for the fiscal periods ended in 1976, pursuant to section 18(1) of the said Act, Chapter C-31, R.S.C., 1970.

Report of Loto Canada, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31, 1978, pursuant to sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Report of the Standards Council of Canada for the fiscal year ended March 31, 1978, including its financial statements certified by the Auditor General, pursuant to section 20 of the Standards Council of Canada Act, Chapter 41 (1st Supplement), R.S.C., 1970.

Capital Budget of the National Battlefields Commission for the fiscal year ending March 31, 1979, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-2007, dated June 22, 1978, approving same.

Copies of correspondence between the Prime Minister of Canada and the Premier of Nova Scotia concerning the publicity arrangements for the respective contribution towards shared-cost programs and certain joint activities in Nova Scotia.

Reports of the Atlantic Pilotage Authority, the Laurentian Pilotage Authority, the Great Lakes Pilotage Authority, Ltd., and the Pacific Pilotage Authority, including accounts and financial statements certified by the Auditor General, for the year ended December 31, 1977, pursuant to section 28 of the Pilotage Act, Chapter 52, Statutes of Canada, 1970-71-72.

Report of the Canadian Radio-television and Telecommunications Commission for the fiscal year ended March 31, 1978, pursuant to section 31 of the Broadcasting Act, Chapter B-11, R.S.C., 1970.

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

FIFTH REPORT OF STANDING JOINT COMMITTEE TABLED AND PRINTED AS APPENDIX

Senator Riley: Honourable senators, I have the honour to table the fifth report of the Joint Committee of the Senate and House of Commons on Regulations and other Statutory Instruments. I ask that the report be printed as an appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent records of this house.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

[*For text of report see appendix, p. 1030.*]

HUMAN RIGHTS

NOMINATION OF HELSINKI MONITORING GROUPS IN U.S.S.R. FOR 1978 NOBEL PEACE PRIZE

Senator Stanbury, with leave of the Senate and notwithstanding rule 45(1)(h), moved:

That the Senate of Canada join with those parliamentarians in the United Kingdom, Norway and Belgium in nominating the Helsinki monitoring groups in the U.S.S.R. for the 1978 Nobel Peace Prize.

He said: Honourable senators are aware that in the Helsinki Final Act of 1975 the Soviet Union undertook certain human rights obligations. During the period since that time there have been five monitoring groups in the U.S.S.R. which have been really putting their own freedom on the line and have been in many respects harassed, sometimes imprisoned and sometimes exiled for their efforts.

• (1110)

I believe that the members in the other place who passed this resolution unanimously yesterday, and we in the Senate, wish to record the importance which we place on human rights in the international community. Freedom of movement of people and ideas is of great importance to international peace. Therefore the suggestion in this motion is that we recognize the contribution made by these people in Russia who have undergone a great deal of hardship in pursuing an international undertaking to ensure that their country observes that international undertaking. That is why the motion is that those groups be recognized by being awarded the 1978 Nobel Peace Prize.

Senator Frith: May I ask the honourable senator a question? What is the nomination procedure and how does this motion fit into that nomination procedure?

Senator Stanbury: I am not sure, honourable senators, that I can properly answer that question. My understanding is that the nominations must go forward, then a committee makes the decision. The time to make the nominations is now, so my assumption is that if we pass this motion and support the action which has unanimously been taken in the other place, we will make it an important resolution and recommendation of the entire Parliament of Canada.

Senator Grosart: Could I ask if the resolution passed in the other place was identical to the one moved here?

Senator Stanbury: I understand it was identical.

Motion agreed to.

THE CONSTITUTION

SPECIAL SENATE COMMITTEE—CHANGE IN MEMBERSHIP

Senator Petten, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

> That the names of the Honourable Senators Bosa, Godfrey, Stanbury and Rizzuto be added to the list of senators serving on the Special Committee of the Senate on the subject matter of the Bill C-60 Constitutional Amendment Act, 1978; and
>
> That the name of the Honourable Senator Haidasz be removed from the list of senators serving on the said special committee.

Senator Grosart: Could I ask the mover of the motion if under our rules there is any limit to the number of senators who may serve on that committee?

Senator Petten: My understanding, honourable senators, is no, that we can add senators to it. I would hope that we would not add 40, 50 or 60, but would keep the membership within reason.

Senator Grosart: It would then become a Committee of the Whole.

Senator Perrault: It may have to be treated in that manner.

[Senator Stanbury.]

Senator Grosart: So there would be no restriction on the number of senators from any group?

Senator Petten: No. From time to time and for a variety of reasons a senator may find it impossible to attend a meeting, and he will want to make way for one of his colleagues. In view of the fact that your leader's motion with respect to membership changes during the summer adjournment was adopted, we now have the mechanics to make these changes. So there is no problem.

Motion agreed to.

TRANSPORT

REPORT OF NEWFOUNDLAND TRANSPORT COMMISSION—QUESTION ANSWERED

Senator Perrault: Honourable senators, on June 27 Senator Marshall asked the following question with respect to the Sullivan Commission on transportation in Newfoundland:

> In view of the fact that this matter is so important to the future economy of Newfoundland, and particularly because certain officials of the CNR have indicated an attitude to abandon freight and passenger rail service in Newfoundland over a period of time, could the deputy leader obtain from the Minister of Transport any information as to the deadline for the submission of this report to Parliament?

The answer to the question is:

> The Report of the Commission of Inquiry into Newfoundland Transportation is now being translated into French and being made ready for the printer. Publication of the report is expected in the last week of July.

FISHERIES

PRINCE EDWARD ISLAND—SCALLOP FISHING—QUESTION ANSWERED

Senator Perrault: Honourable senators, on June 27 a question was asked by Senator Bonnell with respect to whether the scallop fishing season will be open in the waters off Prince Edward Island by July 1.

The reply is as follows:

> The closed season for scallop fishing in Lobster Fishing District 7B1 of the Northumberland Strait has been amended to July 16 to September 15, both days inclusive. The original intention had been to close the season for July and August.
>
> For the remainder of the scallop management area, the closed season will be from July 1 to August 31 in Lobster Fishing District 8. Fishermen based in Lobster District 8 will not, however, be permitted to fish in District 7B1 from July 1 to July 15, and fishermen in Lobster District 7B1 will not be permitted to fish in District 8 from September 1 to 15.
>
> The management plan for the Northumberland Strait scallop fishery was instituted in order to properly manage

an over-exploited resource. A closed season is necessary to prevent damage to lobsters during the moulting period when they are soft-shelled and more vulnerable to injury. This is also the period when the scallops are spawning and consequently are not of the highest quality. The moulting and spawning season may vary somewhat from year to year depending on water temperatures.

The amendment, for this year only, was requested by a large number of area fishermen.

NORTHWEST TERRITORIES

INSTALLATION OF TELEVISION RELAY EQUIPMENT—QUESTION ANSWERED

Senator Perrault: Honourable senators, on June 22 a question was asked by Senator Adams regarding Telesat relay facilities at two places in the Northwest Territories, namely, Coral Harbour and Chesterfield Inlet.

A reply has been received dated June 29, 1978, which reads as follows:

> The communities both have Telesat earth stations, which are used to provide telephone service. Neither of the communities have sufficient population to permit CBC service under the Accelerated Coverage Program (ACP). However, it is understood that these communities are to receive TV service under a program of the Government of the Northwest Territories, with Coral Harbour to be served first. It is suggested that schedules and other specific information on this program be requested from the Territorial Government.

CANADIAN BROADCASTING CORPORATION

TWENTY-FIFTH ANNIVERSARY REPORT—QUESTION ANSWERED

Senator Perrault: Honourable senators, on May 23 a question was asked by Senator Riley regarding the production and cost of the CBC's twenty-fifth anniversary report. I apologize for the long delay in providing this answer for Senator Riley.

• (1120)

I am informed by the Canadian Broadcasting Corporation as follows:

> The CBC published this souvenir album to celebrate the twenty-fifth anniversary of CBC television. Because of the nature and size of the book, it was decided to publish it separately in English and French.
>
> The total cost for the album, including research, writing, design, photography layout, colour separation, typesetting and printing, was $75,000 for 43,000 copies. Three-fifths of this amount was borne by companies which were closely associated with the development of television in Canada.

[*Translation*]

It is an error if a French copy of this album was sent to Senator Riley. An English copy has now been sent to him.

[*English*]

SALARIES OF CBC DIRECTORS AND EMPLOYEES—QUESTION

Senator Norrie: Honourable senators, I would like to ask a question of the Leader of the Government.

How is it that the CBC will provide information such as he has just given but not disclose the salaries of directors and employees? What is the difference?

Senator Perrault: Honourable senators, it is not for me to explain the policy decisions of the Canadian Broadcasting Corporation. The CBC appears to be more forthcoming with certain information than with other.

Senator Norrie: Where do they draw the line? Could you find that out?

Senator Perrault: I think that that is an inquiry which can be directed to the President of the Canadian Broadcasting Corporation by any honourable senator who is interested. The policy with respect to the divulgence, or otherwise, of salary information concerning CBC employees or performers is one which has been explained in the Senate on a number of occasions, although obviously not to the satisfaction of certain senators. Nevertheless, that policy position has been set forth here on more than one occasion.

URBAN AFFAIRS

CANADIAN HOME INSULATION PROGRAM—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 15—**By Senator Marshall:**

1. By provinces, how many applications have been received under the Canadian Home Insulation Program since its inception on September 1, 1977?

2. By provinces, how many were approved and how many were turned down?

3. What are the locations of new offices established to handle applications for C.H.I.P. and on what basis were the offices established?

Reply by the Minister of State for Urban Affairs:

I am advised as follows by Central Mortgage and Housing Corporation:

1 and 2. Applications under the Canadian Home Insulation Program received and approved for the period September 1, 1977 to May 26, 1978 are shown in the table following:

	Received	Approved
Newfoundland	392	185
New Brunswick	2,381	1,683
Québec	2,820	1,439
Ontario	18,736	14,658
Manitoba	1,814	1,339
Saskatchewan	1,080	702
Alberta	845	381
British Columbia	3,799	3,056
Yukon Territory	3	2
Northwest Territories	7	4
CANADA	31,877	23,449

CMHC does not keep a record of the number of applications rejected.

3. Applications for CHIP are now handled in the following Regional Offices of CMHC: St. John's, Fredericton, Toronto, Winnipeg, Regina, Edmonton, Vancouver, and the CHIP Office in Montreal. CMHC Regional Offices were chosen since they have facilities available and are well located geographically.

MARITIME CODE BILL

SECOND READING

On the Order:

Resuming the debate on the motion of the Honourable Senator McIlraith, P.C., seconded by the Honourable Senator Benidickson, P.C., for the second reading of the Bill C-54, intituled: "An Act to provide a maritime code for Canada and to amend the Canada Shipping Act and other Acts in consequence thereof".—(*Honourable Senator Grosart*).

Senator Grosart: Honourable senators, I believe that Senator Bourget, who took a distinguished and prominent part in the discussions on this bill when it was before us in the form of Bill C-41, has some comments to make on it. That being so, I would be very glad to yield to him at this time.

[*Translation*]

Hon. Maurice Bourget: Honourable senators, I want to thank Senator Grosart for giving me the opportunity to say a few words on this bill. With other senators, I was a member of this important committee.

Honourable senators will recall that the Senate Committee on Transport and Communications devoted 23 meetings, that is a total of 51 hours, to the study of this bill. I would also like to add that the committee even sat during last year's summer recess in order to submit its report before the end of the last session and, if my memory serves me well, I think this report was tabled last October 14.

The considerable work accomplished by this committee should also be recalled because it did present more than 80 amendments in the course of its 23 sittings. I want to point out that most of the amendments made to the bill were important amendments, which demonstrates once more that the Senate did an excellent job. Moreover, if we read the official report of the other place, when considering this bill, we will be able to see that all the amendments to this bill were unanimously passed by the other place. Therefore I would like to take the opportunity to emphasize once again the excellent job which was done by the Senate and its various committees.

Unfortunately, quite often this job remains unnoticed. This is why the Senate is unduly criticized on some occasions. I think that we can tell the Canadian people that we have every reason to be proud to be members of this chamber. Moreover, as was mentioned by the Honourable Senator Robichaud about the opening of an experimental farm in New Brunswick, we do an honest, sensible and intelligent job. It is unfortunate that newspapers do not report the kind of work we do. However, I think that we can have the satisfaction of a job well done.

[Senator Marshall.]

I do not intend to consider this legislation in detail. And as I said earlier, many long hours were devoted by the Senate and its committee to the consideration of this bill. Honourable senators have read the report which was submitted last October, so it is not necessary to review all the clauses in this bill.

This legislation on the Maritime Code includes five books, as we are aware. The bill we are dealing with represents the final stage of books I and II. I understand that books III, IV and V will be issued in the next session. Once again, I am sure the Senate will give this legislation the interest it deserves.

In conclusion, I would like to take this opportunity to thank the persons who, in the course of this study, have contributed their generous and intelligent cooperation. I should like to mention, among others, Mr. F. O. Gerity, Q.C., member of the Special Committee on Substantive Shipping of the Canadian Bar Association; Mr. Arthur J. Stone, Q.C., President of the same committee; Mr. Jean Brisset, a Montreal lawyer who was also a member of this committee; Mr. J. J. Mahoney, Q.C., special adviser to the Minister of Transport on the Maritime Code; also the private sector's lawyers, namely Mr. Raynold Langlois, counsel for the Association des propriétaires de navires du Saint-Laurent Inc.; Mr. Gérald P. Barry, counsel to the Dominion Marine Association. I also want to mention the generous contribution of Mr. du Plessis, our Law Clerk and Parliamentary Counsel, as well as the hard-working clerk of the committee, Mrs. Aline Pritchard.

This concludes, honourable senators, the brief remarks I wanted to make in the circumstances. As I was saying a few moments ago, in view of the fact that the House of Commons has passed the bill, as amended, in five or ten minutes, I hope we will have unanimous agreement on it.

Senator Denis: Hear, hear.

• (1130)

[*English*]

Hon. Allister Grosart: Honourable senators, there is not much that can be added to what has already been said on this important bill by its sponsor and Senator Bourget. I am sure we would all hesitate to pass such a measure without extensive discussion in this place were it not for the special circumstances under which it comes to us. I am glad Senator Bourget has pointed out that it is one of those bills—and far from being the only one—in which the Senate has made major changes in the public interest.

We are often concerned here with these last-minute demands that we pass legislation, but this is one case in which we need have no concern. My recollection is, as confirmed by Senator Bourget, that the original discussion of the bill in the other place took 25 minutes, but when it came to the Senate we debated it for some 23 hours, I believe.

Senator Bourget: Fifty-one hours.

Senator Grosart: That resulted in 80 amendments being made by the Senate. As a consequence, when the bill was presented in the Commons yesterday for second reading it went through in a flash. I doubt if there was ever an occasion when a bill had such fast passage in the House of Commons, although, of course, other bills also went through the House of Commons speedily yesterday.

Honourable senators, I think it is worth commenting on the speedy passage of this bill. You will be interested to know just how expeditiously the House of Commons can pass legislation when it has been thoroughly examined by the Senate.

Hon. Senators: Hear, hear.

Senator Grosart: I should like to refer to page 6869 of *House of Commons Debates* of yesterday, where it is indicated that the Minister of Transport moved:

> —that Bill C-54, to provide a maritime code for Canada and to amend the Canada Shipping Act and other acts in consequence thereof, be read the second time and referred to the Standing Committee on Transport and Communications.

Mr. Pinard, Parliamentary Secretary to the Deputy Prime Minister, then said:

> Mr. Speaker, since I believe there is agreement to deal very quickly with this bill at all stages today, I would suggest we amend the motion in order that we may deal with the bill in the committee of the whole, report it back to the House, and give it third reading today.

And that is exactly what happened. When you turn the page in *Hansard* you find that the bill, as amended by the Senate—that is, incorporating the Senate amendments—was, as someone said, "passed before he could straighten his tie." That, I think, is certainly a tribute to the Senate, and, as I said earlier, it gives me no cause to voice any concern I might have had about passing this important bill as expeditiously as we have been asked to do today.

It is an important bill, because it makes substantial changes, changes of great concern to those in Canada who are interested in the shipping business and particularly in the peripheral aspects of that business. I have no further comment to make. I am quite sure it would make no sense to suggest that the bill be referred again to a committee of the Senate, because it has already received thorough examination in committee. Therefore, on behalf of my colleagues on this side of the chamber, I agree to the motion for second reading.

Motion agreed to and bill read second time.

THIRD READING

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

Senator Bourget: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(b), I move that the bill be read the third time now.

Motion agreed to and bill read third time and passed.

INCOME TAX ACT
EXCISE TAX ACT

BILL TO AMEND—SECOND READING

Hon. Eric Cook moved the second reading of Bill C-59, to amend the Income Tax Act and the Excise Tax Act in matters relating to the ownership and operation of small businesses.

He said: Honourable senators, before attempting to explain in general terms the provisions of Bill C-59, I should first say that the bill is a relieving measure. It will be recalled that the subject matter of the bill was referred to the Standing Senate Committee on Banking, Trade and Commerce on June 13 last. The committee studied the provisions of the bill and reported to the Senate on June 26.

The last paragraph of your committee's report reads as follows:

> In view of the benefits extended by the Bill to small businessmen, your Committee recommends the Bill receive favourable consideration.

As I have said, Bill C-59 is a relieving measure. First, it permits allowable capital losses to be deducted from any income for tax purposes when the capital losses are incurred by a taxpayer who sells shares in a controlled private Canadian corporation to a person who is at arm's length to the seller. At the present time such losses may be used to reduce the amount of any capital gains which a taxpayer may have made. Henceforth these losses may be offset against any type of income in the hands of the taxpayer.

The bill also confirms that if a taxpayer owns shares of a bankrupt company, he may claim as a capital loss the amount of the adjusted cost base of these shares in the year when the company becomes bankrupt.

Another relieving measure permits a taxpayer to defer up to $200,000 of capital gains which may be realized upon the transfer of shares of the capital stock of Canadian-controlled private corporations between generations of a family.

● (1140)

Canadian-controlled private corporations are those whose properties consist substantially of (a) assets used in manufacturing, processing, mining, logging, farming, fishing, construction, wholesaling, retailing, and any other business that may be prescribed, or (b) shares and debts of another small business corporation.

The $200,000 is a lifetime maximum, and the deferral will apply whether the shares be transferred during the taxpayer's lifetime or at his death.

The bill also extends, from six to ten years, the period over which a liability for capital gains tax arising from death may be discharged by paying equal instalments.

The provisions regarding the excise tax are as follows: Every person required by Parts III, IV or V of the Excise Tax Act to pay taxes is obliged to file monthly returns showing taxable sales for the previous month. Furthermore, persons granted licences by Parts III, IV or V of the act must, if no taxable

sales have been made in the preceding month, make a return each month so indicating.

Clause 10 of the bill proposes amendments to authorize persons to make returns in respect of accounting periods of less than one month and to allow persons whose sales are seasonal, and whose tax for the last preceding calendar year did not exceed $2,400, to make returns in respect of one to six months.

Honourable senators, I commend the bill to your favourable consideration.

Hon. Allister Grosart: Honourable senators, I apologize for rising again, and for having risen so often in these last few days to speak to bills for the opposition. I am sure you are aware that on this side our practice is to assign bills to various senators. As you are also aware, there are senators on this side who make outstanding speeches on important bills.

It seems, however, that in this case the bills that have been assigned to me are all coming to us together as the summer adjournment approaches. It may be coincidental, but probably it is not, that many of these bills are generally regarded as non-controversial, which is perhaps another way of saying it does not matter very much what anybody from the opposition side says about them. In any case, those are the bills I seem to get, and that is the best explanation I can give for having been on my feet so often in these closing hours.

This is not an unimportant bill, but it is fair to say it is non-controversial. Its subject matter has been examined by the Standing Senate Committee on Banking, Trade and Commerce, and that committee presented a report a few days ago recommending the bill on the ground that it is highly beneficial to small business concerns in Canada. For that reason I have no hesitation in recommending that we pass it. In my view it is not necessary that it be referred to committee, for the simple reason that its subject matter has already been examined by our committee, and we have a favourable report before us.

As has already been pointed out, it is part of government policy, in the general areas of income tax and excise tax, to give preferential treatment as an incentive to small business. This bill offers additional incentives to small businesses to make profits and to re-invest those profits in the general interest of business in Canada and, particularly, their employees. I am told that some 60 per cent of all employment in Canada is provided by corporations which would come under the special small business provisions of these statutes.

I think we are all aware that small business, taken in the aggregate, is, in many ways, the most important part of merchandising in Canada.

Small business in Canada already has substantial tax concessions. It has been said, and I think with justification, that Canada may well have the most generous provisions and incentives respecting small business of any comparable country in the world. I would not be inclined to dispute that in view of the very special concessions made to small business in the general income tax provision by which, as honourable senators are aware, the income tax payable by small businesses runs from about 20 to 25 per cent, depending on the circumstances, compared to much higher rates running from 40 to 46 or 47 per cent for larger businesses.

There is the recent dividend credit which, I would think, increases the tax differential between a large corporation and a small corporation by perhaps another 10 per cent.

Then, of course, there is the additional advantage which the Income Tax Act now gives to persons in higher income tax brackets who may invest in small businesses and leave both the income and the capital gains in that business, thus deferring, on very preferential terms, the payment of tax on that gain or income.

As has been said so well by Senator Cook, this bill adds two special concessions under the Income Tax Act and two concessions under the Excise Tax Act. It is not necessary for me to go into them in any further detail.

The so-called $200,000 rollover has been widely welcomed by small business and by economists generally. I heard no objection voiced to it at the committee hearing or in the press—particularly the financial press. Therefore, I think we can compliment the government on an important forward-looking step in assisting small business.

Another amendment deals with capital losses. So far as I know, this is the first piece of legislation we have had which recognizes that there are capital gains and also capital losses. It is my own view, but I think it is a view which is fairly widely held, that one of the greatest mistakes made in the tax field in Canada in recent years was the imposition of the capital gains tax. In many cases it has operated to the disadvantage of business, of shareholders and, indeed, of some employees at times. We now have in this field a recognition that there may be an offsetting on capital losses against capital gains under certain circumstances in respect of certain qualifying firms.

● (1150)

There are still some outstanding problems, as I read the bill and the comments made on it. There does not seem to be a very clear definition of a small business firm. Perhaps this will come in the regulations. As a matter of fact, some regulations were placed before the committee—a very forward step, in my view, in the presentation of government legislation. As the bill stands, there may be a question as to whether some of the benefits are available to businesses in what is generally called the service industry, and also, on the other side, a question whether the definition of "beneficiaries," particularly on the capital losses aspect, will be interpreted by the courts as going beyond what would appear to be the intent. These are matters that have been discussed.

The bill makes it clear that there is a good deal of discretion left with the executive, the Governor in Council, to expand the qualifications of corporations that may benefit, particularly from the so-called $200,000 limit rollover.

With those observations, honourable senators, I am prepared, on behalf of my colleagues on this side of the house, to agree that it is not necessary that this bill go again to a

committee of the Senate, and to say that we would be prepared to expedite its passage before the end of this session.

Motion agreed to and bill read second time.

THIRD READING

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

Senator Cook: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(b), I move that the bill be now read the third time.

Motion agreed to and bill read third time and passed.

NATIONAL ANTHEM

DESIRABILITY OF PASSAGE OF BILL C-9—DEBATE CONCLUDED

The Senate resumed from Thursday, June 8, the debate on the inquiry of Senator Bosa calling the attention of the Senate to the desirability of obtaining speedy passage of Bill C-9, respecting the national anthem of Canada.

Hon. Peter Bosa: Honourable senators—

The Hon. the Speaker: I must remind honourable senators that if the Honourable Senator Bosa speaks now his speech will have the effect of closing the debate.

Senator Bosa: Honourable senators, on June 8, 1978, Senator Yuzyk, in the course of his remarks on the subject of the desirability of obtaining speedy passage of Bill C-9, put to me a question as follows:

> —why does he not ask the Secretary of State to move immediately the second reading of the bill in the other house.

It is my understanding that if the house leaders of the opposition parties in the other place would agree to give speedy passage to the bill, and could limit themselves to putting up, say, one speaker each, the government would be willing to proceed with this bill. That appears to be the stumbling block.

It seems that yet again July 1, Canada's Birthday, will go by, and Canada will not have an official version of its national anthem.

The Hon. the Speaker: As no other honourable senator wishes to participate in the debate, this inquiry is considered as having been debated.

THE CONSTITUTION

SPECIAL SENATE COMMITTEE—NOTICE OF MEETING

Senator Petten: Honourable senators, there will be an organizational meeting of the Special Committee of the Senate on the Constitution in Room 263-S when we rise.

SPECIAL JOINT COMMITTEE—NOTICE OF MEETING

Senator Petten: Honourable senators, there will be a meeting of the Special Joint Committee on the Constitution in Room 112-N at 1 p.m. today.

BUSINESS OF THE SENATE

Senator Perrault: Honourable senators, there is at least a possibility that another bill may be coming to us today, but it is not likely. I understand that presently a measure is under debate in the other place, but it is unlikely that it will come to us before the adjournment.

I move that the Senate do now adjourn during pleasure to the call of the bell at approximately 2.30 p.m. The time could be later. We are not yet certain about the course of events. It is probable, however, that there will be royal assent this afternoon. It is not yet possible to designate a time. That is why the time of 2.30 p.m. must be taken as only approximate.

Senator Grosart: Would the Leader of the Government care to indicate what bill might come to us?

Senator Perrault: I understand the other house is debating Bill C-63, to amend the Canada Elections Act, at the present time. However, there is no immediate indication that the debate will be concluded before the adjournment. That is all the information I have.

Senator Grosart: But that is the only bill?

Senator Perrault: Yes, that is the only bill. Yesterday there were some reports that yet another bill was about to be introduced or debated in the other place, but that has not come to pass.

The Senate adjourned during pleasure.

At 2.45 p.m. the sitting was resumed.

THE CONSTITUTION

SPECIAL JOINT COMMITTEE—CHANGE IN SENATE MEMBERSHIP

Leave having been given to revert to Notices of Motions:

Senator Petten, with leave of the Senate and notwithstanding rule 45(1)(i), moved:

> That the name of the Honourable Senator Lang be substituted for that of the Honourable Senator van Roggen on the list of senators serving on the Special Joint Committee of the Senate and House of Commons on proposals on the Constitution of Canada; and
>
> That a message be sent to the House of Commons to acquaint that house accordingly.

Motion agreed to.

BUSINESS OF THE SENATE

Senator Perrault: Honourable senators, I have been advised that the Honourable the Deputy of His Excellency the Governor General will be here at approximately 3.30 this afternoon to give royal assent to certain bills. We have no indication of further legislation coming from the other place. Therefore, I

would move that the Senate adjourn during pleasure to the call of the bell at approximately 3.30.

Senator Grosart: Honourable senators, this may be our last opportunity to say "Happy Holidays" to each other.

Senator Marshall: You had better not.

Senator Grosart: I said "may be." In case that is so, on behalf of the Leader of the Opposition, Senator Flynn, and all our colleagues on this side of the house, I wish all honourable senators, particularly those who are lucky enough not to be serving on either of the committees on the Constitution, a pleasant and relaxing summer recess.

Hon. Senators: Hear, hear.

Senator Perrault: Honourable senators, I noted with interest that the Deputy Leader of the Opposition added a conservative qualification to his suggestion that this may be the last time that we meet. I reciprocate in kind, however, by saying that all who are supporters of the government in this house appreciate very much the opportunities we have had during recent months of working with our friends in the opposition parties. Indeed, on behalf of the government, I wish all honourable senators a restful summer break, in the full knowledge that many senators will be extremely active in efforts concerning the constitutional package.

The Senate adjourned during pleasure.

At 3.40 p.m. the sitting was resumed.

ROYAL ASSENT

NOTICE

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

RIDEAU HALL
OTTAWA
GOVERNMENT HOUSE

June 30, 1978

Madam,

I have the honour to inform you that the Honourable Wishart F. Spence, O.B.E., Puisne Judge of the Supreme Court of Canada, in his capacity as Deputy Governor General, will proceed to the Senate Chamber to-day, the 30th day of June, at 3.45 p.m., for the purpose of giving Royal Assent to certain bills.

I have the honour to be,
Madam,
Your obedient servant,
Edmond Joly de Lotbinière
Administrative Secretary to the
Governor General

The Honourable
The Speaker of the Senate,
Ottawa

[Senator Perrault.]

THE CONSTITUTION

FIRST REPORT OF THE SPECIAL JOINT COMMITTEE ADOPTED

Leave having been given to revert to Reports of Committees:

[*Translation*]

Senator Lamontagne: Honourable senators, in my capacity as joint chairman, I have the honour of tabling the First Report of the Special Joint Committee of the Senate and the House of Commons on the Constitution of Canada as follows:

[*English*]

Friday, June 30, 1978

The Special Joint Committee of the Senate and the House of Commons on the Constitution of Canada has the honour to present its First report, as follows:

In accordance with its Order of Reference of Thursday, June 29, 1978, your Committee recommends that while studying its Order of Reference that the quorum of the Committee be eighteen (18) members whenever a vote, resolution or other decision is taken, so long as both Houses and at least two parties are represented and that the Joint Chairmen be authorized to hold meetings, to receive evidence and authorize the printing thereof when seven (7) members are present so long as both Houses and at least two (2) parties are represented.

Respectfully submitted.

Maurice Lamontagne,
Joint Chairman

The Hon. the Speaker: Honourable senators, when shall this report be taken into consideration?

Senator Lamontagne: With leave of the Senate and notwithstanding rule 45(1)(e), I move that the report be adopted now.

Motion agreed to and report adopted.

ADJOURNMENT

Leave having been given to revert to Notices of Motions:

Senator Petten: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(g), I move that when the Senate adjourns today it do stand adjourned until Tuesday, October 10, 1978, at 2 o'clock in the afternoon.

Motion agreed to.

THE CONSTITUTION

SPECIAL SENATE COMMITTEE—QUORUM

Senator Stanbury, with leave of the Senate and notwithstanding rule 45(1)(e), moved:

That the quorum of the Special Committee of the Senate on the subject matter of the Bill C-60, Constitutional Amendment Act, 1978, shall be as ordered by the committee from time to time.

Senator Lang: That means, in effect, no quorum.

Senator Steuart: Whoever shows up.

Senator Stanbury: The motion simply requests the Senate to delegate to the committee the right to determine its quorum from time to time.

Motion agreed to.

The Senate adjourned during pleasure.

At 4 p.m. the sitting was resumed.

The Senate adjourned during pleasure.

● (1600)

ROYAL ASSENT

The Honourable Wishart F. Spence, O.B.E., Puisne Judge of the Supreme Court of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned, and being come with their Speaker, the Honourable of Deputy of His Excellency the Governor General was pleased to give the Royal Assent to the following bills:

An Act to amend the statute law relating to income tax and to authorize payments related to provincial sales tax reductions.

An Act to amend the Financial Administration Act.

An Act to amend the Canadian National Railways Capital Revision Act and the Railway Act and to amend and repeal certain other statutes in consequence thereof.

An Act to amend the Currency and Exchange Act.

An Act to amend the Criminal Code.

An Act to amend the Pension Act and the Compensation for Former Prisoners of War Act.

An Act to amend the Export Development Act.

An Act to require the reporting of certain financial and other statistics relating to the affairs of certain petroleum companies carrying on business in Canada.

An Act to amend the Customs Tariff and to amend an Act to amend the Customs Tariff.

An Act to provide a maritime code for Canada and to amend the Canada Shipping Act and other Acts in consequence thereof.

An Act to amend the Income Tax Act and the Excise Tax Act in matters relating to the ownership and operation of small businesses.

The Honourable James Jerome, Speaker of the House of Commons, then addressed the Honourable the Deputy of His Excellency the Governor General as follows:

May it please your Honour:

The Commons of Canada have voted certain supplies required to enable the Government to defray the expenses of the public service.

In the name of the Commons, I present to Your Honour the following bill:

An Act for granting to Her Majesty certain sums of money for the Government of Canada for the financial year ending the 31st March, 1979.

To which bill I humbly request Your Honour's assent.

The Honourable the Deputy of His Excellency the Governor General was pleased to give the Royal Assent to the said bill.

The House of Commons withdrew.

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

The sitting of the Senate was resumed.

The Senate adjourned until Tuesday, October 10, 1978, at 2 p.m.

APPENDIX

(*See p. 1021*)

REGULATIONS AND OTHER STATUTORY INSTRUMENTS

FIFTH REPORT OF STANDING JOINT COMMITTEE

GENERAL INTRODUCTION

In June 1977, the Secretary of State issued the Green Paper on "Legislation on Public Access to Government Documents". The Green Paper was tabled in the House of Commons on Wednesday, June 29, 1977.

By Order of Reference dated December 16, 1977, the Green Paper was referred to the Standing Joint Committee on Regulations and other Statutory Instruments for its consideration.

Having studied the contents of the Green Paper and having listened to representations from various organizations and other interested groups, your Committee is pleased to make an interim report on the subject-matter of the Green Paper.

Following are the recommendations made by your Committee.

DEFINITION OF DOCUMENT

Your Committee recommends that any legislation pertaining to the release of Government documents should define the term "document" to include reports, tape recordings, computer printouts or other physical media on or in which information is written, recorded, stored or reproduced.

CRITERIA FOR EXCLUSION

Your Committee supports the principle of access to Government documents subject to exemptions for documents falling within certain precisely defined categories of information.

Your Committee is aware of the complexities involved in attempting to draft an appropriate set of exemptions. Nevertheless, your Committee is of the opinion that the list of proposed exemptions set out for discussion purposes in the Green Paper is far too broad and ill-defined, leaving too much discretion to the Government. A major criticism your Committee has of the exemptions outlined in the Green Paper is that they are *all* prefaced by the word "might". For instance, the Green Paper suggests an exemption for documents the disclosure of which "might be injurious to . . . national defence . . .". In your Committee's view, this test is too broad and a more appropriate test would be whether disclosure could be reasonably expected to be detrimental to the national defence. Your Committee suggests that the following exemptions would be warranted in the Canadian context:

NATIONAL DEFENCE

Documents the disclosure of which could be reasonably expected to be detrimental to the national defence

Your Committee favours the use of the term "national defence" rather than the term "national security" in the relevant exemption as the latter term is too imprecise. To the extent that the term "national security" has broader implications than the term "national defence", thereby covering such things as terrorist activities, your Committee is of the opinion that the proposed exemption pertaining to law enforcement which is discussed later should provide adequate protection. Your Committee believes that the exemption pertaining to national defence should be defined in as much detail as possible; otherwise it will be left to the Government of the day to define it, initially at least, in a way that suits its convenience. At the same time, your Committee recognizes that there must be room for a certain amount of flexibility as it is impossible to cover every eventuality in detail and circumstances change. Nevertheless, your Committee believes it is up to Parliament to define what it means to the extent possible and not abdicate its responsibilities to someone else, be it a Minister, a senior official or the courts. In this regard, therefore, your Committee favours the type of approach taken in the Wall Report[1] wherein the broad exemption of national defence is followed by examples of what is meant without having the effect of strictly confining the exemption to the examples given. In the Wall Report the examples given for national defence were:

> "(1) tactical and strategic defence plans, operations or exercises, including the characteristics of equipment and techniques, and the scale, movement and placement of forces, *except* where the considered and authorized release of such information would assist in the deterrence or prevention of war-like action;
>
> (2) internal and external intelligence and security plans, operations or exercises, including the characteristics of equipment and techniques, and the scale, movement and placement of personnel, *except* where the considered and authorized release of such information would assist in the deterrence or prevention of actions, whether internally or externally inspired, calculated to displace democratic institutions or procedures by force or violence;
>
> (3) diplomatic plans and negotiations whose essential purpose is the maintenance of the safety and security of the nation."

INTERNATIONAL RELATIONS

Documents the disclosure of which could be reasonably expected to be detrimental to international relations

FEDERAL-PROVINCIAL RELATIONS

Documents the disclosure of which could be reasonably expected to be detrimental to federal-provincial relations

Your Committee is of the opinion that the relevant clause should not exempt all documents bearing on federal-provincial relations as such a clause would be overly broad and would potentially embrace almost every governmental subject thereby leaving a considerable amount of information restricted. Your Committee therefore recommends that the exemption be limited to documents the release of which could be reasonably expected to be detrimental to the conduct of federal-provincial relations. Moreover, other exemptions would provide additional protection for sensitive federal-provincial relations, such as those pertaining to Cabinet documents and documents containing policy advice as hereinafter defined.

CABINET DOCUMENTS

Documents prepared expressly for or in connection with the deliberations or decisions of the Cabinet or of a Cabinet Committee but not including documents composed of mainly factual or statistical material.

Your Committee is of the opinion that an exemption phrased in the above terms would provide the necessary confidentiality for Cabinet decision-making. The clause would protect: the deliberations or decisions of the Cabinet or of a Cabinet Committee; briefings to Ministers in relation to matters before Cabinet or a Cabinet Committee; a document containing a policy or proposal which has been prepared for presentation to the Cabinet or to a Cabinet Committee; a record of a consultation between Ministers on a matter relating to Government policy.

POLICY ADVICE

Documents containing matter in the nature of an opinion, advice or recommendation prepared by an officer of an Agency or Department and submitted to an Agency or Department for consideration in the performance of any function leading to the making of a decision or the formulation of a policy.

Your Committee advocates an exemption couched in the above terms in order to protect the deliberative and decision-making processes within the Government from compulsory public scrutiny. The exemption is composed of two elements: 1) the author of the document must be an officer of an Agency or Department and 2) the document must be pre-decisional: it must contain advice, opinions or recommendations submitted for consideration in the making of a decision or policy. The exemption therefore does not protect such things as factual and statistical material, and documents which actually contain or explain the decision that has been made or the policy that has been formulated and approved.

Your Committee also favours in general the approach suggested in the Australian Minority Report Bill and approved by the Canadian Bar Association wherein the relevant exemption is qualified by a list of categories of information which would *not* be protected by the exemption, for example, statistical surveys, cost-benefit analyses and documents composed of mainly factual material.

LAW ENFORCEMENT

Documents the disclosure of which would have a significant adverse effect on law enforcement activities but only to the extent that disclosure would be reasonably expected to

a) interfere with enforcement proceedings

b) deprive a person of a right to a fair trial or an impartial adjudication

c) constitute an unwarranted invasion of privacy

d) disclose investigative techniques and procedures

e) disclose the identity of a confidential source of information or information obtained from such a source, or

f) endanger the life or physical safety of law enforcement personnel.

Your Committee is of the opinion that the exemption pertaining to law enforcement must be specifically defined in such a way as to permit the greatest possible degree of public scrutiny of law enforcement activities. Your Committee therefore advocates the application of a series of specific tests similar to the format used in the U.S. legislation and the Australian Minority Report Bill rather than a very general clause such as the one proposed in the Green Paper exempting, for instance, information obtained in the course of investigation pertaining to the administration or enforcement of any act of Parliament. Such a general clause could be interpreted every nebulously and could be read so as to withhold practically every piece of information in the Government's hands.

There is a large category of documents connected with law enforcement which should routinely be disclosed, for example: inspection reports; a document revealing the use of illegal law enforcement techniques or procedures; a document revealing that the scope of any law enforcement investigation has exceeded the limits imposed by law.

PERSONAL PRIVACY

Documents the disclosure of which would constitute an unwarranted invasion of personal privacy or documents which are voluntarily supplied to the Government on the basis that they be kept confidential.

In drafting this exemption, your Committee favours the approach taken in the U.S. legislation and in the Australian Minority Report Bill whereby the use of the term "unwarranted invasion of personal privacy" implies a balancing process in which the right of privacy of affected individuals must be balanced against the right of the public to be informed. This could be expressly spelled out in the legislation. Your Committee is also in favour of protecting information given the

Government in confidence by individuals, groups or organizations. This is reflected in the specific wording of the exemption.

Your Committee is of the opinion that the legislation need not specifically exempt correspondence between a member of the public and an M.P. as such information does not fall within the context of a Freedom of Information statute.

LEGAL OPINIONS

Documents the disclosure of which would reveal (a) privileged communications between lawyer and client in a mater of Government business or (b) legal opinions or advice provided for the use of the Government unless a Minister or other senior Government official refers to a legal opinion in support of a Government action in which case the legal opinion would not be protected.

COMMERCIAL OR FINANCIAL INFORMATION

Documents the disclosure of which would reveal trade secrets or other commercial or financial information that if divulged would be reasonably likely to (a) impair the Government's ability to obtain necessary information in the future or (b) cause significant harm to the competitive position of the commercial or financial enterprise from which the information was obtained.

Your Committee suggests that the exemption pertaining to commercial and financial information be phrased in the above terms rather than the much broader terms in which it is cast in the Green Paper. Your Committee's proposal is based on the interpretation the U.S. Courts have placed on the comparable legislative provision.

STATUTORY EXEMPTIONS

Documents the disclosure of which is prohibited by any federal enactment

Your Committee recommends that all relevant statutes be reviewed[2] and any provisions respecting confidentiality amended so as to conform with the basic principles established in a Freedom of Information Act. One obvious example is section 41 of the Federal Court Act which reads as follows:

> '41. (1) Subject to the provisions of any other Act and to subsection (2), when a Minister of the Crown certifies to any court by affidavit that a document belongs to a class or contains information which on grounds of a public interest specified in the affidavit should be withheld from production and discovery, the court may examine the document and order its production and discovery to the parties, subject to such restrictions or conditions as it deems appropriate, if it concludes in the circumstances of the case that the public interest in the proper administration of justice outweighs in importance the public interest specified in the affidavit.
>
> (2) When a Minister of the Crown certifies to any court by affidavit that the production or discovery of a document or its contents would be injurious to international relations, national defence or security, or to federal-provincial relations, or that it would disclose a confidence of the Queen's Privy Council for Canada, discovery and production shall be refused without any examination of the document by the court.'

Your Committee finds that section 41(2) is inconsistent with the principles to be established in a Freedom of Information statute and therefore recommends that it be repealed.

EXEMPTIONS—NOT COMPULSORY

Your Committee recommends that a general clause follow the exemptions to the effect that notwithstanding the exemptions an Agency or Department may order the release of a document falling within an exempt category where in the public interest to do so except where the release is prohibited by another federal enactment.

REVIEW PROCESS

A particular area of concern in the type of appeal procedure that would be available under the legislation to an applicant who complains he or she has improperly been denied access to information requested. At the first instance, the responsible Minister or his or her official would make the determination as to whether a document falls within the list of exemptions and hence would not be disclosed. But who then would review his or her judgment?

The Green Paper suggests five options for review: 1) scrutiny by Parliament in the ways which are currently available; 2) an Information Auditor with the power to examine documents and make an annual report; 3) an Information Commissioner with the power to examine documents and issue advisory reports; 4) an Information Commissioner with the power to order release; and 5) independent judicial review with the power to order release. However, the Green Paper criticizes the last two options as being "contrary to the basic principle of ministerial responsibility".

Having examined a number of possible alternatives for an appeal process, your Committee proposes a review mechanism which would be a combination of options 3 and 5 in the Green Paper.

This would involve the establishment under statute of an Information Commissioner as an officer of Parliament who would attempt to resolve disputes arising from any claimed exemption. The Information Commissioner would investigate cases of complaint to him or her and would examine the documents in question *in camera*, on a confidential basis. If he or she is of the opinion that a document should be released, he or she would so advise the relevant Minister or official. If that does not result in the release of the document, he or she would then so advise the complainant, at the same time telling the complainant that in his or her opinion the complainant is entitled to the release of the document and informing the complainant of his or her rights under the Act. Where the Information Commissioner is of the opinion that the document comes under an exemption and therefore should not be released,

he or she would also so advise the complainant and inform the complainant of his or her rights under the Act. Even though the Information Commissioner would *not* have the power to overrule a decision not to release a document, it is expected that his or her opinion would ordinarily prevail with Ministers, Agencies and Departments. Likewise, where the opinion of the Information Commissioner is that the complainant is not entitled to the release of the document, it is expected that his or her opinion would probably be accepted by nearly all of the complainants.

Contrary to the assertions in the Green Paper, your Committee is of the opinion it is not the proper role of a Minister to make the final decision as to whether a requested document is covered by one of the exemptions. Your Committee recommends that regardless of the opinion of the Information Commissioner there should be a right to an ultimate appeal to the Courts with the power, if necessary, to examine documents *in camera* and to order their release. The onus should be placed on the relevant Government Agency or Department to establish that the document in question is exempt under the legislation. Your Committee agrees with the remarks made by Professor Murray Rankin on this matter in a study entitled "Freedom of Information in Canada, Will the Doors Stay Shut?" and prepared for the Canadian Bar Association as a response to the Green Paper. Professor Rankin maintains that "no constitutional, legal, or practical impediment stands in the way of judicial involvement in the adjudication of freedom of information questions", and that the argument that ministerial responsibility precludes it is a time-worn dogma that collapses upon an examination of English and Canadian constitutional precedents. His study concludes that to hand the final decision on disclosure of information to the unreviewable discretion of a Minister "who is hardly a disinterested party" would make a sham of any system of access to Government documents.

In order that certain judges may acquire a familiarity and expertise in these matters, your Committee recommends that the judge hearing the appeal should be selected from a special panel of judges from the Trial Division of the Federal Court. To reduce the expense of an appeal to the complainant, the Federal Court judge could sit in various parts of Canada to hear cases. This would bring the entire process of judicial review closer to the people and would help generate public confidence.

Your Committee also recommends that a decision of a trial judge of the Federal Court be appealable to the Federal Court of Appeal and with leave to the Supreme Court of Canada. Your Committee suggests that costs shall ordinarily follow the event unless the Court otherwise directs.

ELIGIBILITY

Your Committee is in favour of the legislation allowing Canadian citizens, persons residing in Canada, or corporations incorporated under the laws of Canada or a province to obtain access to Government documents. Your Committee rejects any requirement which would oblige the applicant to establish a special interest in the matter under consideration over and above that of the general public before being able to obtain the documentation in question.

ACCESS OFFICER

Your Committee is in agreement with the suggestion made in the Green Paper that Federal Government Agencies and Departments, as the foci of record management, must bear the major burden of the realization of a policy on public access to Government documents. Your Committee therefore recommends that the legislation contain a provision requiring Federal Government Agencies and Departments to designate particular officials to undertake responsibility for departmental administration of access to documents.

DESCRIPTION OF DOCUMENT SOUGHT

It is the opinion of your Committee that the legislation should operate retrospectively as well as prospectively, that is, in regard to documents created or received prior to as well as after the coming into force of the Act. Your Committee suggests some version of the American approach requiring that an applicant requesting a document provide sufficient information about the document to enable a responsible officer who is familiar with the subject area of the request to locate the document with a reasonable amount of effort.

SEGREGABILITY OF DOCUMENTS

Your Committee recommends the inclusion in the legislation of a provision requiring Federal Government Agencies and Departments to release non-exempt portions of partially exempt documents unless the non-exempt portions cannot practicably be separated from the exempt portions, or the exempt portions cannot practicably be deleted.

BURDEN OF PROOF

Your Committee is in favour of placing the burden of showing that a document is exempt under the legislation on the Agency or Department refusing access. The Government, after all, is in possession of the document; the citizen is not.

FEES

Your Committee recommends that charges made for requests under Freedom of Information legislation should be reasonable charges and should be limited to the direct cost of search for and copying of the documents requested.

Your Committee also advocates the inclusion in the legislation of a provision similar to that contained in the U.S. legislation whereby documents can be furnished without charge or at a reduced charge where the Agency or Department determines that waiver or reduction of the fee is in the public interest because furnishing the information can be considered as primarily benefiting the general public. In determining whether the information can be considered as primarily

benefiting the general public, the Agency or Department could take into consideration such matters as the size of the public to be benefited, the significance of the benefit, the usefulness of the material to be released, the likelihood that tangible public good will be realized and other factors bearing upon the appropriateness of public payment.

While your Committee supports reasonable search and reproduction charges, it opposes the imposition of charges for administrative examination or review of documents for a decision on release, as such charges could become a *de facto* means of frustrating release owing to the large element of discretion involved in review and the calculation of charges thereof.

TIME LIMITS

Your Committee considers that successful operation of Freedom of Information legislation requires that Federal Government Agencies and Departments act expeditiously in meeting requests for documents. Your Committee therefore agrees with the suggestion made in the Green Paper that a reasonable time period during which a decision would have to be made within an Agency or Department as to whether or not to release material relevant to an application is twenty working days, with the legislation requiring availability of released material as soon as possible after decision. Your Committee further recommends that an extension of up to ten working days be allowed in three types of unusual circumstances, in effect where documents must be searched for and collected from other locations, where another Agency or Department having a substantial interest in the status of the information requested must be consulted, or where a request requires an Agency or Department to search for, collect and examine a voluminous amount of separate and distinct documents. A similar provision is contained in the U.S. legislation.

Further to your Committee's recommendation that an Information Commissioner be established under the Act, your Committee recommends that there be a limit of ten working days for him or her to make a finding. With regard to your Committee's proposal that there be a right of appeal to the Federal Court on the question of access to Government documents, your Committee suggests the inclusion in the legislation of a provision similar to that existing in the U.S. legislation whereby the Government's time to answer a suit under the Act is 30 days "unless the Court otherwise directs for good cause shown".

REPORTING

Your Committee is in agreement with the suggestion made in the Green Paper that in order to ensure effective parliamentary oversight of a Freedom of Information statute, the statute should require detailed annual reports from Agencies and Departments including statistics on the compliance by the Agencies and Departments with their obligations under the legislation. An Information Commissioner should likewise be required to report on his or her responsibilities under the legislation. All such reports should stand permanently referred to a Parliamentary Committee.

PRIORITY

Your Committee is of the opinion that no claim to Crown privilege should prevail against a Freedom of Information statute and that Members of Parliament should have the right to receive documents without regard to Crown privilege. Your Committee therefore recommends that the Standing Orders be amended accordingly.

FOOTNOTES

[1] D. F. Wall, "The Provision of Government Information", Privy Council Office, April, 1974. The report is reproduced in Issue 32 of the Minutes of Proceedings of the Standing Joint Committee on Regulations and other Statutory Instruments beginning at page 30 (June 25, 1975).

[2] See the study entitled "Prohibitions Against the Release of Government Information Contained in the Statutes of Canada" prepared by François Pépin of the Research Branch, Library of Parliament for the Standing Joint Committee on Regulations and other Statutory Instruments. The study is set out beginning at page 47 of Issue 23 of the Committee proceedings (April 18, 1978).

THE SENATE

Tuesday, October 10, 1978

The Senate met at 2 p.m., the Speaker in the Chair.

Prayers.

THE CONSTITUTION

SPECIAL JOINT COMMITTEE—CHANGES IN COMMONS MEMBERSHIP

The Hon. the Speaker informed the Senate that messages had been received from the House of Commons with respect to the list of members of the House of Commons appointed to serve on the Special Joint Committee on the Constitution of Canada.

[For texts of messages, see today's *Minutes of the Proceedings of the Senate.*]

COMMITTEES

CHANGES IN SENATE MEMBERSHIP

The Hon. the Speaker: Honourable senators, I have the honour to inform the Senate that the Clerk of the Senate has laid on the Table reports of changes made during the recent summer adjournment in the lists of senators appointed to serve on the Special Joint Committee on the Constitution of Canada, the Special Committee of the Senate on the Northern Pipeline, and the Special Committee of the Senate appointed to inquire into and report upon the subject matter of Bill C-60.

Pursuant to an Order of the Senate of June 27, 1978, the reports will be printed in the *Minutes of the Proceedings of the Senate* of this day.

THE CONSTITUTION

SPECIAL JOINT COMMITTEE—CHANGES IN SENATE MEMBERSHIP—MESSAGE TO HOUSE OF COMMONS

Senator Petten moved:

> That a message be sent to the House of Commons to inform that house of the changes made during the recent summer adjournment in the list of senators serving on the Special Joint Committee of the Senate and House of Commons on the Constitution of Canada.

Motion agreed to.

DOCUMENTS TABLED

Senator Perrault: Honourable senators, before I table certain reports and other documents, I should like to say it is good to see the Honourable Leader of the Opposition in buoyant good, non-partisan, health, as we look forward—

Senator Flynn: It is much easier for me.

Senator Perrault: —to another productive session in this place. It is good, as well, to see so many honourable senators back in their places after what can only be described as an extremely busy summer—a summer which saw most honourable senators involved, at one point or another, in the committees concerned with constitutional matters. The participation of honourable senators in both of those committees has been useful and constructive. The record bears that out.

It is hoped that, with the help of the opposition, the remaining minutes of this session will be fruitful.

I now table:

> Copies of Reports of the Anti-Inflation Board to the Governor in Council, pursuant to section 17(2) of the Anti-Inflation Act, Chapter 75, Statutes of Canada, 1974-75-76, reporting its reference to the Administrator of the said Act of certain proposed changes in compensation plans, as follows:
>
> 1. Willow Creek School Division No. 28 executive employees, dated October 6, 1977.
>
> 2. The City of Victoria Police Board and its employees represented by the City of Victoria Police Senior Officers' Association, dated November 22, 1977.
>
> 3. Brooke Bond Foods Limited and its factory hourly workers, Montreal, represented by the Canadian Food and Allied Workers, Local 130, dated June 27, 1978.
>
> 4. Canadian Liquid Air Ltd., and its hourly paid employees of Varennes, Quebec, dated June 27, 1978.
>
> 5. Canadian Liquid Air Ltd., and its hourly paid employees of Tracy, Quebec, dated June 27, 1978.
>
> Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans, as follows:
>
> 1. Labatt's Ontario Breweries Limited, Toronto, Ontario and the group of its Metro Toronto brewery employees represented by the Brewery, Malt and Soft Drink Workers, Local Union 304 of the Canadian Union of United Brewery, Flour, Cereal, Soft Drink and Distillery Workers. Order dated June 23, 1978.
>
> 2. Canada Safeway Limited, Edmonton, Alberta and the group of its retail employees represented by the Retail Clerks Union, Local 401. Order dated June 27, 1978.
>
> Report of Atomic Energy of Canada Limited, including its accounts and financial statements certified by the Auditor General, for the fiscal year ended March 31,

1978, pursuant to sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

Copies of Order in Council P.C. 1978-1377, dated April 27, 1978, amending the Bankruptcy Rules made by Order in Council P.C. 1954-1976, dated December 16, 1954, as amended, pursuant to section 180(2) of the Bankruptcy Act, Chapter B-3, R.S.C., 1970.

Copies of Order in Council P.C. 1978-1835, dated June 8, 1978, amending Schedule I to the Canada Grain Act, effective August 1, 1978, pursuant to section 15(6) of the said Act, Chapter 7, Statutes of Canada, 1970-71-72.

Capital Budget of Canadian Arsenals Limited for the fiscal year ending March 31, 1979, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-2044, dated June 22, 1978, approving same.

Report on the administration of the Canadian Forces Superannuation Act, for the fiscal year ended March 31, 1978, pursuant to section 28 of the said Act, Chapter C-9, R.S.C., 1970.

Report on the administration of the Canadian Forces Superannuation Act, Part II, including amounts credited to or charged against the Regular Force Death Benefit Account for the fiscal year ended March 31, 1978, pursuant to section 41 of the said Act, Chapter C-9, R.S.C., 1970.

Statement by the Department of National Defence of moneys received and disbursed in the Special Account (Replacement of Materiel) for the fiscal year ended March 31, 1978, pursuant to section 11(4) of the National Defence Act, Chapter N-4, R.S.C., 1970.

Report of the Economic Council of Canada, including its financial statement certified by the Auditor General, for the fiscal year ended March 31, 1978, pursuant to section 21(1) of the Economic Council of Canada Act, Chapter E-1, R.S.C., 1970.

Copies of financial statement on the operation and maintenance of the Great Slave Lake Railway for the year ended December 31, 1977, together with a statement showing the net capital investment as at December 31, 1977, pursuant to section 9, Chapter 56, Statutes of Canada, 1960-61.

Report of the number and amount of Loans to Immigrants made under section 65(1) of the Immigration Act for the fiscal year ended March 31, 1978, pursuant to section 65(6) of the said Act, Chapter I-2, R.S.C., 1970.

Report of the Auditor General on the examination of the accounts and financial statements of the National Battlefields Commission for the fiscal year ended March 31, 1978, pursuant to section 12 of An Act respecting the National Battlefields at Quebec, Chapter 57, Statutes of Canada, 1907-08, and sections 75(3) and 77(3) of the Financial Administration Act, Chapter F-10, R.S.C., 1970.

[Senator Perrault.]

Capital Budget of the National Harbours Board for the year ending December 31, 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-1814, dated June 1, 1978, approving same.

Capital Budget of the Northern Canada Power Commission for the fiscal year ending March 31, 1979, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-1786, dated June 1, 1978, approving same.

Copies of Ordinances, Chapter 1 to 13 inclusive, enacted by the Commissioner-in-Council of the Northwest Territories during the 1978 First Session and assented to February 13, 1978, pursuant to section 16(1) of the Northwest Territories Act, Chapter N-22, R.S.C., 1970, together with copy of Order in Council P.C. 1978-1078, dated April 6, 1978.

Report of the Agricultural Products Board for the fiscal year ended March 31, 1978, pursuant to section 7 of the Agricultural Products Board Act, Chapter A-5, R.S.C., 1970.

Report of the Agricultural Stabilization Board for the fiscal year ended March 31, 1978, pursuant to section 14 of the Agricultural Stabilization Act, Chapter A-9, R.S.C., 1970.

Report of operations under the Crop Insurance Act for the fiscal year ended March 31, 1977, pursuant to section 13 of the said Act, Chapter C-36, R.S.C., 1970.

Copies of Ordinances, Chapter 1 to 4 inclusive, enacted by the Commissioner-in-Council of the Northwest Territories during the 1977 Third Session and assented to October 24, 1977, pursuant to section 16(1) of the Northwest Territories Act, Chapter N-22, R.S.C., 1970, together with copy of Order in Council dated December 22, 1977.

Statement of expenditures and financial commitments made under the Veterans' Land Act for the fiscal year ended March 31, 1978, pursuant to section 49 of the said Act, Chapter V-4, R.S.C., 1970.

Revised Capital Budget of Air Canada for the year ending December 31, 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-2430, dated July 26, 1978, approving same.

Report on the administration of the Canada Pension Plan for the fiscal year ended March 31, 1977, pursuant to section 118, Chapter C-5, R.S.C., 1970.

Report on the activities of the Food and Agriculture Organization (FAO) for the fiscal year 1977-78, pursuant to section 3 of the Food and Agriculture Organization of the United Nations Act, Chapter F-26, R.S.C., 1970.

Reports on operations under the Regional Development Incentives Act for the months of April, May, June and

July, 1978, pursuant to section 16 of the said Act, Chapter R-3, R.S.C., 1970.

Copies of By-law No. 3 of the Export Development Corporation, pursuant to section 16(3) of the Export Development Act, Chapter E-18, R.S.C., 1970.

Capital Budget of the Export Development Corporation for the year ending December 31, 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-1506, dated May 4, 1978, approving same.

Report of the Department of Transport containing a Statement of Leases granted under authority of the Government Harbours and Piers Act, for the fiscal year ended March 31, 1978, pursuant to section 18 of the said Act, Chapter G-9, R.S.C., 1970.

Report of the President of the National Research Council of Canada for the fiscal year ended March 31, 1978, pursuant to section 16 of the National Research Council Act, Chapter N-14, R.S.C., 1970.

Report on the administration of Part I of the Royal Canadian Mounted Police Superannuation Act for the fiscal year ended March 31, 1978, pursuant to section 26 of the said Act, Chapter R-11, R.S.C., 1970.

Report of the Department of Transport containing a Statement of Wharf Revenue Receipts and a Statement of Harbour Dues for the fiscal year ended March 31, 1978, pursuant to section 14 of the Government Harbours and Piers Act, Chapter G-9, R.S.C., 1970.

Statement showing Classification of Deposit Liabilities Payable in Canadian Currency of the Chartered Banks of Canada as at April 30, 1978, pursuant to section 119(1) of the Bank Act, Chapter B-1, R.S.C., 1970.

Report of the Superintendent of Insurance on the administration of the Investment Companies Act, for the fiscal year ended March 31, 1978, pursuant to section 27(1) of the said Act, Chapter 33, Statutes of Canada, 1970-71-72.

Report of the Superintendent of Insurance on the administration of the Pension Benefits Standards Act for the fiscal year ended March 31, 1978, pursuant to section 22 of the said Act, Chapter P-8, R.S.C., 1970.

Capital Budget of VIA Rail Canada Inc., for the year ending December 31, 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-3020, dated September 27, 1978, approving same.

Capital Budget of Petro-Canada for the financial year 1976, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1976-1963, dated July 29, 1976, approving same.

Capital Budget of Petro-Canada for the financial year 1977, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1976-3275, dated December 23, 1976, approving same.

Capital Budget of Petro-Canada for the financial year 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1977-3594, dated December 22, 1977, approving same.

Supplementary Capital Budget of Petro-Canada for the financial year 1978, pursuant to section 70(2) of the Financial Administration Act, Chapter F-10, R.S.C., 1970, together with copy of Order in Council P.C. 1978-1995, dated June 16, 1978, approving same.

Copies of Reports of the Administrator under the Anti-Inflation Act, pursuant to section 17(3) of the said Act, Chapter 75, Statutes of Canada, 1974-75-76, respecting certain compensation plans, as follows:

1. The County of Antigonish Municipal School Board, Antigonish, Nova Scotia and the group of its conveyance and maintenance supervisors. Order dated July 7, 1978.

2. The Board of Police Commissioners of the Corporation of the Municipality of Delta, British Columbia and its municipal police group represented by the Delta Municipal Police Association. Order dated July 14, 1978.

3. Domtar Chemicals Limited, Sifto Division, Goderich, Ontario and the group of its mine employees represented by the Canadian Chemical Workers Union, Local 16. Order dated July 7, 1978.

4. Domtar Packaging Limited, Trenton, Ontario and the group of its hourly plant employees represented by the Canadian Paperworkers Union, Local 1470. Order dated July 7, 1978.

5. County of Lacombe, No. 14, Lacombe, Alberta and certain groups of its employees, namely, the executive employees, public works employees, transportation employees, maintenance and custodian employees, school secretarial, aides and other employees and the office administrative and other employees. Orders dated July 5, 1978.

6. Misericordia Hospital, Edmonton, Alberta and the group of its operating engineers represented by the International Union of Operating Engineers, Local 955. Order dated July 14, 1978.

7. Board of Health, Sudbury and District Health Unit, Sudbury, Ontario and the group of its full-time and part-time nurses represented by the Ontario Nurses Association, Local 87. Order dated August 3, 1978.

8. The Lethbridge Herald Company Ltd., Lethbridge, Alberta and certain groups of its employees. Orders dated September 18, 1978.

9. Bell Canada, Montreal, Quebec and the group of its clerical and associated employees represented by the

Canadian Telephone Employees Association. Order dated September 25, 1978.

● (1410)

THE CONSTITUTION

INTERIM REPORT OF SPECIAL SENATE COMMITTEE TABLED

Senator Stanbury, Chairman of the Special Committee of the Senate on the Constitution, tabled an interim report of the committee.

He said: Honourable senators, if I may, I should like to read the report because I think it is of some significance to the Senate at this point. It is as follows:

Tuesday, October 10, 1978

The Special Committee of the Senate on the Constitution authorized by the Senate on 28th June, 1978, and appointed on 29th June, 1978, to examine and report upon the subject matter of the Bill C-60, intituled: "An Act to amend the Constitution of Canada with respect to matters coming within the legislative authority of the Parliament of Canada, and to approve and authorize the taking of measures necessary for the amendment of the Constitution with respect to certain other matters", in advance of the said bill coming before the Senate, or any matter relating thereto, makes an interim report as follows:—

Your committee has held a number of meetings in connection with its examination of the subject matter of Bill C-60, and its first report, containing its views on those matters it has had time to deal with to date, is now in the final stages of preparation.

Your committee, therefore, recommends that favourable consideration be given to the reconstitution of the committee at the earliest possible date following the opening of the next session of Parliament for the purpose of enabling the committee to present its report.

Respectfully submitted,

Richard J. Stanbury,
Chairman.

Honourable senators, it is my intention to indicate to you that the committee's report is very close to finality, and we hope to be able to present it within a few days.

SPECIAL SENATE COMMITTEE AUTHORIZED TO MEET DURING SITTING OF THE SENATE

Senator Petten: Honourable senators, with leave of the Senate and notwithstanding rule 45(1)(a), I move:

That the Special Committee of the Senate on the Constitution have power to sit while the Senate is sitting today, and that rule 76(4) be suspended in relation thereto.

Motion agreed to.

[Senator Perrault.]

Senator Stanbury: Honourable senators, I ask the members of the committee to meet in room 356-S at the earliest possible opportunity.

CANADIAN BROADCASTING CORPORATION

REFERENCES TO SENATE IN RADIO PROGRAM—QUESTION OF PRIVILEGE

Senator Forsey: Honourable senators, I should like to rise on a question of privilege. I know that these questions should be brought up at the earliest possible moment, and this may seem to be rather a late moment, but it was quite impossible for me to raise this point before the recess.

On June 25 on a CBC program called *Sunday Morning* there were a number of references to the Senate, and it took me a certain length of time to get the transcript. I finally succeeded in getting it and I should like to read the relevant parts together with the letter I sent to the CBC.

They call it the Red Chamber. The quiet stately elegance of the Senate may impress these tourists more than anything else in Parliament. When you walk through the Senate corridors it is not so different from the rest of the Centre Block except for the little scarlet mats outside each office door and the highly polished brass mail boxes indicating that this is the Upper House.

So far so good.

Our Fathers of Confederation saw two uses for a second chamber; first, to provide a voice for the regions that are dominated by Quebec and Ontario in the House of Commons; second, to protect the interests of the landed gentry against rash legislation enacted by the great unwashed in the Lower House.

And then come the real gems:

Honourable Senators were given the power to send such legislation back to the House of Commons and on occasion they have felt feisty enough to do it. 1920—

I hope honourable senators will note the dates.

1920, Canada's first old age pension bill is refused; 1926, Senators hold up introduction of unemployment insurance for one year; 1961, the Customs Tariff Bill; 1969, the Investment Companies Bill; 1973, Criminal Code legislation; 1976, the Time and Reader's Digest fight. These are exceptions. The rule of the Senate is not rebellion but self-preservation, and Senators prefer to use backroom influence whenever they can.

And then came some further allegations about lobbyists in the Senate, which I did not actually take up with the President of the CBC. However, I wrote Mr. Johnson on the 24th of August, having by that time received the transcript, and I said:

I have a rather serious matter to bring to your attention. It is something I shall have to raise as a question of privilege in the Senate as soon as we resume sitting.

Then I added:

On Sunday morning, June 25, on the A.M. "Sunday Morning" program dealing with the constitutional amendment proposals, there was an introductory bit on the Senate, which contains a championship collection of gross errors of fact.

And then I gave the sections to which I have just referred.

Even when I heard this, I knew it was replete with errors. I have now had a chance to check it. Here are the results.

1. There was no old age pension bill in 1920. The first old age pension bill was introduced in 1926. The Senate rejected it in 1926, and passed it in 1927.

2. There was no unemployment insurance bill in 1926. The first bill on this subject came in 1935. The Senate did not throw it out. It was assented to June 28, 1935 (*Senate Journals*, 1935, page 348). I need hardly add that this Act was invalidated by the Judicial Committee of the Privy Council, and no unemployment insurance legislation was introduced, or could be introduced, until the British North America Act was amended to provide for it in 1940. Nor need I add that the unemployment insurance bill which followed was passed by the Senate.

3. In 1961, the Senate did insist on an amendment to the Customs Tariff Bill, and the House of Commons refused to accept the amendment, and of course the Bill did not go through. This is the one point at which Mr. Christopher Thomas comes reasonably close to the facts.

4. The Investment Companies Bill of 1969 was introduced in the Senate, and passed there on June 25 (*Senate Journals*, 1969, page 959). It then of course went to the House of Commons, where it never got past first reading (*House of Commons Journals*, 1969, page 1271). Another bill on the same subject was presented to the Commons in 1970; it never passed the Commons, so of course it never appeared in the Senate at all.

5. In 1973, there were four pieces of "Criminal Code legislation" which came before the Senate. The first, Bill C-2, passed the Senate, and was assented to on December 5 (*Senate Journals*, 1973, page 428). The second, Bill S-8, a private member's bill, was withdrawn (*Senate Journals*, 1973, page 296). The third, S-2, a private member's bill, received second reading in the Senate, and was referred to a committee (*Senate Journals*, 1973, page 108). Both these bills, of course, were introduced into the Senate, so there could not have been any question of their being "sent back" to the House of Commons. The fourth bill, C-176, passed the Senate and was assented to, January 19, 1974 (*Senate Journals*, 1973-74, page 501).

● (1420)

6. In 1976, Bill C-58, the one dealing with *Time* and *Reader's Digest*, was passed by the Senate without amendment, and received Royal Assent on July 16 (*Senate Journals*, 1976, page 2450).

Who Mr. Christopher Thomas may be I know not. Where he can have collected this astonishing bundle of fairy tales I cannot imagine. Whoever he is, he deserves to be sharply rapped over the knuckles and told to do his homework before he undertakes to speak again about what the Senate has or has not done. In this case, it would have taken him, at the very outside, half an hour's work in the Parliamentary Library (or, for that matter, any library which has copies of the *Senate* or *Commons Journals* or *Hansard*).

I may add that Mr. Thomas observed that the Fathers of Confederation had set up the Senate "to protect the interests of the landed gentry against rash legislation enacted by the great unwashed in the Lower House". It would be interesting to know how many "landed gentry" there were in Canada in 1867, and also how many Members of the House of Commons since 1867 could have been described as belonging to "the great unwashed", by which pleasing term Mr. Thomas presumably means the Canadian working class. I admit that it would take Mr. Thomas rather more than half an hour to discover how slender was the foundation for this part of his observations. But next time he goes on the air on the subject of the Senate, he might do well not to make statements of this sort without having at least some plausible excuse for them.

For Mr. Thomas' information, I venture to point out that the Senate has not thrown out a bill for over forty years, unless you count that insistence on an amendment in 1961. Three times in the last forty years it has "not proceeded further" with a bill.

And I gave the details. I ended the letter:

Mr. Thomas' performance was an outrageous example of irresponsibility and dog-laziness, and I shall so describe it to the Senate.

I added a postscript:

Towards the end of his masterpiece, Mr. Thomas said: "The Senate this Thursday devoted two minutes to a question on the legal right of the Federal Government to enact Bill C-60, and twenty minutes to discussions of when the fall recess would start and finish".

The facts are: (1) the Senate devoted two minutes (if it was two minutes; I did not count) to a specific question by one Senator: whether the Government would produce the opinion of the Department of Justice on whether Parliament (not "the Federal Government") had the power to pass Bill C-60; (2) the Senate devoted a longer period (again I did not count the minutes) to a discussion of when the summer (not "fall") recess would start and finish, and whether the Senate could complete its work on legislation before it, or to come before it, by the probable date of adjournment.

I should add that I received, almost a month later, a letter from the President of the CBC saying:

The staff on *Sunday Morning* has now had the opportunity to review your complaints and clearly, the June 25th item about the Senate contained a number of inaccuracies.

A splendid example of English understatement, that.

Unfortunately, the main objective of the item—to show that the Senate has not been inactive as a legislative body—

That was a very peculiar way of putting it.

—was almost totally lost because of poor research into the supporting data.

I can only apologize for this sloppy work and say that the editors of *Sunday Morning* sincerely regret that it was allowed to go to air in that form.

They are now looking for appropriate ways of correcting this mistake in a future program.

Senator Perrault: I bet!

Senator Forsey: I don't know whether they have done so. If not, I hope they will make all haste to do so.

NATIONAL FINANCE

REPORT OF COMMITTEE ON ACCOMMODATION PROGRAM OF DEPARTMENT OF PUBLIC WORKS TABLED

Leave having been given to revert to Reports of Committees:

Senator Everett: Honourable senators, I have the honour to table the report of the Standing Senate Committee on National Finance on the Accommodation Program of the Department of Public Works, and I ask leave of the Senate to say a few words in explanation of it.

The Hon. the Speaker: Is it agreed, honourable senators?

Hon. Senators: Agreed.

Senator Everett: Honourable senators, I listened with interest to Senator Forsey's correspondence with the President of the Canadian Broadcasting Corporation. I am an avid listener to that program, and if the honourable senator continues the correspondence I wish he would ask the president to reinstate the best part of that program which, for some reason, was dropped about a month or two ago, and that was the senator's diary.

Honourable senators, for some time you have had before you the report of the National Finance Committee on the Accommodation Program of the Department of Public Works. We published it approximately three weeks ago, and perhaps you would be interested in a brief history of the mode of examination used by the committee.

Some years ago, when we tried to examine the blue book of estimates and the supplementaries, we found we were dealing with expenditures that were just too large for any committee, or even any chamber, of this Parliament to wrap its mind around; so we determined that what we would do would be to supplement the examination of government spending with a major examination, hopefully on an annual or sessional basis.

We began with a detailed examination of the economy, and our report was entitled *Growth, Employment and Price Stability*. In that report we prescribed a course of economic action for the Government of Canada, and I am arrogant enough to say that if the government had followed our prescription the economy of this country would be in far better shape today.

We had determined that we would repeat such an examination on an annual basis, but we found that what we would really be doing would be duplicating the work of a number of banks, the Economic Council, the C. D. Howe Institute, a number of brokerage firms and others, and that perhaps what we ought to do is make an examination only once every five years or even ten years, but we decided instead to make a detailed examination of a particular department. We started with Information Canada, because it was only a $10 million expenditure, of which $4 million was recovered from the sale of its publications. We thought it would be a rather simple investigation, and one that we could use as a test case for the kind of operation that we proposed. We found, in fact, that we were soon precipitated into an examination of government information services which at that time aggregated more than $150 million per year.

Our next examination was Canada Manpower, which was followed by this examination of the Department of Public Works. We have since begun an examination of the Department of Regional and Economic Expansion.

I am distressed that this examination took as long as it did—it took two years—because we were examining a department that in the 1977-78 fiscal year spent in excess of $950 million and, over and above that, we were examining government realty operations which are well in excess of $1 billion per year. Fifty-eight witnesses appeared before the committee, and there were 84 additional written submissions. While it is true that we could have worked faster, we could only do so at an increased cost, which we were anxious to avoid. Our budgeted cost in those two years was $79,000, in relation to a department that in one year is spending in excess of $950 million.

Before I review our examination with honourable senators, I would like to thank several people who were involved. First of all, I would like to thank my colleagues on the committee. I should also like to thank the staff; the committee clerk, Mr. Cocks; the Library of Parliament which provided services in the person of Mrs. Barbara Reynolds; the Parliamentary Centre for Foreign Affairs and Foreign Trade headed by Peter Dobell, whose services were more directly provided by Mrs. Helen Small. I should also like to thank the Leader of the Government and the Leader of the Opposition for their co-operation.

● (1430)

Honourable senators, there are 62 recommendations in this report. You will be happy to know that I do not intend to review all of them with you, but only the major ones.

First of all, the committee recommends that the bulk of real estate activities in the federal government should be centred in

the Department of Public Works. The Department of Public Works should charge other government departments market rates for the use of the accommodation and their services. This is not done at the present time. For the most part, government departments occupy space without paying any rent whatsoever. The committee feels such a recommendation would heighten the cost consciousness of government and make it more aware of the cost of space, and considerably reduce the present over-use.

The report goes further than that. It recommends that the Department of Public Works should live within the revenue that it receives from other government departments—that is, it should be revenue-dependent. The committee has proposed the establishment of a building fund which would be based on the accrual accounting method within the normal cash accounting method of the federal government. What would occur, without going into the detail contained in the report, is that the Department of Public Works would be subject to the same discipline that applies to a private sector developer. The committee feels that this, combined with the charging of services to the user of the premises, would markedly decrease the cost of real estate activities in government.

Over and above that, the committee feels that the Department of Public Works should be the agent of the Treasury Board to set standards of space use throughout government. Those standards should be set, not on an annual salary basis as they are today, but on the basis of the actual functional use of the accommodation as is generally employed by the business community.

As agent of the Treasury Board, DPW would also be required to monitor the use of that space to see that every government department makes the most efficient use of the accommodation it occupies.

The report states that DPW should become the federal government's realty developer. In this regard it should conduct its own activities as a developer would in project development and project management, and those activities should not be delegated to other developers, designers or contractors. DPW should decide upon the best route to provide the accommodation required in government.

The Committee does set out certain comprehensive guidelines and principles on which DPW should make those decisions. There are principles laid down to help DPW to decide whether, in providing accommodation, they should lease or crown-construct.

There is an intensive review of the lease-purchase agreements entered into by the federal government in the past, especially the four in the Ottawa-Hull area. Again, principles are laid down for the future should DPW decide to go into lease-purchase agreements—principles which would prevent the repeat of the situation that occurred with the lease-purchase agreements in the Ottawa-Hull area.

With respect to leasing accommodation from the private sector, the committee discovered the requirement that it be tendered added immeasurably to the cost of that space to the federal government and, therefore, the committee suggests that DPW be permitted to negotiate with the private sector for leased space of up 20,000 square feet, and annual rentals of $250,000, without prior Treasury Board approval.

We then went into the area of selection of design consultants, which largely involves architects and engineers. I think we suggested here a rather novel method of selection. The committee believes that all construction and major alteration projects undertaken by DPW should be publicly announced. All qualified firms should be permitted to apply, giving their experience, their qualifications and their capabilities. DPW would select, from those who apply, three to five firms that are best qualified. Each firm would be asked to prepare a rough conceptual design of the project and to submit a cost estimate. The three to five firms would then be placed in order and they would be interviewed by DPW, one after the other, to determine which is to be selected and the fee to be paid. The committee states that such a process should be subject to review from time to time by a public advisory committee.

We found that the question of consultants' fees was somewhat of a difficult one. Most consultants' fees are based on a percentage of the final cost of the project. If the consultant's estimate of the cost of a project is $1 million and his percentage fee is 8 per cent, as prescribed by his provincial association, then his fee for designing and supervising that project is $80,000. If the actual cost turns out to be $2 million, the fee is 8 per cent of $2 million and goes to $160,000. The committee has suggested that in that situation the fee be fixed at a percentage of the estimated cost of the designer and DPW, but that the designer be bonused if he is able to bring in the project for less than the estimated cost. In other words, we are reversing the process. In the past the concept has been that the more the actual cost is over the estimate, the more the designer makes. We are saying the more the actual cost is under the estimate, the more the designer makes.

● (1440)

In the report we challenged the architects and engineers because they made a number of submissions to us stating that the Department of Public Works ought to decrease its in-house design staff. We said that if they wanted the department to decrease its in-house staff, then they would have to come up with a fee schedule that bonuses them for improving on the cost estimate rather than the present system.

We also have suggestions and recommendations for improving the efficiency in the crown construction activities of the Department of Public Works. We believe that the tender system of construction should continue, but we think that there are a number of cases where contractors who are permitted to tender can be selected so that only a limited number are allowed to tender. The reason for that is because when there is a broad, open tender there must be rigid design specifications. By pre-selecting contractors on the basis of their capability to do a particular job, one can employ performance specifications. This merely means that instead of designating a particular material to do a job, the contractor can be asked to provide a material that he chooses that will do the particular job. We

say that if we can achieve that—not in all construction projects, but in certain construction projects—then, added to the contract, should be a value engineering incentive clause. That merely means that the contractor tenders at a price, is given the performance specifications, and if he can bring in that job by using less costly materials that still perform as required, then he receives a bonus for doing so.

We also suggested that there be certain recommendations to improve the efficiency of the operations of the Department of Public Works. These recommendations would produce a less complex organization with fewer layers of decision-making; improve long-range planning with mandated co-operation from other government departments and Treasury Board on their plans; and improve consultation with other government departments. We also suggest that DPW reduce its in-house design staff to the level that would handle the minimum number of small and medium jobs each year.

In the land management area, we recommend that the Department of Public Works be the acquirer of all property in Canada, with three minor exemptions. Under revenue dependency, DPW will control all general purpose accommodation, which is the bulk of property used by the federal government. Therefore, DPW will determine, under revenue dependency, which of that property is surplus to its need. The committee, therefore, recommends that the Area Screening Program be terminated, and, further, that the requirement presently in the federal government that surplus property be retained in federal ownership be done away with.

Honourable senators, I have reviewed very briefly with you some of the major recommendations of the report. As I say, there are 62 recommendations in all. When a royal commission winds up and makes its report, there is no one to see that the report is implemented. However, such is not the case with a Senate committee. In the case of this report on the Department of Public Works we will interview, between now and Christmas, the Minister of Public Works and the President of Treasury Board to determine what recommendations they propose to implement, and what recommendations they do not agree with, and why they do not agree with them.

This method was employed for the first time in our examination of Canada Manpower. We interviewed the minister, the Honourable Mr. Cullen, and I think I reported to the Senate at that time that of the 56 recommendations in that report, he agreed to take action on 52. But it does not stop there. We are in a position to follow up to see whether the agreement is implemented. In short, what we will do is ask Mr. Cullen, or whoever it may be, to appear before the committee. We will also ask the President of the Treasury Board and the Minister of Public Works to appear before the committee to determine how they are getting along with their agreed implementation.

Finally, honourable senators, I should like to deal with one subject which I believe these reports raise. This deals with cutting the costs of government. Recently, we have watched a global cost-cutting method which involves a reduction of some $2.5 billion. I must admit that it is very dramatic to hear that cuts of that size are going to be made. The problem with that kind of cost-cutting is that you can end up cutting or reducing needed services, and when the crisis is over, because services have been reduced, there is pressure to reinstate those services. So, when the crisis is over, spending goes back to its former level.

The method we propose to use is really quite different. We are saying, "Improve the efficiency of providing the services. The service remains intact because it is needed, but the saving is found in the method by which you provide that service and the efficiency with which you do it." Honourable senators, I suggest that there is a contrast between that and the global cost-cutting method. The service remains, but it is provided at a lower cost, and when the crisis is over the saving continues year after year. It is not as dramatic as the global cost-cutting method, but it is a more effective way of cutting costs. It is one method that seems to have caught the interest of the Royal Commission on Financial Management and Accountability. I suspect that the activities of the Finance Committee will be reviewed in the final report of that royal commission. What we may well see, not only for the Finance Committee but for other committees of both houses, is that this method of financial restraint is the one that will be employed more and more in government, because it is the one that truly gives Parliament control over the public purse.

THE CONSTITUTION

SECOND REPORT OF SPECIAL JOINT COMMITTEE TABLED AND PRINTED AS AN APPENDIX

[*Translation*]

Hon. Maurice Lamontagne: Honourable senators, I have the honour of tabling the second unanimous report of the Special Joint Committee of the Senate and the House of Commons on the Constitution of Canada.

[*English*]

Honourable senators, I would ask that the report be printed as an appendix to the *Debates of the Senate* and to the *Minutes of the Proceedings of the Senate* of this day and form part of the permanent record of this house.

The Hon. the Speaker: It is agreed?

Hon. Senators: Agreed.

[*For text of report see appendix, p. 1050.*]

FISHERIES

PROPOSAL TO ESTABLISH SEPARATE DEPARTMENT—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 10—**By Senator Marshall:**

In detail, what progress is being made by the government on the establishment of a separate Department of Fisheries?

Reply by the Minister of Fisheries and the Environment:

On June 29th the Honourable A. J. MacEachen, Deputy Prime Minister and President of the Privy Council, introduced in the House of Commons Bill C-65 (Ref.

House of Commons *Debates*, Vol. 121, number 149, June 29, 1978, page 6862) an act respecting the Organization of the Government of Canada and matters related or incidental thereof.

This bill provides for the establishment of a separate Department of Fisheries and Oceans, with a strong mandate in the management, conservation and protection of the fisheries and oceans with the required resources and manpower. While this bill did not receive the required consideration in the House, it is the intention of the government to reintroduce in the new session a bill to establish a separate Department of Fisheries and Oceans.

PROVINCE OF NEWFOUNDLAND

CORNER BROOK HARBOUR DEVELOPMENT STUDY—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 16—**By Senator Marshall:**

1. What sections of the Department of Transport and the Department of Regional Economic Expansion, or any other department, are involved in the Corner Brook Harbour Development Study?

2. What progress has been made to date by those sections involved?

Reply by the President of the Privy Council:

Insofar as the Department of Regional Economic Expansion is concerned:

1. Department of Regional Economic Expansion (DREE), Newfoundland provincial office.

2. In May 1975, consultants were commissioned to carry out a study to identify development opportunities and constraints associated with the Corner Brook Harbour area on the West Coast of Newfoundland. The study was funded by DREE, Transport Canada and the Government of Newfoundland. The report of the consultants, made public in October 1976, identified the lack of waterfront industrial land and harbour access as the chief constraints to potential development in the area.

Following the receipt of this report, the Government of Newfoundland submitted a proposal for the harbour area to DREE. A review of this proposal is presently being carried out. Completion of the review, however, required essential data on the potential environmental impact of the proposed projects on marine life in the harbour area. A preliminary analysis of those environmental factors is being conducted by the provincial government in consultation with federal environment officials.

Discussions with the provincial government and other federal departments are continuing regarding those elements of the proposal which are not conditional on the completion of the environmental analysis.

Insofar as Transport Canada is concerned:

1. Canadian Marine Transportation Administration, Ottawa Canadian Coast Guard, St. John's.

2. The Department of Regional Economic Expansion has prepared a proposal for a Canada/Newfoundland Subsidiary Agreement on Corner Brook and has requested comments from Transport Canada. The provincial government is funding an initial environmental evaluation which is being monitored by representatives from the Department of Regional Economic Expansion, Transport Canada, the Department of Fisheries and the Environment, as well as representatives of several provincial government departments.

Insofar as the Department of Fisheries and the Environment is concerned:

1. The Environmental Protection, Environmental Management and Fisheries and Marine Services of the Department of Fisheries and the Environment, are involved in the Corner Brook Harbour Development Study.

2. The Newfoundland Department of Industrial Development has engaged the consulting firm Ecologistics Ltd., to prepare an environmental evaluation of the entire project. The above (reply 1) Services of the Department of Fisheries and the Environment have submitted comments on ecologistics' preliminary report to the Newfoundland Department of Consumer Affairs and the Environment. The latter agency chairs the intergovernmental committee on environmental assessment of which DFE is a member.

Environmental studies are being conducted during the summer of 1978 on outstanding concerns respecting the potential effects this proposal development may have on resident and migratory species of fish. A report on the results of these studies is expected to be ready for evaluation by the parties concerned in late 1978 or early 1979.

FISHERIES

SMALL CRAFT HARBOURS PROJECTS IN DISTRICT OF HUMBER-ST. GEORGE'S-ST. BARBE—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 17—**By Senator Marshall:**

What progress has been made on the following projects under the Small Craft Harbours Division of the Ministry of Fisheries in the district of Humber-St. George's-St. Barbe:

Anchor Point—harbour improvements.

Barr'd Harbour—landing wharf.

Bartlett's Harbour—engine and winch.

Bear Cove—groyne repairs and dredging.

Bellburns—landing wharf.

Benoit's Cove—wharf repairs and dredging.

Big Brook—wharf repairs.

Bird Cove—wharf repairs.

Blue Beach—breakwater.

Blue Cove—wharf repairs and dredging.

Black Duck Cove—community stage and wharf repairs.

Boat Harbour—breakwater wharf.

Cape St. George—slipway construction.

Allen's Cove—marina.

Cow Head—dredging.

Crabbe's River—breakwater, dredging, wharf repairs.

Daniel's Harbour—redredging

Eddies Cove East—breakwater.

Flower's Cove—community stage, wharf repairs and extension.

Fox Island River—dredging, breakwater, and slipway.

Gillams—wharf repairs.

Gravels—slipway extension.

Green Island Cove—community stage and wharf repairs.

Lark Harbour—wharf repairs and extension.

Lourdes—slipway.

Neddy's Harbour—wharf repairs.

New Ferolle—dredging.

Parson's Pond—dredging.

Port au Choix—wharf repairs, wharf extension and parking lots.

Pond Cove—wharf repairs.

River of Ponds—landing wharf.

Rocky Harbour—wharf reconstruction and canopy.

Sandy Cove—community stage, wharf repairs.

Savage Cove—community stage, wharf repairs.

Ship Cove—wharf.

Stephenville—wharf repairs.

St. George's—wharf repairs.

Trout River—redredging and breakwater.

Reply by the Minister of Fisheries and the Environment:

Anchor Point—Harbour improvements will be completed during 1978/79.

Barr'd Harbour—Landing wharf. Nil.

Bartlett's Harbour—Engine and winch will be installed 1978/79.

Bear Cove—Groyne repairs and dredging. Contract awarded for Groyne repairs.

Bellburns—Landing wharf. In planning stages at Regional level.

Benoit's Cove—Wharf repairs and dredging. Department of Public Works is providing cost estimates for wharf repairs. Dredging not required.

Big Brook—Wharf repairs. Under review by Regional Office and Department of Public Works for report and cost estimated.

Bird Cove—Wharf Repairs. Possible 1978/79 project, depending on availability of funds.

Blue Beach—Breakwater. Harbour development project approved to be implemented over next two years.

Blue Cove—Wharf repairs and dredging. Project approved. Work will be completed during 1978/79.

Black Duck Cove—Community stage and wharf repairs. Project to be completed during fiscal year 1978/79.

Boat Harbour—Breakwater wharf. Under review by Regional Office and Department of Public Works.

Cape St. George—Slipway construction. Major Canada Works Program two breakwaters 1978/79. Slipway included.

Allen's Cove—Marina. Regional officials discussing with Commodore.

Cow Head—Dredging. Scheduled for 1978/79.

Crabbe's River—Breakwater, dredging, wharf repairs. No plans for breakwater. Dredging and wharf repairs will be completed under Canada Works, 1978/79.

Daniel's Harbour—Dredging. Scheduled for 1978/79.

Eddies Cove East—Breakwater. Under review by Department of Public Works and Regional Office.

Flower's Cove—Community state, wharf repairs and extension. Wharf reconstructed in fiscal 1977/78.

Fox Island River—Dredging, breakwater and slipway. Major dredging contract by Department of Public Works 1978/79. Breakwater and slipway not planned.

Gillams—Wharf repairs. Under review by Small Craft Harbours.

Gravels—Slipway extension. Under review by Regional Small Craft Harbours.

Green Island Cove—Community stage and wharf repairs. Under review.

Lark Harbour—Wharf repairs and extension. New wharf and extension completed in 1977/78.

Lourdes—Slipway. Under review.

Neddy's Harbour—Wharf repairs. Under review.

New Ferolle—Dredging. Under review.

Parson's Pond—Dredging. Scheduled for 1978/79.

Port aux Choix—Wharf repairs, wharf extension and parking lots. Wharf repairs completed. Wharf extension planned for 1979/80. One parking lot completed 1978/79.

Pond Cove—Wharf repairs. Planned for future years.

River of Ponds—Landing wharf. Under review.

Rocky Harbour—Wharf construction and canopy. Completed 1978/79.

Sandy Cove—Community stage, wharf repairs. Planned for future years.

Savage Cove—Community stage, wharf repairs. Planned for future years.

Ship Cove—Wharf. Wharf completely reconstructed 1977/78.

Stephenville—Wharf repairs. Nil.

St. George's—Wharf repairs. Contract awarded.

Trout River—Redredging and breakwater. Dredging completed 1977/78. Breakwater under review by Department of Public Works and Regional Small Craft Harbours.

INDUSTRY

MOTOR VEHICLE AIR-CONDITIONING UNITS—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 19—**By Senator Flynn:**

1. How many air-conditioning units for use in motor vehicles were sold in Canada in the year preceding May 26, 1976?

2. How many air-conditioning units for use of motor vehicles were sold in Canada in the year following May 26, 1976?

3. How much has the excise tax of $100.00 per unit on air-conditioning devices destined for use in motor cars yielded since it was imposed on May 26, 1976?

Reply by the President of the Privy Council:

I am informed by the Departments of Industry, Trade and Commerce and Revenue Canada as follows:

1. No record was maintained in Canada of air-conditioning units for use in motor vehicles prior to May 26, 1976. It was estimated that sales were in the order of 150,000 units in 1975.

2. 124,283 units were sold between April 1, 1976, and March 31, 1977.

3. $24,514,100.

COMMUNICATIONS

BELL CANADA AND NEWFOUNDLAND TELEPHONE COMPANY—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 21—**By Senator Marshall:**

1. Is there any relationship, by way of ownership, between Bell Canada and the Newfoundland Telephone Company and, specifically, does Bell Canada own shares, and, if so, how many, in the Newfoundland Telephone Company in the Province of Newfoundland?

2. Who are the directors of the Newfoundland Telephone Company?

3. What is the relationship between the directors of the Newfoundland Telephone Company and Bell Canada?

4. Who is responsible for decisions affecting rates for telephone service in the Province of Newfoundland?

Reply by the Minister of Communications:

As far as the Department of Communications is concerned, the answer to the above question is as follows:

1. As of December 31, 1977, Bell Canada owned 78.2% of Newfoundland Telephone Company's common shares.

2. The directors of Newfoundland Telephone Company are as follows:

L. H. M. Ayre
Chairman, Ayre & Sons, Limited
St. John's, Newfoundland

A. A. Brait
President and Managing Director
Newfoundland Telephone
Company Limited
St. John's, Newfoundland

H. Collingwood
Chairman and President
Baine Johnston & Co. Ltd.
St. John's, Newfoundland

J. H. Farrell
Vice-President-Regulatory Matters
Bell Canada
Ottawa, Ontario

G. L. Henthorn
Vice-President and Comptroller
Bell Canada
Montreal, Quebec

H. L. Lake
Executive Vice-President
The Lake Group Ltd.
St. John's, Newfoundland

A. R. Lundrigan
President, Lundrigans Ltd.
Corner Brook, Newfoundland

M. T. Neill
Resident General Manager
Price (Nfld.) Pulp & Paper Ltd.
Grand Falls, Newfoundland

The Hon. F. A. O'Dea, Q.C.
Senior Partner
O'Dea, Greene, Puddester & Greene
St. John's, Newfoundland

F. J. O'Leary
Chairman, The St. John's Housing
Corporation
St. John's, Newfoundland

3. There are two officers of Bell Canada on the Board of Directors as of December 31, 1977. These officers are Mr. J. H. Farrell, Vice-President of

Regulatory Matters and Mr. G. L. Henthorn, Comptroller.

4. The body which regulates telephone rates in Newfoundland is the Board of Commissioners of Public Utilities of Newfoundland.

AGRICULTURE

RESEARCH AND DEVELOPMENT RELATED TO FOOD AND AGRICULTURE—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 23—**By Senator Marshall:**

As a result of a news announcement by Agriculture Canada, number C-37, dated 5 June 1978, on measures to strengthen and encourage research and development related to food and agriculture, are any consultations taking place with the Province of Newfoundland along the lines of

(a) expansion of research to develop processing, distribution and retailing agricultural commodities in that province,

(b) the development of more efficient agricultural machinery and equipment, and

(c) the exploration of new crop development, keeping in mind the need for Newfoundland to try to become more self-sufficient in agricultural commodities because of the high import cost of those commodities?

Reply by the Minister of Agriculture:

(a) A program for expanded Processing, Distribution and Retailing sector research is under development. Details have yet to be worked out, but there could be benefits to Newfoundland through participation in the research or application of the results.

(b) A new type of small tractor for use on peat soils was recently developed by Agriculture Canada in co-operation with the Research Station at St. John's. It is undergoing trial now. Contracts are awarded annually by Agriculture Canada for research in specified engineering areas under the Development, Research and Evaluation in Agricultural Mechanization program. Tenders from anywhere in Canada are considered for research projects that meet the aims of the Research Branch.

(c) The New Crop Development Fund receives proposals and makes grants annually. Organizations may apply to the fund for assistance in developing new crops in any part of Canada.

FISHERIES

PRESS RELEASE "CANADIAN FISH QUOTAS TO INCREASE IN 1979"—QUESTION ON THE ORDER PAPER ANSWERED

Question No. 24—**By Senator Marshall:**

With respect to Press Release FMS-HQ-#13 dated May 11, 1978, "Canadian Fish Quotas to Increase in 1979," what interested bodies in the Province of Newfoundland, such as fishermen and trawler owners, will be consulted by region?

Reply by the Minister of Fisheries and the Environment:

During the development of the 1979 groundfish fishing plan and Canadian Quota Allocations extensive consultations will take place during meetings of the Atlantic Offshore Groundfish Advisory Committee. Members of this committee represent inshore fishermen, trawler owners, unions, fishermen's associations and provincial governments.

BUSINESS OF THE SENATE

Senator Petten: Honourable senators, I move that the Senate adjourn during pleasure to the call of the bell at approximately 3.45 p.m.

By way of explanation, we are awaiting a bill from the other place. I understand that there is an all-party agreement to proceed reasonably quickly. It is expected that the bill in question will be introduced in the other place at approximately 3 o'clock, and we would hope to get it in the next three-quarters of an hour or so.

The Senate adjourned during pleasure.

At 4.10 p.m. the sitting was resumed.

CANADA ELECTIONS ACT

BILL TO PROVIDE ADDITIONAL ADVANCE POLLS—FIRST READING

The Hon. the Speaker informed the Senate that a message had been received from the House of Commons with Bill C-66, to provide for an additional advance poll in respect of certain by-elections.

Bill read first time.

SECOND READING

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

Hon. George J. McIlraith: With leave, now. I might add that we will ask for such further consent as is required with a view to having all stages of the bill dealt with this afternoon, if that is agreeable to the Senate.

Senator Flynn: Let us take it step by step.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Senator McIlraith: Honourable senators, this bill is simple and direct in its form, and I am sure this is something that will be appreciated by all.

The by-elections called for October 16 did not take into account the harvest festival of Succoth. It was felt by most members of the Jewish community that this created a very embarrassing situation, because the advance polls, where they otherwise could have voted, were also held on days that are religious holidays for them, and, unless they were able to vote in the last hour of the voting days in the advance poll, they were precluded from voting. In consequence, the bill now before us, which is, as I said, very direct and simple in form, provides:

> Notwithstanding any provision of the Canada Elections Act, an additional advance poll in each by-election shall be established, held, conducted and officered in the manner provided in that Act for advance polls on Thursday, the fourth day before the ordinary polling day at that by-election, and such additional advance poll shall, for all purposes of that Act, be regarded as an advance poll provided for therein.

It is, as I said, a simple and direct piece of legislation aimed at preventing the inadvertent disenfranchisement of a section of the voting public. I am sure this will commend itself to all parliamentarians. I might mention that the other place dealt with this bill rather quickly this afternoon, and I commend it to the favourable consideration of all honourable senators.

Hon. Jacques Flynn: Honourable senators, the sponsor of the bill spoke about its simple purpose, but he should have added that it was to correct an error on the part of the government. That error was caused by the fact that when the first group of by-elections were called on March 1, it was not really the intention of the government that they should take place. At that time we were told in the Senate to rush legislation through because there would be a general election in June. Later, the general election was postponed until the fall, but never at any time was there any serious intention that these by-elections should take place. In fact, it was only about three or four weeks ago that we knew that they would definitely take place, because the government is governing by opinion polls at this time. The Prime Minister looks at a Gallup poll or some other poll and says, "I am going to delay the election."

If the government had seriously intended the by-elections to take place when it chose the date on March 1 last, it would have realized the difficulty created by that choice—a difficulty which this bill is intended to correct. But, as I have said, at no time was the government really thinking seriously of holding these by-elections. We were to have a general election in June, July or August, even as late as October or the beginning of November, and if that had been the case then these by-elections would not be taking place. This is the consequence of the practice of the government in governing and calling elections on the basis of polls.

Of course, we on this side are not going to disenfranchise a group of citizens because of an error on the part of the government. We are going to co-operate with the other place in correcting this mistake on the part of the government—another one in a series that they have made over the years, and more particularly since last fall. We have been operating under the possibility of a general election for over a year now, and now we are to have a mini general election on October 16. We on this side want everyone who has the right to vote to be able to exercise that right.

Senator Grosart: I wonder if the sponsor of the bill could inform the Senate how long the bill, once it becomes an act, will be in force?

Senator McIlraith: It will be in force until the next general election.

Senator Flynn: When will that be?

Senator McIlraith: Well, had I the gift of seeing into the crystal ball, as the Leader of the Opposition seemed to have when he claimed knowledge of the intentions of those who fix the election date, I would be able to answer that question in specific terms. I am afraid I have been around this legislative chamber and the other place for far too long, and am able to resist the temptation to gaze into the crystal ball.

Senator Forsey: I wonder if I might ask the sponsor of the bill who is responsible for the curious word "officered" to which Senator Connolly drew my attention a little while ago. It is a very odd word indeed, and I wonder, in fact, if it exists.

Senator McIlraith: I have no idea, but I assume it means that the returning officers are faced with the responsibility of providing the officers necessary at an advance poll. The honourable senator has good experience in some of that process, and knows exactly how it is carried out on the days advance polls are held.

Senator Forsey: Yes. But the point is that it is a curious bit of bureaucratese as a translation for "et pourvu d'officiers", which seems perfectly clear, but has been translated into the pidgin English which some of the bureaucrats seem to enjoy so much.

Senator Marchand: Honorable senators, I could say to Senator Forsey and the house that the word in French, "officier," is not much better than "officer" in English.

Motion agreed to and bill read second time.

THIRD READING

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

Senator McIlraith: Honourable senators, with leave, now.

Senator Flynn: Certainly.

The Hon. the Speaker: Is leave granted, honourable senators?

Hon. Senators: Agreed.

Motion agreed to and bill read third time and passed.

ROYAL ASSENT AND PROROGATION OF PARLIAMENT

NOTICE

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

RIDEAU HALL
OTTAWA
GOVERNMENT HOUSE

October 6, 1978

Madam,

I have the honour to inform you that the Honourable Ronald Martland, Puisne Judge of the Supreme Court of Canada, in his capacity as Deputy Governor General, will proceed to the Senate Chamber on Tuesday, the 10th day of October, at 4.30 p.m., for the purpose of giving Royal Assent to certain bills and proroguing the Third Session of the Thirtieth Parliament of Canada.

I have the honour to be,
Madam,
Your obedient servant,
Edmond Joly de Lotbinière
Administrative Secretary to the
Governor General

The Honourable
The Speaker of the Senate,
Ottawa.

The Senate adjourned during pleasure.

At 4.30 p.m. the sitting was resumed.

The Senate adjourned during pleasure.

ROYAL ASSENT

The Honourable Ronald Martland, Puisne Judge of the Supreme Court of Canada, Deputy of His Excellency the Governor General, having come and being seated at the foot of the Throne, and the House of Commons having been summoned, and being come with their Speaker, the Honourable the Deputy of His Excellency the Governor General was pleased to give the Royal Assent to the following bill:

An Act to provide for an additional advance poll in respect of certain by-elections.

PROROGATION SPEECH

The Honourable the Deputy of His Excellency the Governor General was pleased to close the Third Session of the Thirtieth Parliament with the following speech:

Honourable Members of the Senate:

Members of the House of Commons:

The Third Session of the Thirtieth Parliament was opened by Her Majesty the Queen, on October 18, 1977. Since then Canadians in many regions have been honoured by visits from several members of the Royal Family and Her Majesty visited Newfoundland and Saskatchewan as well as Edmonton, where she opened the Eleventh Commonwealth Games.

Members of the House of Commons:

This was the first session in which the House of Commons was broadcast on radio and television. In many parts of Canada, people may watch and listen to the deliberations of their elected representatives at the same time that they are occurring. In all parts of Canada, citizens may, on a regular basis, watch and listen to recorded segments of the more important proceedings.

As a result of these broadcasts, many more citizens have become aware of the issues that we face and are able to understand better the process of responsible parliamentary government.

Honourable Members of the Senate:

Members of the House of Commons:

During this session Canadian unity has been a paramount issue. The Government put before you a number of measures and you established a Special Joint Committee to consider these and other proposals on the Constitution of Canada.

You have also, in this session, focussed on international affairs. During this session, the House of Commons held a major debate on our foreign relations for the first time in many years. The Government has continued its efforts for peace among nations and the maintenance of basic human rights in all parts of the world.

The Canadian economy and, indeed, the world economy have been of great concern during this session. In July, the Prime Minister attended a meeting of the heads of government of the leading industrial nations and, since then, the Government has announced a number of major economic initiatives, many of which you will consider in a future session.

Much of your time has been used for discussion of economic matters. You enacted five measures amending the Income Tax Act, the Excise Tax Act and the Customs Tariff. These amendments provided many incentives to economic growth. They also included special measures to assist small businesses.

You amended the Anti-inflation Act in order to facilitate the period of de-control and you extended the Bank Act so that your study of proposed revisions to this legislation may be complete. You enacted a measure to permit the Export Development Corporation to provide greater support to Canadian industry and for the Farm Credit Corporation to do more for Canadian farmers.

Matters relating to energy were of great importance in this session. You passed the Northern Pipeline Act which will govern the construction of one of the greatest projects undertaken on this continent. You also enacted measures to provide for the monitoring of the financial operations of petroleum corporations and to stimulate the development of the tar sands of Alberta.

The institutions and agencies of government were of great interest to you. A measure was enacted to create the Comptroller General of Canada and you passed two Acts revising

the structures of Air Canada and of Canadian National Railways.

You enacted important amendments to the Canada Labour Code and you established the Canadian Centre for Occupational Health and Safety.

Amendments were made to the Pension Act and, twice, improvements were made to the compensation of former prisoners of war.

A measure was enacted to control the discounting of tax rebates and important amendments were made to the Criminal Code to allow trials in the official language of the accused.

After many years of deliberation, you established a Maritime Code. You also passed a measure assisting the development of facilities in fishing and recreational harbours.

You twice amended the Canada Elections Act.

Many other actions of great importance were undertaken during this session.

Members of the House of Commons:

I thank you for the provision you have made for the public services in the previous and in the current fiscal year.

Honourable Members of the Senate:

Members of the House of Commons:

May Divine Providence continue to bless our country.

The Honourable The Speaker of the Senate then said:

Honourable Members of the Senate:

Members of the House of Commons:

It is the will and pleasure of the Honourable the Deputy of His Excellency the Governor General that this Parliament be prorogued until three o'clock in the afternoon tomorrow, Wednesday, the 11th day of October, 1978, to be here holden; and this Parliament is accordingly prorogued until three o'clock in the afternoon tomorrow, Wednesday, the 11th day of October, 1978.

APPENDIX

(*See p. 1042*)

THE CONSTITUTION

SECOND REPORT OF SPECIAL JOINT COMMITTEE

WEDNESDAY, October 4, 1978.

The Special Joint Committee of the Senate and the House of Commons on the Constitution of Canada has the honour to present its

SECOND REPORT

On June 12, 1978, the Prime Minister tabled a document entitled "A Time for Action" which set out "principles for the renewal of the Canadian federation" and on June 20, Bill C-60 was given first reading. On June 27 the House of Commons and on June 29 the Senate passed resolutions establishing a Special Joint Committee of the Senate and the House of Commons to "examine and report upon proposals that have been and in the future are from time to time made public by the Government of Canada, on subjects related to the Constitution of Canada". On June 30, the Committee held its organizational meeting.

The first full meeting of the Committee was held on August 15 and 34 meetings have been held since then.

An Interim Report

When the Minister of State for Federal-Provincial Relations appeared before the Committee on August 15, he drew attention to the unusual manner of proceeding—the submission of a Bill rather than a White Paper, which was then referred to the Committee following only first reading. The Minister stressed that the approach was deliberate—a Bill to emphasize the urgency which the Government attached to constitutional reform; the reference of that Bill to committee before second reading to demonstrate that "the government is not only open to every constructive and helpful comment and suggestion, it very much wants them".

In this interim report we have sought to offer constructive comment. But we have also been very much aware that the subject is vast and complex. We have concluded that we should only offer our views where we have sufficient evidence to present balanced and responsible comments. Moreover, we know that a meeting of First Ministers on constitutional change, which is bound to have a major effect on the Government's future action in this field, will take place at the end of this month. Finally, the report of the Task Force on Canadian Unity will not be available until at least December. For all these reasons, we are not now in a position to submit a final report.

Work Schedule

The decision to begin hearings in mid-summer complicated the Committee's work. Some witnesses were unavailable; others could not find time to prepare submissions which would take proper account of the detailed nature of the Government's proposals. Nevertheless, the Committee received much useful testimony. To everyone who responded to the Committee's request for written submissions or agreed to appear as witnesses, we express our appreciation.

In addition to meeting with federal ministers and officials, the Committee has already heard from representatives of some Provincial and Territorial Governments, several national organizations and many other experts and knowledgeable witnesses. A list of those who have appeared as witnesses is attached as Appendix "A".

In response to its letters of invitation and advertisements in newspapers across the country the Committee has received some four hundred replies from concerned citizens. Further communications continue to be received daily. A list of all who have submitted briefs or letters to date to the Committee is attached as Appendix "B".

Future Work

The meetings already held have provided a national public forum for discussion of constitutional questions and specific commentary on the Government's proposals. Meetings with federal ministers and officials elaborated and clarified the Government's proposals. The Committee has also offered an opportunity to present their views to Provincial and Territorial Governments. Representatives of the Government of the Province of British Columbia have appeared. A scheduled meeting with the Premier of New Brunswick had to be postponed because of the impending provincial election. Representatives of the governments of the Yukon and Northwest Territories have also met the Committee and we have received written reactions from Premier Moores of Newfoundland. Other premiers have indicated they wish to comment on the federal proposals first at the First Ministers' meeting at the end of October. After that date, however, it might be desirable and possible to arrange meetings with representatives of other provincial governments. Our meetings with representatives of national organizations and other experts have also provided an important sounding board for public opinion.

We believe the Committee's work should be continued in the new session. However, the Committee is dealing with a large

volume of evidence on subjects of great complexity, and will need further expert assistance.

Recommendation 1.

The Special Joint Committee on the Constitution of Canada should be reconstituted in the new session and the new Order of Reference should include a provision empowering the Committee to retain the services of advisers.

Scope of the Report

Because the Government has presented Bill C-60 as a set of proposals for discussion rather than as an ordinary bill, the Committee assumed that the Government would not proceed with this legislation early in the forthcoming session unless it received broad support. Such broad support does not exist at the moment, although some of the principles enunciated in the Bill were well received. While objections to certain parts of the Bill are related to its wording rather than its intent and substance, several other elements were vigorously challenged by witnesses. We decided, therefore, in this second report to concentrate on the clauses where a measure of consensus exists.

Although the Committee has already received thoughtful testimony, we are in a position to attempt detailed but preliminary conclusions and recommendations only on some aspects of the Charter of Rights and Freedoms. On other elements of the proposals we can only make some general comments.

Subsequent to tabling Bill C-60, the Government released on August 8 a paper entitled "The Canadian Constitution and Constitutional Amendment". While the Committee has received insufficient testimony to take any position on this difficult issue, we share the Government's conviction that an agreed amending procedure is central to constitutional reform.

The Minister of State for Federal-Provincial Relations several times asserted that, although the federal Government had not made specific proposals about the division of powers, it recognized that this was a major element of constitutional reform which it was ready to discuss at any federal-provincial meeting. This is an area on which the Committee has received little testimony, but we do recognize its importance as part and parcel of the process of constitutional reform and will be seeking more information and views.

The Need for Constitutional Reform

The need for constitutional reform and for an appropriate amending formula to permit patriation of the Canadian constitution is apparent and is seen by many people as urgent. Nevertheless, unanimous agreement at the federal-provincial level is even less likely than in the past. Indeed, the basic goal of the present Government of the Province of Quebec is not constitutional reform but separation from the rest of Canada. Thus, in the forthcoming negotiations, a most important partner cannot be expected to play its full role. This situation may lead to the preservation of the status quo, which the Quebec government could be expected to exploit. This paradox was raised by Professor Léon Dion, a prominent political scientist from Laval University. He said:

> "Therefore, we have to decide whether it would be better to carry out the revision of the Constitution immediately, without the participation of the Quebec Government, or whether on the contrary the whole matter should be postponed as long as Quebec, through a referendum or otherwise, would not have succeeded in expressing a unanimous opinion. By waiting for Quebec, we risk causing a serious delay in the reshaping of our country, but by acting without Quebec, we risk doing useless work and reaping sour grapes."

This dilemma exists but it is probable that a substantial majority of Quebecers want a renewed federalism sooner rather than later. Canadians should not get the impression that the Constitution cannot be changed.

The Process of Constitutional Reform

Two aspects of the process of constitutional reform originally proposed by the Government have been of particular interest to the Committee. First, Bill C-60 makes the implicit claim that the Canadian Parliament has the right to change certain federal institutions unilaterally. Secondly, the Government has proposed an approach to constitutional reform based on two different stages. Those two issues will be considered in turn in this report.

(a) Parliament's Right to Act Unilaterally

When discussing the Order of Reference in the House of Commons on June 27, the Prime Minister said that "the Parliament of Canada has, under the present Constitution, the power to amend the Constitution . . . except in certain areas." He proposed that "we exercise our rights under Section 91" to replace the Senate with a House of the Federation and to codify those sections concerning the Crown. Subsequently, the Minister of State for Federal-Provincial Relations and the Minister of Justice claimed that, while the Government was seeking the agreement of the provinces to these constitutional changes, the federal Parliament had the right unilaterally to amend these elements of the *British North America Act*.

The Committee sought the views of constitutional experts on this point. They were not in agreement, some challenging the Government's position, others agreeing that parliament had the right to act unilaterally.

In the face of conflicting opinions held by recognized experts the Committee adopted the following resolution:

> "That this Committee report to the Senate and House of Commons its concern with the position of the Government to the effect that it can proceed unilaterally, that is, by a mere Law of Parliament, with the provisions of Bill C-60 respecting the Senate of Canada and the position of the Crown."
>
> "That the Committee include in its report a recommendation that the Government consider the advisability of referring these provisions to the Supreme Court of Canada for a decision as to whether they are *intra vires*

the federal government acting alone, either through unilateral action by the Parliament of Canada under Section 91(1) of the *B.N.A. Act*, or by means of a joint address from the Parliament of Canada to the Parliament of the United Kingdom without the agreement or substantial compliance of the governments of the provinces.

On September 14 the Minister of Justice announced that the Government would seek an advisory opinion from the Supreme Court with regard to the Senate but would not refer the question of amending the sections of the *B.N.A. Act* dealing with the Crown and the Governor General since no change of role or powers was intended.

The Committee welcomes this reference of the constitutional legality of the Senate provisions of the Bill to the Supreme Court. It notes, however, that the advisability of unilateral action in such matters is a separate issue.

(b) The phases of constitutional reform

The government has proposed two stages of constitutional reform. Phase I would be limited mainly to the charter of rights and to federal institutions covered by Bill C-60 with a target date of July 1, 1979. Phase II would be devoted to the division of powers between the federal and provincial governments with a target date of July 1, 1981. This approach raised serious concern.

Provincial premiers expressed their position in Regina on August 10 as follows:

> "It was agreed that discussions on constitutional reform cannot be compartmentalized into artificial divisions. Institutional and jurisdictional problems interact in such a way that they must be considered together . . . A comprehensive review is unlikely to be successful if arbitrary deadlines are imposed."

Evidence presented to the Committee raised the same concern. Many Canadians feel that changes in the role and composition of federal institutions should be considered in the light of concrete proposals for a new division of powers because they are closely inter-related. For instance, if provincial powers were to be substantially extended, the case for strong provincial representation in Parliament and for direct input into its decision-making would be considerably weakened. That case would become much stronger however, if a new division of powers were to extend significantly the areas of federal responsibility.

The Committee agrees with the government's desire to proceed with celerity and notes Mr. Lalonde's statement that formal discussions on the division of powers would begin during the federal-provincial conference at the end of October. The Prime Minister has since expressed his views in his recent letter to Premier Allan Blakeney:

> "There is no necessity for the "jurisdictional problems" to be considered apart from "institutional" areas: discussion of the two can begin and can proceed simultaneously. We think, however, that action that can constitutionally be taken in Canada, by Parliament acting within its own powers, should be taken. It should not have to wait upon other revisions that may require more time to consider and that can only be completed by the British Parliament. The Federal Government does not any more than the Premiers, want an "unrealistic" or "rigid" time-table."

The Committee notes the clarification made by the Prime Minister and considers that the proposals on the division of powers to be put forward at the end of October will help greatly in its future work. However, some witnesses seriously doubted the possibility and the desirability of Parliament's dealing with all the matters covered by Bill C-60 before July 1, 1979 if concurrent consideration of the two phases and federal-provincial consultations are to take place as they should.

The Preamble and the Aims of the Federation

The Committee agrees with the intent and the goals expressed in the preamble of Bill C-60 and in the section dealing with the aims of the Federation. We believe, however, that this part of the Bill is repetitive and complicated and reads like an ordinary piece of legislation. We prefer the approach suggested by Marcel Faribault and Robert M. Fowler when they wrote:

> "A constitution is not an ordinary statute. Its spirit is more important than its letter. It should, of course, be precise and carefully worded. But it can afford to speak with inspiration and some emotion to the people whose life it governs. Its form and style need not follow the arid legalisms and technicalities of a tax statute. It should be cast in words that appeal to people's emotions and inspire them to some consciousness of a national identity. If, thereby, the task of judges who may be required to interpret the constitution is made unfamiliar and somewhat more difficult, this is no serious objection. This is what judges are for, and Canadian judges will respond to inspiration like other people. (*Ten to One—the Confederation Wager) McClelland and Stewart Limited, 1965, p. 27)*).

The Committee recommends that the two parts of the Bill be redrafted in this spirit and in a more concise form.

We also recommend the recognition of economic rights as illustrated by the principles set out in the Universal Declaration of Human Rights. Further, although we recognize that the concept of multiculturalism is implicitly covered by the phrase "equal respect for the many origins, creeds and cultures . . . that help shape Canada," we urge that the word "multiculturalism" should also be included.

Recommendation 2.

> The Preamble and Statement of Aims of the proposed Bill should be redrafted for conciseness, style and content.

Later in our report we propose a further change in this part of the Bill concerning the reference to the English and French languages.

We strongly urge that consultation take place during the process of revision and redrafting. Outside experts should be

invited to participate in this new exercise and our Committee could be used as a sounding board.

The Canadian Charter of Rights and Freedoms

The purpose of the Canadian Charter of Rights and Freedoms (clauses 5-29 in Bill C-60) is to affirm "that in a free and democratic society there are certain rights and freedoms which must be assured to all of the people of that society," individually and collectively. This purpose is to be accomplished by elevating them and removing them from the ordinary exercise of legislative and administrative authority. In this respect the Charter represents an advance over the present Canadian Bill of Rights, itself a crucial innovation in our law.

We believe a charter of Rights and Freedoms is generally supported by Canadians. It also has our endorsement.

A few witnesses said that an entrenched bill of rights would undermine the rightful prerogatives of Parliament and give the courts too much latitude. We do not feel the matter involves an opposition between Parliament and the courts. Rather a constitutionally entrenched bill of rights combines the competences of both for the public benefit. The narrow limits within which courts now "legislate" would be somewhat broadened, but only where the people most need protection from governmental action—their fundamental rights and freedoms.

The unambiguous constitutionalization and effective entrenchment of a charter would mark another major advance in our law. We therefore recommend the adoption of a charter.

Recommendation 3.

A Canadian charter of Rights and Freedoms should form an integral part of the Constitution of Canada, but the proposed Charter should be redrafted.

(*a*) *Human Rights*

To be effective, we believe a charter must enjoy a clear supremacy over ordinary legislation. Since that supremacy has been denied to the predecessor Canadian Bill of Rights by the courts through the so-called "frozen concepts" doctrine, the factors causing that denial must be avoided in the proposed Charter. A principal cause was the verbal tense of the initial declaratory statement ("there have existed and shall continue to exist"). The Charter is an improvement over the Bill of Rights because it discards the past tense ("There have existed") in the declaration, but it is still a mistake to employ the modal verb "continue" ("shall continue to enjoy") in clauses 6 and 7. Since this verb contains a past as well as a future reference, it thus implies that the protected rights and freedoms should exist in the future only in the way and to the extent that they have existed in the past. The unadorned future imperative verb ("shall enjoy") accomplishes all that is necessary without implying any limitation in the scope of the protection. The French version of the Charter uses only the verb form *jouit,* "enjoys".

Similarly, the remedial provision in clause 23 is still too weak to remove all doubt that Parliament intends the Charter to be an overriding statute. While it improves upon section 2 of the *Bill of Rights* by dropping the implication that the only recourse for the courts is to construe any offending laws consistently with the Bill, we insist upon a provision that insofar as any law is inconsistent with the Charter it shall be *pro tanto* invalid or inoperative.

Recommendation 4.

To ensure that the provisions of the proposed Charter are interpreted by the courts as overriding other legislation, clause 6, 7 and 23 should be redrafted.

While the words "individual" and "person" refer to the same natural entity, we believe that it is the human person that is the proper subject of rights and freedoms. The word "individual" connotes the individuation or distinctness of the human being, but not his or her dignity.

We are also troubled by the limitation to natural persons or individuals of the right to the use and employment of property, and the right not to be deprived thereof except in accordance with law. We can see no *prima facie* reason why corporations and groupings of persons should be denied this protection. Moreover, the broadening of the protection would meet the concern expressed before the Committee by Inuit spokesmen, who feared that the limitation to individuals would deprive their preferred form of property holding of the protection of the Charter. This is a further reason for the redrafting of clause 6.

The right not to be deprived of the use and enjoyment of property is qualified by the phrase "except in accordance with law." We would ask to have considered whether the concept "due process of law", as in the present Canadian Bill of Rights, would not provide more satisfactory protection.

We are puzzled by the introductory words of clause 7, "In addition to the fundamental rights and freedoms declared by section 6". In our view the legal protections in clause 7 are specifications of some of those in clause 6 (principally due process of law) rather than additions to them. There is a similar problem with clause 9, which as located is discontinuous with clause 6, whereas it should be linked with the principle of equal protection of the law in that clause.

Recommendation 5.

The proposed Charter should be revised to indicate more clearly the relationships among different clauses.

We also heard evidence to the effect that the legal civil liberties protected are selective and incomplete. We share this concern, but we have some confidence that the appropriate expression of these rights will take place through the courts, given the aid of both parts of our recommendation 4. We would therefore propose two amendments to clause 7.

As interpreted by the courts, the pre-trial rights to retain and instruct counsel without delay appears often ineffectual as applied. We believe that the deficiency lies largely in the lack of any stated obligation on the part of the state to facilitate retention and instruction of counsel.

Moreover, in view of the increased concurrency of legislation in the criminal and quasi-criminal fields, we are convinced that the right not to be placed in double jeopardy must be explicitly guaranteed.

Recommendation 6.

Clause 7 should be redrafted to provide for the obligation to facilitate retention and instruction of counsel and for the protection against double jeopardy.

We have grave reservations about clause 8 of the Charter. It would create two new rights, but only for citizens. The first is the right to move to and reside in any part of Canada, the second the right to acquire and hold property and to pursue the gaining of a livelihood anywhere in Canada. We can see an expansion of freedom in the provision that the two rights are protected from limitation on the basis of residence or domicile, previous residence or domicile, or birth. But we question whether the restriction of such rights to citizens alone belongs in the Constitution.

While landed immigrants currently have the same rights as citizens to move, reside, hold property, and work everywhere in Canada, we are aware that geographical limitations on immigrants as conditions of their admission have been considered in recent years. There may be circumstances which justify such limitations, but we would not wish to engrave in the Constitution a permanent distinction between the rights of citizens and landed immigrants even to gain for citizens the expanded liberty referred to above.

We are strengthened in our reservations about clause 8 by its relationship to clause 6 and 9 respectively. In clause 6 the right to the use and enjoyment of property, to equality before the law and to the equal protection of the law is guaranteed to every person, whether citizen, landed immigrant, temporary resident or mere visitor. In other words, section 6 guarantees to everyone substantially the same rights as are recognized by clause 8 as belonging only to citizens. Similarly the injunction in section 9 against discrimination because of national or ethnic origin might be interpreted to be inconsistent with the limitation of section 8 to citizens. We can foresee a century of acrimonious litigation if clause 8 is allowed to stand.

This latter consideration might be resolved by making clause 8 subject to clause 6, but that would not remove our first concern, viz., the establishment of a constitutional preference for citizens in an area where so permanent a distinction is unwarranted. We therefore firmly recommend that clause 8 be withdrawn.

Recommendation 7.

Clause 8 of the proposed Charter should be deleted.

Various additions have been proposed to the prohibited grounds of discrimination in clause 9, but with one exception we prefer to remain with the universally accepted grounds of "race, national or ethnic origin, language, colour, religion, age or sex", as in clause 9. Grounds such as physical or other disability or sexual preference might be meaningful in legislation which provides protections with respect to employment, accommodation, and the provision of goods and services, as much as human rights legislation does. But the political and legal rights and freedoms contained in clauses 6 and 7 would not be expanded by the addition of these grounds, since they are already expressly guaranteed by those sections to every person without exception.

The further ground of marital status has, however, a greater plausibility. It is contained among the prescribed grounds of discrimination in section 3 of the *Canadian Human Rights Act,* and is also found in most of the provincial human rights acts. We certainly favor it as a goal. At the same time we are concerned that its inclusion could create possible problems for differential treatment of single and married persons in tax laws or pension legislation or unemployment insurance. We recommend that the ground of marital status be added to the prohibited grounds of discrimination if the Government can resolve this practical problem.

With respect to the electoral rights contained in clause 10 and the fundamental parliamentary rules established by clauses 11 and 12, we have also received suggestions for amendment. However, we prefer to retain these rights in the relatively minimal form in the Charter rather than to encourage judicial involvement in political questions by providing further detailed rules. These should be left to ordinary legislation.

We find substantial problems with clause 24. On the one hand, clause 24 might be interpreted to allow anyone at anytime to obtain a declaration in the abstract, even in the absence of a case or controversy. In our view this would amount to an abuse of the courts. On the other hand, clause 24 appears to make the protected rights ones of last resort. Any request for a declaration might be met by an argument that some other remedy is available to the litigant and that he must pursue that remedy before proceeding. At the very least, such an issue could consume several days of court time. The problem is an awkward one, but we believe it can be met by redrafting.

In effect, the courts should have power to grant whatever remedy may be appropriate in the circumstances, including pecuniary damages, to enforce the protected rights and freedoms. This should explicitly include the right to hold evidence inadmissible in the interests of justice where it has been obtained by means inconsistent with the protections of clauses 6 and 7. Moreover, the courts should have the specific obligation placed upon them to grant an effective remedy where a denial of rights has occurred. They must not be allowed to decline to intervene.

Recommendation 8.

Clause 24 should be redrafted to ensure that it requires the courts to provide a remedy where there is a denial of rights and that the remedy is adequate.

Clause 25 of the Charter serves two purposes. First, it instructs the courts on how to interpret the Charter by making

explicit that the protected rights and freedoms are not absolutes but may be limited in their exercise or enjoyment in the interest of several aims justifiable in a free and democratic society. In our view the Charter would in any event be read this way by the courts, and the explicit direction to the courts is unnecessary. Coupled with the second purpose of the clause, it is also harmful through overextension. This first purpose should be therefore abandoned.

The second purpose of the clause is to replace section 6 of the Canadian Bill of Rights, which preserves the limitation of liberty by the *War Measures Act*, allowing for its invocation "upon the issue of a proclamation of the Governor in Council declaring that war, invasion, or insurrection, real or apprehended, exists." In the Charter the *War Measures Act* is preserved by implication rather than explicitly.

The case for justifiable limitations on rights by the *War Measures Act* applies principally to the political rights and freedoms in clause 6 rather than to the legal rights and freedoms of clause 7. Many of the more precise legal protections in clause 7 should not require limitation even in wartime crises. For example, we do not see how the state could ever be justified in imposing cruel and unusual punishment. In our view, any limitations on the protected rights should be exactly spelled out in the Charter. Moreover, the accountability of the Government to Parliament for the invocation and administration of entrenching legislation should be established by the Charter.

Recommendation 9.

> Clause 25 should be replaced by a clause which exactly specifies permissible limitations on protected rights and freedoms by the *War Measures Act* or similar legislation, and the Government should be required to justify to Parliament the invocation of such legislation.

Clause 26, providing that the Charter shall not derogate from existing rights and freedoms, is a useful one, but, in singling out the native peoples for special mention, might unintentionally restrict their rights by referring only to the rights and freedoms they may have acquired by virtue of The Royal Proclamation of October 7, 1763. In our view, it would be preferable to omit the reference to this particular document.

Recommendation 10.

> Clause 26 should be redrafted to omit the reference to the Royal Proclamation of 1763.

We have resisted invitations to include economic rights in the Canadian Charter of Rights and Freedoms. In our view, the role of the Charter is to limit the powers of governments, not to increase them. In any event, we have suggested that economic rights be included in the clause on the aims of federation.

We would also add two additional clauses to the Charter. First, we believe that special programs on behalf of disadvantaged groups or persons should be protected. Such programs are intended to prevent or reduce disadvantages suffered by groups on the basis of such factors as are specifically authorized by the *Canadian Human Rights Act*. This protection should perhaps be added to clause 9.

Recommendation 11.

> The proposed Charter should not prevent special programs on behalf of disadvantaged groups.

Second, we believe there should be provision for reasonable access to government documents and records. We would not wish to attempt to spell out in a constitution precise requirements as to the ready availability of information, but we think that some obligation on the government to inform the people should be made explicit in a charter of rights. Without knowledge, there can be no democracy.

Recommendation 12.

> The proposed Charter should provide that people are entitled to reasonable access to documents of governments and government agencies.

(*b*) *Linguistic rights*

The Charter of rights and freedoms contained in Bill C-60 also provides meaningful constitutional guarantees for the use of English and French and in the field of education. The Committee endorses what Mr. Claude Ryan, the leader of the Quebec Liberal Party, has said about those provisions in the attachment to his letter to the Committee:

> "With respect to language, if the federal bill is adopted, the country will have taken a decisive step towards justice and equality. In certain matters, it sanctions the official character of English and French. New Brunswick and Ontario now both fall under the provisions of section 133 (B.N.A. Act) which had hitherto been meant for Quebec only. The bill recognizes new language rights for francophones in certain courts of the country, in education, in federal government services and institutions, etc."

The Committee recognizes the need to protect basic linguistic rights by means of constitutional guarantees. Beyond that, progress in the use of a minority language can only be assured if Parliament and the Legislatures have the political will to promote it. Minority groups must also receive support from governments to help sustain and promote their cultures. A language cannot flourish without a cultural environment that protects its . . .

Ultimately, the progress of bilingualism in Canada will depend upon the evolution of public opinion, not on compulsion. In that context, more rapid improvements will occur when Canadians realize that learning English or French as a second language is desirable not so much as a political concession to another group but as a source of personal cultural enrichment.

The Commissionner of Official Languages, Mr. Maxwell Yalden, has pointed out that in some instances Bill C-60 does

not go as far as the *Official Languages Act* and expressed the fear that the Courts might attach more importance to the provisions contained in the Constitution than to those included in a simple act of Parliament. The points raised by Mr. Yalden should be taken into account in the revision of the provisions of Bill C-60, particularly in the statement of aims of the federation where English and French are referred to as "*principal spoken languages*" rather than "*the official languages*".

Recommendation 13.

> The English and French languages should be clearly mentioned in the statement of aims of the Federation as having equal status as the official languages of the Parliament and Government of Canada.

The Committee believes the Charter of Rights and Freedoms could benefit greatly from meaningful consultations with the provinces at the forthcoming conference. Important parts of the Charter fall under provincial jurisdiction and the premiers may wish to go beyond Bill C-60 in protecting individual and collective rights.

With regard to entrenchment of the Charter we regard it as desirable that a satisfactory amending formula be arrived at prior to the formal proceedings necessary to entrench.

In the course of redrafting the Charter, the process of open consultation recommended in the previous section of this report should be followed. More specifically, some of the experts who appeared before the Committee should be consulted.

The Monarchy

Some members of the Committee are convinced that Bill C-60 as drafted would significantly change the role of the Monarchy in Canada. Others do not agree. When Mr. Lalonde appeared before us, he observed that this role had evolved since 1867 and he stated that the provisions of the Bill were intended to take this evolution into account but not to change the present status of the Crown.

The Prime Minister confirmed that view in his letter to Mr. Blakeney. He wrote:

> "... the purpose of the federal government is to make clear that the Queen remains the "sovereign head" of Canada and to have that position embedded formally in our Constitution. All that the proposals do with respect to the Monarch and the Governor General is to state the present reality as it is, taking into account the developments in our constitutional practice since 1867. It is the view of the federal government that, in any revised Constitution, such a statement of the present constitutional reality is desirable ... "

The Committee takes note of this statement. A number of Members of the Committee think it is undesirable to codify the functions of all the major institutions of government which are now defined largely by evolving conventions. In any case, we are not yet in a position at this time to redraft the provisions of Bill C-60 dealing with the Monarchy.

The Courts and Parliament

Bill C-60 contains important provisions concerning the courts. Concern has been expressed about the method of appointment of judges to the Supreme Court proposed in the Bill and about proposals for providing regional representations on that court.

Proposals have also been made with regard to the reform of the House of Commons, including its composition and its role.

Most of our witnesses have expressed views on the subject of a second chamber. Indeed, it is probably the topic on which the widest range of opinion has been manifested. Four major proposals have been advanced: an elected Senate, a House of the Federation as provided in Bill C-60, a House of the Provinces similar to the Bundesrat in West Germany, and modified versions of the present Senate. There has been no agreement among witnesses on an appropriate second chamber.

The Committee is not in a position at this stage to make specific recommendations on these most important proposals respecting the Courts and Parliament. The overwhelming body of witnesses and a substantial majority of the members of the Committee are prepared to recommend, however, that the Parliament of Canada should have a second Chamber and that the Senate as now constituted should be reformed.

Respectfully submitted,

Maurice Lamontagne
Joint Chairman

(Appendix "A" to report.)

Witnesses who appeared before the Committee

Names are listed in the order in which they appeared at the hearings. The issue of the Minutes of Proceedings of the Committee in which their evidence is recorded is indicated.

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Lalonde, The Honourable Marc, Minister of State for Federal-Provincial Relations	1 to 3
Dr. B. L. Strayer, Assistant Deputy Minister of Justice	1, 2 and 8
Mr. R. G. Robertson, Secretary to the Cabinet for Federal-Provincial Relations	3
Representing the Legislative Assembly of the Northwest Territories:	4
Mr. Arnold McCallum, Minister of Health, Local Government and Social Services	
Representing the Government of the Yukon Territory:	4
Mr. W. L. Lengerke, M.L.A., Chairman, Standing Committee on Constitutional Development.	
Dr. David W. Elliott.	
Dr. W. R. Lederman, Professor of Law, Queen's University	5 and 12
Representing the Native Council of Canada:	5
Mr. Harry Daniels, President.	
Representing the National Indian Brotherhood:	5
Mr. Noel Starblanket, President.	
From the Ontario Advisory Committee on Confederation:	6
Mr. Ian Macdonald, Chairman;	
Judge Rosalie Abella;	
Mr. Rodrigue J. Bilodeau;	
Mr. Ken Dryden;	
Mr. George Korey;	
Mr. Richard Simeon.	
From Inuit Tapirisat of Canada:	7
Mr. Eric Tagoona, president;	
Mr. Togak Curley;	
Mr. John Amagoalik;	
Mr. Peter Ittinuar.	
From the Monarchist League of Canada:	7
Mr. John L. Aimers, Chairman;	
Professor Hereward Senior;	
Mr. Arthur Bousfield;	
Mr. R. B. Bryce;	7
Lang, The Honourable Otto, Minister of Justice	8
Mr. Gordon F. Gibson, M.L.A., Leader of the Liberal Party in British Columbia;	9
Mr. Ronald G. Atkey, Barrister and Solicitor.	9
From the Canadian Bar Association:	10
Dr. Gérard V. La Forest, Q.C.,	
Mr. David Matas.	
From the Canadian Human Rights Commission:	11
Mr. G. L. Fairweather, Chief Commissioner;	
Mrs. Rita Cadieux, Deputy Chief Commissioner.	
Commissioner of Official Languages	11 and 13
Mr. Maxwell F. Yalden.	
Dr. W. S. Tarnopolsky, Professor of Law, Osgoode Hall, York University	12
Professor R. Simeon, Professor of Political Science, Queen's University;	13
From the Canada West Foundation:	14
Mr. Stanley C. Roberts, President;	
Dr. David Elton, Research Direction	
Dr. Peter W. Hogg, Professor of Law, Osgoode Hall Law School, York University	15
Professor Edward Ratushny, Faculty of Law, University of Ottawa;	16
Professor Léon Dion, Faculty of Social Sciences, Université Laval.	16
Dr. Edward McWhinney, Q.C., Head of the Political Science Department at Simon Fraser University, and *Membre titulaire de l'Institut de Droit International*	17
Professor Arthur Tremblay, Ecole Nationale d'Administration publique	18
From the Government of the Province of British Columbia:	18
Hon. K. Rafe Main, Chairman, Cabinet Committee on Confederation and Minister of Consumer & Corporate Affairs	
Mr. Melvin H. Smith, Deputy Minister, Constitutional Affairs (Premier's Office)	
The Honourable J. V. Clyne, Q.C.	19

(Appendix "B" to report.)

List of other Submissions

The following are individuals and groups whose submissions were received by the Committee.

NAME	ADDRESS
	-A-
ADPR—The Association to Defend Property Rights	Calgary, Alberta
Allen, Mr. Isabelle	St. Thomas, Ontario
Alliance for the Preservation of English Canada	Halifax, N.S.
Andrews, Mr. J. Vian	Vancouver, B.C.
Arvay, Mr. Joseph	Windsor, Ontario
Association of Metis & Non Status Indians of Saskatchewan	Regina, Saskatchewan
Atkey, Mr. R. G.	Toronto, Ontario
Atkinson, Mrs. Annie L.	Shelburne, N.S.
	-B-
Bace, Mr. C.	Ottawa, Ontario
Bagnall, Mrs. Lynn	Victoria, B.C.
Baldwin, Mr. G. W., M.P.	Ottawa, Ontario
Balser, Geraldine & Allen	Moncton, N.B.
Bancroft, Mr. John G.	Calgary, Alberta
Barker, Mr. D. S.	Peterborough, Ontario
Barr, Mr. Bruce A.	Victoria, B.C.
Barrett, Mr. J. D.	Vancouver, B.C.
Bastla, Mr. Clifford H.	London, Ontario
Baxter, Margaret	Ottawa, Ontario
Bazinet, Mr. Pierre-Louis	Hull, Quebec
Beck, Mr. Michel	Medicine Hat, Alberta
Bell, Mr. F. H.	Victoria, B.C.
Bennett, Mrs. J. A.	Calgary, Alberta
Benton, Mr. S. B.	Oromocto, N.B.
Biron, Mr. Rodrigue	Quebec, Quebec
Blair, Mr. Alec M. C.	St. Catharines, Ontario
Blomm, Mr. Philip	St. Laurent, Quebec
Blow, Mr. Barrey L.	Duncan, B.C.
Board of Trade of Metropolitan Toronto (The)	Toronto, Ontario
Boyd, Mr. & Mrs. Joseph L.	Toronto, Ontario
Brennan, Mr. & Mrs. Hugh V.	Willowdale, Ontario
Brewerton, Mr. T. W.	Calgary, Alberta
Bright, Mr. Hugh J., M.D.	Ottawa, Ontario
British Columbia Civil Libertie Association	Vancouver, B.C.
Brown, Mr. Harold W.	Winnipeg, Manitoba
Brown, Mr. Irvine J.	Owen Sound, Ontario
Browne, Professor G. P.	Ottawa, Ontario
Burns, Mr. Kevin	London, Ontario
Bustard, Mr. E. E.	Oakville, Ontario
	-C-
Caldwell, Mr. & Mrs. W.	Scarborough, Ontario
Canadian Environmental Law Association	Toronto, Ontario
Canadian Freeman	Ward's Island, Toronto, Ontario
Canadian Human Rights Association	Ottawa, Ontario
Canadian Lesbian and Gay Rights Coalition	Ottawa, Ontario
Canadian Protestant League	London, Ontario
Centre d'aide aux professionnels immigrants	Montréal, Québec
Christian Science Federal Representative for Canada	Toronto, Ontario
Clark, Mrs. Mary	Owen Sound, Ontario
Comiskey, Mr. John P.	London, Ontario
Communist Party of Canada	Toronto, Ontario
Conklin, Mr. William E.	Windsor, Ontario
Cook, Mr. E. H.	Princeton, B.C.
Cook, Mr. William Ph. D.	Toronto, Ontario
Corporation of the Town of Alliston	Alliston, Ontario
Corry, Professor J. A.	Kingston, Ontario
Cunningham, Mrs. Elizabeth	Willowdale, Ontario
	-D-
De Nevers, Mr. Michel	Windsor, Ontario
Denny, Mr. Alex	Sydney, N.S.
Detweiler, Mr. W. J.	Ajax, Ontario
Dempsey, Mr. John W.	Peterborough, Ontario
Dominion of Canada English Speaking Association	Moncton, N.B.
Driedger, Dr. Elmer A.	Ottawa, Ontario
Druggett, Mr. B.	Lowe Sackville, N.S.
Dubois, Miss Marie	Summerland, B.C.
	- E -
Earl, Mrs. Marion R.	Kingston, Ontario
Engelman, Mr. F. C.	Edmonton, Alberta
	- F -
Fanaken, Mr. Geoff	Toronto, Ontario
Felsen, Ms. Marjorie	Victoria, B.C.
Ferguson, Mr. W. James	Toronto, Ontario
Ferland, Mr. Philippe	Montreal, Québec
Fisher, Mr. William A.	Bedford, N.S.
Fisheries and Marine Service	Burlington, Ontario
Fitzgerald, Mr. R. N.	Victoria, B.C.
Fleming, Ms. Isabel	Saint John, N.B.
Forbes, Mrs. Ivyly	Ottawa, Ontario
Fournier, Mr. P. L.	Ottawa, Ontario
Fox, Mr. William	Toronto, Ontario
Fraser, Mr. Francis	Wolfville, N.S.
Freedom of Choice Movement	Montreal, Quebec
French Association of Ontario School Boards	Ottawa, Ontario
	- G -
Gale, Mr. Godfrey	Montreal, Quebec
Gelber, Miss Sylva M.	Hull, Quebec
Gerard, Mr. & Mrs. F. A.	Victoria, B.C.
Gerard, Mr. & Mrs. Gerard	Victoria, B.C.

Gilchrist, Mr. A.	Moncton, N.B.
Gilchrist, Mrs. Florence	Ottawa, Ontario
Gilchrist, Mrs. Irene C.	Moncton, N.B.
Gordon, Miss Penny J.	Trenton, Ontario
Grand Orange Lodge of Canada	Fredericton, N.B.
Greene, Mr. Hugh	Montreal, Quebec
Greene, Mr. M.	Toronto, Ontario
Grindon, Mr. John	Aylmer West, Ontario
Guy, Mr. & Mrs. Ralph B.	Burlington, Ontario

- H -

Haeberle, Mr. Brian	Winnipeg, Manitoba
Haines, Mrs. Andrea C.	Lunenburg, N.S.
Haines, Mr. R. Waldo	Lunenburg, N.S.
Harding, Mr. David	Guelph, Ontario
Harding, Miss Elizabeth A.	Armdale, N.S.
Hartle, Mr. George E.	Chesterville, Ontario
Hashman, Mr. L. H.	Mayfair, Calgary, Alberta
Hawley, Mr. Adam O.	Peterborough, Ontario
Hayman, Blanche and Leonard	London, Ontario
Henderson, Mr. Peter	Parry Sound, Ontario
Horvath, Mr. Louis	Don Mills, Ontario
Hurd, Mr. Larry D.	Winnipeg, Manitoba

- I -

Imperial Order Daughters of the Empire	Lunenburg, N.S.
Imperial Order Daughters of the Empire	Toronto, Ontario

- J -

Jackson, Mr. Arthur S.	Ottawa, Ontario
James, Mrs. Mary S.	Lunenburg, N.S.
James, Mr. Norman G.	Burlington, Ontario
Jardine, Mr. Alex M.	Victoria, B.C.
John the Poet	Chatham, Ontario
Julien, Mr. L.-Donat	Valleyfield, Quebec

- K -

Kalevar, Mr. C. K.	Toronto, Ontario
Kear, Mr. A. R.	Winnipeg, Manitoba
Kamoff-Nicolsky, Mr. M.	Montreal, Quebec
Kelsey, Mr. Ian Bruce	Vancouver, B.C.
Kennaird, Miss Audrey	Ottawa, Ontario
Kennedy, Mr. Michael P. J.	Saskatoon, Saskatchewan
Kennedy, Mrs. Y.	Moncton, N.B.
Kesteven, Mr. Bruce R.	Mississauga, Ontario
Kinnaird, Mr. Ellis	Ottawa, Ontario
Kucheran, Mr. D. M.	Red Lake, Ontario
Kunzelman, Mr. Richard C.	Winnipeg, Manitoba

L

Lafontaine, Mr. Julien A.	Saint-Bruno-de-Montarville, P.Q.
Landry, Mr. Réjean	Quebec, P.Q.
La Plant, Mr. J. A.	Willowdale, Ontario
Lawrence, Mr. A. M.	Vancouver, B.C.
Lemire, Mr. Jean-Marc	Ottawa, Ontario
Liber, Mr. Bruno	South Edmonton, Alberta
Lin, Mr. Che-shung	Windsor, Ontario
Lloyd, Mr. A. F.	Penticton, B.C.
Lloyd, Mrs. Eva	Severn Bridge, Ontario
Lunde, Mr. Earl S.	Richmond, B.C.
Lyon, Mr. J. N.	Kingston, Ontario

-M-

Mabey, Mr. Richard	St. Stephen, N.B.
MacDonald Mr. Arnold	Cornwall, Ontario
MacDonald, Mrs. Freda	Moncton, N.B.
MacDonald, Mr. and Mrs. H. M.	Elora, Ontario
MacKinnon, Mr. Frank	Calgary, Alberta
MacKinnon, Mrs. Marjorie	Lunenburg, Nova Scotia
Macloud, Mr. Keith	Campbellville, Ontario
MacKenzie, Mr. J. D.	L.R. Sackville, N.S.
MacKintosh, Mr. G. B.	Ottawa, Ontario
MacPherson, Mr. James C.	Victoria, B.C.
Mains, Mr. Geoff	Vancouver, B.C.
Mallory, Dr. J. R.	Montreal, Quebec
Marchand, Mr. C. K.	Toronto, Ontario
Marshall, Mrs. V.	Lachine, Quebec
Meisel, Professor John	Kingston, Ontario
Melvin, Mrs. J.	Lethbridge, Alberta
Mennonite Central Committee	Ottawa, Ontario
Merritt, Mrs. Donna	Smithville, Ontario
Metis Cornerstone of Canadian Confederation	Ottawa, Ontario
Milne, Mr. Alan	Toronto, Ontario
Mitchell, Mr. B. A.	Watertown, Ontario
Morris, Mrs. Dorothy	Toronto, Ontario
Morton, Mr. W. L.	Winnipeg, Manitoba
Multicultural Association of Fredericton	Fredericton, N.B.
Murduff, Mrs. C.	Peterborough, Ontario
Murphy, Mrs. W. K.	Toronto, Ontario
Murray, Mr. D. C.	Guelph, Ontario
McCarthy, Mr. Farrell	Newcastle, N.B.
McCaughan, Mr. Chev. John A.	Toronto, Ontario
McConnachie, Mr. P. Nairn	Vancouver, B.C.
McCullough, Lieutenant-Colonel W. J.	Ottawa, Ontario
McDonald, Mr. Kenneth	Willowdale, Ontario
MacKenzie, Mr. Howard H.	Truro, N.S.
McKinney, Mr. R. J.	Sault Ste-Marie, Ontario
McLellan, Mr. O. Ross	Ottawa, Ontario
McLeod, Mrs. Jane	Bobcaygeon, Ontario
McNaught, Mr. Kenneth	Toronto, Ontario

-N-

N.S. Institute of Research	Ottawa, Ontario
Nadler, Mr. Joseph Y. C.S.C.	Montreal, Quebec
New Brunswick Association of Metis and non-status Indians	Fredericton, N.B.
Nightingale, Mr. Donald A.	Rexdale, Ontario

-O-

Ontario Historical Society	Toronto, Ontario
Ontario Riding Committee on the Constitution of LADA	Pickering, Ontario
Operation Dismantle	Toronto, Ontario
Oxner, Mrs. Edythe E.	Lunenburg, N.S.

-P-

Paget, Mr. Harold A.	Kingston, Ontario
Palmer, Mrs. Guy S.	Vancouver, B.C.
Pars, Mrs. M. J.	Mississauga, Ontario
Park, Mr. Marvin	Confield, Ontario
Patriarche, Mr. V. H.	Victoria, B.C.
Pattison, Mr. John C.	London, Ontario
Pederson, Mr. Laurence	Surrey, B.C.
Peterborough United Services Institute	Peterborough, Ontario
Philpot, Mr. J. C.	Peterborough, Ontario
Pilkey, Mr. Noah	London, Ontario
Poots, Mr. J. J.	Scarborough, Ontario
Porteous, Mr. J. A.	Willowdale, Ontario
Porzecanski, Mr. Walter	Vancouver, B.C.
Potter, Mr. William Vincent	Inverness Co, N.S.
Powell, Mr. Edward	Napanee, Ontario

-Q-

Quebec Committee for Language Regions (*The*)	Montreal, Quebec

-R-

Redmond, Mr. B. A.	Glen Margaret, N.S.
Riddolls, Miss Grace	Listowel, Ontario
Rimmer, Mr. T.	Markham, Ontario
Rodgers, Mr. Ronald George	Toronto, Ontario
Roston, Mr. J.	Woodslee, Ontario
Rowes, Mr. John Youlken	Ottawa, Ontario
Royal Canadian Military Institute	Toronto, Ontario
Rusak, Mr. Stephen	Toronto, Ontario
Ruston, Mr. R. James	Ottawa, Ontario
Ryan, Mr. Claude	Quebec, Quebec

-S-

St. Guilhme Trust (*The*)	Pictoir, N.S.
Save Canada Committee	Port Alberni, B.C.
Schiff, Mr. Stanley	Toronto, Ontario
Schuldes, Mr. Wulf K. F.	Victoria, B.C.
Schwartz, Mr. Brian	Ottawa, Ontario
Shaughnessy, Mr. J. O.	Peterborough, Ontario
Sholds, Mr. Russell	Lunenburg, N.S.
Skelton, Mr. Len	Victoria, B.C.
Smith, Ms. Deborah J.	Halifax, N.S.
Smith, Mr. Douglas N. W.	Ottawa, Ontario
Smith, Mr. R. L.	Moncton, N.B.
Smith, Mr. Stuart	Toronto, Ontario
Sproule, Mr. William	Peterborough, Ontario
Stevens, Mr. Alastair B.	Nanaimo, B.C.
Stevenson, Mr. Garth	Edmonton, Alberta
Stock, Mr. David J. B., Q.C.	Woodstock, Ontario
Sturgess, Mrs. J. M.	Lyr, Ontario

-T-

Talbot, Mr. R. J.	Victoria, B.C.
Tanser, Dr. Paul H.	Hamilton, Ontario
Tennant, Mr. Walton	Kamloops, B.C.
Terry, Mr. Terrin	Victoria, B.C.
Thome, Mr. Kelly R.	Red Deer, Alberta
Thompson, Mr. Ruby M.	Wolfville, N.S.
Thorburn, Professor H. G.	Kingston, Ontario
Tieman, Ms. Janet K.	Mississauga, Ontario
Tilley, Dr. & Mrs. A. R.	Toronto, Ontario
Triscott, Mr. James T.	Edmonton, Alberta
Tupper, Mr. Allan	Edmonton, Alberta
Turbide, Mr. Claude	Noranda, Quebec

-U-

Ukrainian Canadian Committee Headquarters	Winnipeg, Manitoba

-W-

Walfield, Mr. Arnold	Bridgewater, N.S.
Wallace, Mr. J. D.	Copper Cliff, Ontario
Wallin, Mr. Halger	Thunder Bay, Ontario
Wertheim, Mr. Max-Joachim	Casselman, Ontario
West, Mr. E. G.	Ottawa, Ontario
Westell, Mr. Anthony	Ottawa, Ontario
Whetham, Mr. Jean	Kingston, Ontario
Whiston, Mr. N. H.	Edmonton, Alberta
Wilkinson, Mr. Philip	Sidney, B. C.
Williams, Mr. Marc	Outremont, Quebec
Willis, Mr. I. D.	Alliston, Ontario
Wilson, Mrs. L.	Kingston, Ontario
Winer, Mr. Stanley L.	Ottawa, Ontario
Witchell, Mr. John B.	Pierrefonds, Quebec
Woodbridge, Mr. C. G.	Penticton, B.C.
World Citizen No. 20727	Mississauga, Ontario
World Federalists of Canada	Winnipeg, Manitoba
Wright, L. Col. W. N.	Toronto, Ontario

- Y -

Youakim, Mr. P.	Burlington, Ontario

ABBREVIATIONS

1r, 2r, 3r	=	First, second, third reading
amdts	=	amendments
com	=	committee
div	=	division
m	=	motion
neg	=	negatived
ref	=	referred
rep	=	report
r.a.	=	royal assent

Acts passed during the Session

PUBLIC ACTS

Chapter		*Bill No.*
	Assented to December 15, 1977	
1	Statute law relating to income tax and to provide other authority for the raising of funds	C-11
2	Appropriation Act No. 3, 1977-78	C-15
	Assented to December 20, 1977	
3	Canada Elections Act amendment	C-5
	Assented to February 2, 1978	
4	Income Tax Act amendment and the Employment Tax Credit Act	C-23
5	Air Canada Act, 1977	C-3
	Assented to March 22, 1978	
6	Appropriation Act No. 4, 1977-78	C-30
7	Appropriation Act No. 1, 1978-79	C-31
8	Canada Elections Act, Election Expenses Act and Northwest Territories Act amendment in respect of territorial elections	C-33
9	Transfer of Offenders Act	C-21
10	Bank Act and Quebec Savings Banks Act amendment	C-16
11	Compensation for Former Prisoners of War Act amendment	C-27
12	Electoral Boundaries Readjustment Act (Hochelaga-Maisonneuve)	C-418
13	Electoral Boundaries Readjustment Act (Humber-Port-au-Port-St. Barbe)	C-412
14	Electoral Boundaries Readjustment Act (Megantic-Compton-Stanstead)	C-423
15	Electoral Boundaries Readjustment Act (Pontiac-Gatineau-Labelle)	C-358
16	Electoral Boundaries Readjustment Act (Prince Edward-Hastings)	C-414
17	Electoral Boundaries Readjustment Act (Prince George-Peace River)	C-267
18	Electoral Boundaries Readjustment Act (Saint-Henri-Westmount)	C-415
19	Electoral Boundaries Readjustment Act (Sainte-Marie)	C-417
	Assented to April 12, 1978	
20	Northern Pipeline Act	C-25
21	Cape Breton Development Corporation Act amendment	C-38
22	Miscellaneous Statute Law Amendment Act, 1978	C-41

Acts passed during the Session—*concl'd*

PUBLIC ACTS—*Concluded*

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	Assented to April 20, 1978	
23	Postal Service Operations Act, 1978	C-45
24	Petroleum Administration Act and Energy Supplies Emergency Act amendment	C-19
25	Tax Rebate Discounting Act	C-46
26	Anti-Inflation Act and guidelines amendment	C-18
27	Canada Labour Code amendment	C-8
28	Farm Credit Act amendment	C-29
29	Canadian Centre for Occupational Health and Safety Act	C-35
30	Fishing and Recreational Harbours Act	C-2
	Assented to June 30, 1978	
31	Appropriation Act No. 2, 1978-79	C-61
32	Statute law amendment relating to income tax and to authorize payments related to provincial sales tax reductions	C-56
33	Financial Administration Act amendment	C-10
34	Canadian National Railways Capital Revision Act and Railway Act amendment and to amend and repeal certain other statutes in consequence thereof	C-17
35	Currency and Exchange Act amendment	C-39
36	Criminal Code amendment	C-42
37	Pension Act and Compensation for Former Prisoners of War Act amendment	C-58
38	Export Development Act amendment	C-36
39	Petroleum Corporations Monitoring Act	C-12
40	Customs Tariff amendment and to amend An Act to amend the Customs Tariff	C-48
41	Maritime Code Act	C-54
42	Income Tax Act and Excise Tax Act amendment in matters relating to the ownership and operation of small businesses	C-59
	Assented to October 10, 1978	
43	Canada Elections Act	C-66

LOCAL AND PRIVATE ACTS

	Assented to March 22, 1978	
44	Marriage Law Exemption Act (James Richard Borden and Judy Ann Borden)	S-5
45	Marriage Law Exemption Act (François Eugène Arthur Waddell and Marie Anne Marguerite Benoit)	S-6
	Assented to April 11, 1978	
46	Bell Canada	C-1001
47	Royal Canadian Legion	S-10

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