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First Session—Twenty-seventh Parliament
1966

THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

The Honourable T. D'Arcy Leonard, *Chairman*
The Honourable H. de M. Molson, *Deputy Chairman*

No. 1

First Proceedings on The Estimates

laid before Parliament for the fiscal year ending 31st March, 1966.

WEDNESDAY, FEBRUARY 2nd, 1966

WITNESS:

TREASURY BOARD: Dr. Geo. F. Davidson, Secretary.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

23453—1

THE STANDING COMMITTEE
ON
FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Bouffard
Burchill
Choquette
Connolly (*Halifax North*)
Crerar
Croll
Denis
Dupuis
Farris
Flynn
Gelinas
Gershaw
Grant
Grosart
Haig
Hayden
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
McCutcheon
McKeen
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Taylor
Thorvaldson
Vaillancourt
Vien
Welch
Woodrow
Yuzyk (50)

Ex officio members

Brooks
Connolly (*Ottawa West*)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, January 26, 1966:

"The Honourable Senator Bouffard moved, seconded by the Honourable Senator Hayden—

That the Standing Committee on Finance be authorized to examine and report upon the expenditures set out in the Estimates laid before Parliament for the fiscal year ending 31st March, 1966;

That the said Committee be empowered to send for persons, papers and records and to sit during sittings and adjournments of the Senate;

That the evidence received and taken at the preceding session be referred to the Committee; and

That the quorum of said Committee be reduced to seven members.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

23453—1½

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, January 28, 1959:

"The Honourable Senator Boulfard moved, seconded by the Honourable Senator Hayden—

That the Standing Committee on Finance be authorized to examine and report upon the expenditures set out in the Estimates laid before Parliament for the fiscal year ending 31st March, 1959;

That the said Committee be empowered to send for persons, papers and records and to sit during sittings and adjournments of the Senate;

That the evidence received and taken at the preceding session be referred to the Committee; and

That the quorum of said Committee be reduced to seven members.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

Wednesday, February 2nd, 1966.

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

Present: The Honourable Senators Leonard (*Chairman*), Aird, Aseltine, Baird, Beaubien (*Provencher*), Belisle, Burchill, Croll, Flynn, Gelinas, Grosart, Haig, Hayden, Isnor, Kinley, McCutcheon, Methot, Molson, O'Leary (*Antigonish-Guysborough*), Pearson, Phillips, Pouliot, Quart, Reid, Smith (*Queens-Shelburne*), Vaillancourt and Yuzyk. (27).

On Motion of the Honourable Senator Aseltine it was RESOLVED to report recommending that authority be granted for the printing of 800 copies in English and 300 copies in French of the committees day to day proceedings.

On Motion of the Honourable Senator Burchill the Honourable Senator Molson was elected Deputy Chairman.

On Motion of the Honourable Senator Aseltine it was RESOLVED that a Steering Committee be constituted consisting of the Honourable Senators Flynn, Haig, Leonard, Molson and Smith (*Queens-Shelburne*). (5)

The Chairman briefly reviewed the matters considered by the Committee at the last Session and the possible subject matter to be considered at the current Session.

It was AGREED that the Committee meet on Thursdays at a time which would not conflict with the Transport and Communications Committee.

It was further AGREED that the Steering Committee meet and set out a program for the Committee to follow, subject to approval of the Main Committee.

The Committee proceeded to the consideration of Supplementary Estimates "D".

The following witness was heard:

Treasury Board:

Dr. George F. Davidson, Secretary.

On Motion of the Honourable Senator Isnor it was RESOLVED to print as Appendices "A" and "B" answers to questions submitted by the Honourable Senators Pouliot and Belisle.

At 11.30 a.m. the Committee adjourned to the call of the Chairman.

Attest:

Frank A. Jackson,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Wednesday, February 2, 1966.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1966, met this day at 10 a.m.

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

The CHAIRMAN: Honourable senators, it is 10 o'clock, and we have a quorum. May we come to order?

First of all, may I extend a welcome to all honourable senators as we commence. The last sitting of the Finance Committee was on June 29, and then our proceedings were rather rudely interrupted, first of all by dissolution of Parliament, and then by an election. Now we start with a new Parliament and a new session. As you know, we have been reconstituted by order of the Senate, and the same estimates we were dealing with last year have again been referred to us. The order committing them to us has also given us the right to use all the evidence that was taken last year. So, in effect, we take up exactly from where we left off.

There are some formal proceedings on the agenda. The first is the usual motion with respect to the printing of the proceedings of the committee. The usual order is for 800 copies in English and 300 copies in French, if that is agreeable.

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

The CHAIRMAN: The next item on the agenda is the appointment of a deputy chairman. Previously, Senator Molson acted as Deputy Chairman of the committee, and he performed those functions extremenly satisfactorily. Are there any other suggestions?

Senator BURCHILL: I move that Senator Molson continue as Deputy Chairman.

Senator KINLEY: I second.

The CHAIRMAN: Carried.

The next item on the agenda is the appointment of the steering committee. Last session it consisted of Senator Donald Smith, Senator Jacques Flynn, Senator Campbell Haig, Senator Hartland Molson, the Deputy Chairman, and myself. Are there any suggestions as to changes in the steering committee?

Senator ASELTINE: Did they perform a good job?

The CHAIRMAN: Modesty prevents me from saying so.

Senator ASELTINE: I move that the same senators constitute the steering committee.

Senator KINLEY: I second.

The CHAIRMAN: Agreed. Just to review what took place last year before the committee finally adjourned in June, we had embarked on some studies. We had, first of all, a report bringing up to date what had been happening in connection with the Glassco Commission recommendations. Dr. Davidson of the Treasury Board brought us up to date on that.

Senator ASELTINE: What about the report of the Auditor General? Are we looking into that?

The CHAIRMAN: I think this is a suggestion that we should consider. I thought we should see where we are at the moment. We then went on to deal with certain individual departments, and we had before us the officials of the Northern Affairs Department and of the External Affairs Department.

In a letter which I had sent out to all members of the Finance Committee, we had outlined a program that would then take in the estimates of several other departments—the Department of Public Printing and Stationery, and the Department of Transport—and would also consider the matter of the Science Council which is being set up by the Government.

There were certain suggestions also made by members of the committee as to other studies. One was that we should examine one or more crown corporations. Senator Phillips suggested we might look into Expo 67. Other suggestions involved the Department of Public Works and the Department of Labour.

In addition to that, since we met last there has been filed in the Senate and in the House of Commons Supplementary Estimates D. These should all be before you at this meeting. This is the first opportunity that this committee has had to look at Supplementary Estimates D. We had all the other estimates before us in June. I am calling that particularly to your attention, having in mind that no doubt a supply bill will have to be before us shortly, and that the supply bill will deal not only with the general main estimates and Supplementary Estimates A, B and C but also with D. This meeting today is an appropriate time for anyone who has been examining Supplementary Estimates D to ask questions in connection with it or to give notice of questions.

I am glad to say that Dr. George Davidson is here with us again. He has been a tower of strength for this committee, in keeping us informed on the estimates and on other matters. He has with him Mr. J. Carl Allen, his assistant.

Honourable senators, that probably brings us up to date in review of the situation. The committee should continue to sit, I think, as long as this session lasts, and I suggest we should sit every week while we are here. Thursday might be the best day to sit.

I also feel that, in view of the fact that the estimates that were referred to us deal with the fiscal year ending March 31, 1966—which is two months from now—this committee should have some report back to the Senate on those estimates before the end of the fiscal year, even though we then continue on with studies such as I have outlined.

On top of all this, there are suggestions such as that which Senator Aseltine has made, as to whether we should consider the Auditor General's report, for example. That report has not actually been referred to us by the Senate, and ordinarily it comes in the sphere of public accounts rather than in the realm of the estimates. Nevertheless, for example, this morning's newspaper carries an item that the Auditor General's report deals with the winter works program. In the supplementary estimates before us now there is an estimate of some $37 million in connection with the winter works program. Consequently it seems to me that the Auditor General would be quite a proper witness for us to have before us when we are dealing with this kind of matter.

Honourable senators, I am in your hands. I have tried to outline to you what our program looks like but I would be very glad to hear any suggestions.

Senator KINLEY: Since Wednesday is caucus day and is a short day in Parliament, Thursday would be the best day to meet.

The CHAIRMAN: My suggestion was Thursday, because the Banking and Commerce Committee seems to meet every Wednesday. The Committee on Transport and Communications meets on Thursday but not as regularly as the Banking and Commerce Committee, and very often their matters are short. For

example, if they take up the Interprovincial Pipe Line bill next Thursday, it should be very short. That would enable us to meet also, provided we are sitting next Thursday. Are there any suggestions as to a program or what our procedure should be?

Senator KINLEY: There seems to be a little misunderstanding about the subsidy on ships, in connection with the merchant marine. Senator Edgar Fournier mentioned this in his speech last night, and mention has been made of it in the House of Commons. I wonder if an authentic statement could be given on that. I think what they did was restore the subsidy on marine to 25 per cent, which was stopped as you know, for a while. The fishing vessels are still the same—40 per cent for a wooden vessel and 50 per cent for an iron ship, I think. I would like to see an official statement come from this committee.

The CHAIRMAN: Are there any further suggestions?

Senator ISNOR: Mr. Chairman, is it understood that we meet on Thursdays in future? I think we should decide on that, so that we would know where we stand.

The CHAIRMAN: Is that the general feeling? That is what I have suggested. There is a possibility, of course, that the Committee on Transport and Communications might get a heavy bill like the Ottawa Terminal Railway bill.

Senator KINLEY: We might have to change the hour to suit.

The CHAIRMAN: Yes. However, if it is agreed that Thursday is the best day, we will keep in mind that we should meet every Thursday from now on during the session, as long as witnesses are available.

Hon. SENATORS: Agreed.

Senator REID: Has most of this money not been spent? I notice it deals with the fiscal year ending March 1966. Does that not mean that most of the money is gone?

The CHAIRMAN: You are directing this question on Supplementary Estimates D. I would ask Dr. Davidson and Mr. Allen if they would come forward, as this is the kind of question they are capable of answering.

I do not think I need to introduce them to you. We are very glad to have them with us. Senator Reid has just asked a question on Supplementary Estimates D. Senator Reid, would you repeat your question?

Senator REID: As these estimates deal with the fiscal year ending March 1966, has not most of the money been spent already?

Dr. George Davidson, Secretary of the Treasury Board: Mr. Chairman and honourable senators, a good deal of the money has been spent already. Senator Reid, I could answer this question better as we go along, in detail if you wish me to do so. Quite a bit of the money was authorized by Governor General's warrants during the months of November, December and January; but it is the practice and the requirement, even though the expenditure has been authorized by Governor General's warrant and made, to include it in the next following supplementary estimates if it is not already covered in the preceding main estimates or supplementary estimates.

Senator FLYNN: I thought that Governor General's warrants could be obtained only when the house was dissolved. As soon as the new Parliament was elected I thought that you could not obtain Governor General's warrants.

Dr. DAVIDSON: The use of Governor General's warrants, Senator Flynn, according to the Financial Administration Act, applies to periods when Parliament is not in session. The wording of Section 28 of the Financial Administration Act, which was amended in September 1958, refers to cases where a payment is urgently required for the public good when Parliament is not in session.

Then it goes on to define the period when Parliament is not in session, in subsection 5 of section 28—under section 2 of the amendment of 1958—and says:

> "For the purposes of this section, Parliament shall be deemed to be not in session when it is under adjournment *sine die* or to a day more than two weeks after the day when the Governor in Council made the order directing the preparation of the special warrant."

That refers to a period when Parliament is not in session. The two-week period referred to does not cover the period when Parliament has been dissolved and the new Parliament has not yet been convened. During this period Parliament clearly is not in session because there is, in fact, no Parliament.

This point arose actually in connection with a requirement that we had to issue a special warrant within the period less than two weeks before the day when the new Parliament was to be convened. Initially we thought this clause prevented us from doing that, but our legal officers gave the opinion that Parliament was not, in fact, in existence until the day when the new Parliament was convened.

Senator FLYNN: It is not considered as being in existence before that?

Senator BURCHILL: Mr. Chairman—

The CHAIRMAN: Shall we finish this point of Senator Flynn's first? If the vote of supply took the Government to October 31 and then Governor General's warrants carried on from then, under what authority are payments being made now?

Dr. DAVIDSON: No payments are being made in the month of February. Any payments being made in the first few days of February are only being made out of moneys left over from the January warrant. That tells its own story as to how close we are to the point of requiring either the passage of main supply or the grant of interim supply.

The CHAIRMAN: Senator Burchill?

Senator BURCHILL: Is this the fourth list of supplementaries?

Dr. DAVIDSON: Yes.

Senator BURCHILL: Will there be more?

Dr. DAVIDSON: It is expected there will be a final year-end supplementary, as is traditionally the case, to pick up the final amounts we then know are needed to balance the expenditures for each vote at the end of the fiscal year.

Senator BURCHILL: Has the trend to increase the supplementaries been growing over the years? It seems to me that during the time I have been here they have been snowballing.

Dr. DAVIDSON: I think there is fluctuation. However, I think it would be fair to say that supplementary estimates, stated as a percentage of the main or total estimates for the year, have been increasing proportionately but not disproportionately. It is true that we have two or three departments, and I am thinking particularly of the Department of Agriculture, the Department of Labour, and the Department of Transport, where for particular reasons there are large year-end items. In the Department of Agriculture, for example, the subsidy payments under the Agricultural Prices Support Board are not usually entered until the end of the fiscal year when we know exactly the amount of payments required to be made for price support for agricultural products during the year.

You will notice that in the Department of Labour estimates, the winter works program has traditionally—and I hesitate to speak of tradition when they are only five years old—but it has become the pattern not to provide for the winter works programs in the main estimates because in theory we do not know

if we are going to embark on such a program for the following winter. Actually the pattern in succeeding years since the program was inaugurated has pretty well established the fact that this program is an annual event. This gives rise to the question as to how long we should go on providing for the winter works program as though it were a decision taken in the middle of the year, and provide $60 million or $70 million in supplementary estimates. When are we going to decide that this is a feature of the main estimates and make provision for it in the main estimates?

The third item is that of the Department of Transport where for a number of years we have been paying subsidies to the railroads consequent upon the recommendation of the Board of Transport Commissioners for an increase in freight rates—a recommendation which was not accepted by the Government. Subsidies to compensate for the increases which were not approved are paid at the end of the year when we know what the position is. If you take these three items they will amount to a couple of hundred million dollars each year out of a total of four hundred to six hundred million dollars per year.

The CHAIRMAN: Senator Pouliot?

Senator POULIOT: Dr. Davidson, No. 11, the item for Legislation, does that include the Senate and House of Commons?

Dr. DAVIDSON: The heading "Legislation" does include the Senate and the House of Commons.

Senator POULIOT: Did you notice that it is the second lowest amount? The lowest is the Privy Council which amounts to $4,798,000, while Legislation amounts to $13,962,000. The item for the Dominion Coal Board amounts to $15,856,000 which is more than the sum provided for Legislation. Furthermore the item "Legislation" which is responsible for the enactment of the law is one-fifth of the estimate for the Department of Justice, which means that it costs five times more to apply the law than to make it. I find that very funny. And despite this the judges complain that they are not well enough paid.

Dr. DAVIDSON: Senator Pouliot, I would not like to have this comparison misunderstood, but the Department of Justice does have to look after several thousand criminals and the Legislation vote only has to provide for 265 members of the House of Commons.

Senator POULIOT: But this covers expenses, does it not? However, I want to draw the attention of the members of the committee to the fact that the amount set down for the House of Commons and Senate is one of the lowest in the estimates, and it may be because senators and members are paid less than certain officials of the Government who get $25,000 a year.

Dr. DAVIDSON: Could I draw Senator Pouliot's attention to the fact that this list does not include the total list of departments and agencies? This list includes only the agencies which are asking for additional funds at this time. Furthermore you will notice at the bottom line on the front page of this Supplementary Estimates presentation an item which lists the total departments for which no supplementary estimates are required at all, and the total of those amounts to $1,185 million. There would be included in that group a substantial number of departments whose total financial requirements for the year are greater than those for the House of Commons and Senate, but it would also include some smaller agencies whose budgets are less than $13 million, the sum to which Senator Pouliot referred.

Senator POULIOT: Here we have 16 items for various departments. Which is the most important of those departments?

Dr. DAVIDSON: Obviously the one of which I am a member, senator.

Senator POULIOT: That is a very good answer.

Dr. DAVIDSON: However, I have to say that that is a subjective opinion, and I should say if I want to give a correct answer that the item you have already referred to, the item of Legislation, embodying as it does the work of the Parliament of Canada, is the most important.

Senator POULIOT: It is the answer that would be given by all the officials of the other departments in turn.

Senator BELISLE: Mr. Chairman, could I ask a question of Dr. Davidson regarding External Affairs?

The CHAIRMAN: Yes, Senator Belisle.

Senator BELISLE: I notice on page 8 that there is $650,000 to provide for the cultural relations and academic exchange program with the French community. I would like to know if we own property in Paris. I ask that because two years ago my daughter went to Paris to study under our own finances, and she was not permitted to enter or to live in or to receive her day-to-day board at what they call La Maison Canadienne, because she is French, but from Ontario and not Quebec.

This year my niece is in Paris and she tried every angle to get in there, but because she came from Ontario they would not permit her to enter. Is this with the Province of Quebec or is this with the Canadian Government?

Dr. DAVIDSON: Senator Belisle, I am afraid I would have to plead ignorance on this point and suggest that we can get an answer for you from External Affairs, if you wish. My impression is this is not a federal Government operation.

Senator FLYNN: I think Senator Belisle is referring to La Maison Canadienne which is operated by a trust, and it was established especially for Quebec students going to Paris. They call it La Maison Canadienne, and it is designed especially for the Quebec students. Mr. Charles Lussier was at one time director of this institution.

Dr. DAVIDSON: Yes, Monsieur Lussier, who is here now.

Senator FLYNN: He is now Assistant Deputy Minister of Citizenship, and was the general representative of Quebec in Paris. It has nothing to do with the Canadian Government or with the Quebec Government.

Dr. DAVIDSON: That is my impression.

Senator BELISLE: Would you check, please?

Dr. DAVIDSON: I will be glad to check and see that the answer is sent to you in a memorandum.

Senator BELISLE: My niece tried every way to get in, but unfortunately her being born in Ontario would not permit it.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, on a point related to this matter under discussion, perhaps the answer to the honourable senator's question could be put in the record, to form part of our record.

The CHAIRMAN: Is that the feeling of the committee, that answers to questions such as Senator Belisle's should appear in the proceedings of our committee?

Senator MOLSON: No.

The CHAIRMAN: I think perhaps it would have to be more of a matter dealing with the particular estimates themselves. I think on this particular question it is not your wish, is it, Senator Belisle, that it appear in the proceedings?

Senator SMITH (*Queens-Shelburne*): I was only concerned with the principle of the thing, that during the course of our deliberations we might do that and have those answers before us.

The CHAIRMAN: It brings to my mind something I forgot, and that is that there were two questions that were left unanswered as of June 30, and the answers were subsequently received. I believe these should now go into our records. There was a question asked by Senator Pouliot dealing with the expenditures in connection with the United Nations, and there was a question asked by Senator Belisle dealing with the number of nations that were paying under 0.04 per cent.

Senator BELISLE: I did receive a letter.

The CHAIRMAN: Yes, but it does not appear in the records of the committee, and if it is agreeable I will suggest that those replies received since June 30 appear as appendices to the proceedings the Committee.

Hon. Senators: Agreed.

—See Appendix "A" and "B"

Senator MOLSON: May I ask a question of Dr. Davidson, Mr. Chairman?

The CHAIRMAN: Yes, Senator Molson.

Senator MOLSON: Referring to the departments that are partially responsible for the regular supplementary estimates—Agriculture, Transport and Labour—when you deal with something like winter works, wouldn't it be at the moment, at least, almost impossible to put a well calculated figure in the main estimates? Isn't it awfully difficult to establish what might be spent in the following year for the winter works?

Dr. DAVIDSON: Mr. Chairman, that is a consideration, I agree. At the same time, I think it could be argued that on the basis of the record of the years in which we have had the municipal winter works program, and on the basis of the trend of expenditure and the volume of both the man-days worked and the expenditure under the program, it would be possible to establish a figure which could be included in the main estimates at the beginning of the year. This would not necessarily preclude the possibility of a smaller supplementary being required as we got to the point of being able to refine the accuracy of our estimate at the end of the year, but it would take the heavy weight of this particular supplementary out of the supplementaries and put it in the main estimates.

The crucial point is whether or not this is accepted at some point in time as being a permanent, continuing, on-going part of the program that is presented annually in presenting the financial plans to the Parliament of Canada. I suppose arising out of the item I referred to in the Department of Transport, there is an assumption that at some time there will be a rectification of this temporary arrangement which will make it possible for the item to be dispensed with, and for this reason it continues to be carried in the supplementaries in the late part of the fiscal year; but it could be done.

Senator MOLSON: Have you totals for the winter works over the last year or two with you?

Dr. DAVIDSON: No, sir, I have not.

Senator MOLSON: All right.

The CHAIRMAN: If I may, I have a recollection that the figure comparable to the $54 million was $37 million in the 1964-65 fiscal year, and I was rather disposed to ask Dr. Davidson if he could give an explanation—if that figure is correct—on the increase from $37 million to $54 million.

Dr. DAVIDSON: Perhaps, Mr. Chairman, I could throw some light on the question Senator Molson has asked by reading the following extract from the material I have before me:

> **Federal contributions to the 1963-64 program reached $34.1 million. The estimated federal share of the projects approved for the 1964-65** program is $61.4 million.

—that is the gross figure—

of which the federal payments are expected to be $41 million.

So, taking those two together, the 1963-64 federal expenditure on winter works was $34.1 million, and in 1964-65 the federal expenditure was $41 million. In each case that represented somewhere between one-half and two-thirds of the total cost of the program.

Senator MOLSON: The labour content of the program?

Dr. DAVIDSON: Yes, the labour content of the program. As you know, the contribution of the federal Government is 50 per cent of the labour content, except in areas designated as areas of high winter unemployment, where it is 60 per cent.

I should also perhaps mention that the figure of $41 million which I have referred to as the federal contribution to the 1964-65 winter works program should, in fact, be supplemented by an additional $6 million of carry-over from the 1964-65 program which was not paid in the fiscal year 1964-65 because the accounts had not been settled. It has been carried over into this year's program and is part of the reason why we need $54 million under this heading for the winter works program, 1965-66, and for cleaning up the carry-over accounts from previous years.

Could I just say one word, Mr. Chairman, before we get too far into the detailed discussion of these estimates? It is a word I offer in self-protection, because I am going to have to say it otherwise quite a few times during the course of the morning. I would not like the members of the committee to think that I am in a position to explain in detail all of these items, or the details of all the programs in all of the departments of Government. What I can do is to give the explanations that the Treasury Board had received from the departments, and accepted, as to the need for these additional items. I can give you factual information on this.

It may be that some questions will arise from certain members of the committee, asking for information about a program, the reasons for the program, what it is expected to accomplish, and so on, in which case I may have to ask you to put such questions over and, if the committee so wishes, it can call a representative of the department itself who would be in a much better position to speak with knowledge on this kind of question.

I hope the committee will understand if I find it necessary to plead ignorance with respect to some of the questions it wishes to put to me.

Senator ISNOR: As a matter of interest, Mr. Chairman, you tabled two replies today, with instructions that they be inserted in the minutes. I think the answer to the question asked by Senator Smith (Queens-Shelburne) should, in the same manner, also be included in our minutes.

The CHAIRMAN: Do I understand, Senator Isnor, that you are referring to the answer to Senator Belisle's question?

Senator ISNOR: Yes.

The CHAIRMAN: I gathered that the consensus of the committee was that it should not be included in the minutes, and that this was also Senator Belisle's request. I am in the hands of the committee. Senator Belisle was particularly interested in that. Is there support for Senator Isnor's suggestion?

Senator ISNOR: It was not my suggestion. It was Senator Smith (Queens-Shelburne) who raised the question.

The CHAIRMAN: In the case of Senator Smith, these are direct financial questions. In the case of Senator Belisle it was a question of whether or not . . .

Senator SMITH (*Queens-Shelburne*): May I say another word on that? So far as I am concerned, I was interested only in the general principle involved.

As this was a personal matter which involved members of Senator Belisle's own family, it would seem to me quite natural that he be reticent about it.

Senator BELISLE: It does not matter to me.

The CHAIRMAN: Perhaps you can leave it with me. When the answer comes it can be brought to the attention of the committee, as a matter of interest to the committee, and can be dealt with at that time. I think we can deal with some of these matters in this way. Are there any other suggestions or questions?

Senator ASELTINE: There is one question I should like to ask. I am always interested in these $1 items. They used to cause me much difficulty when I was trying to explain them. I understand, of course, that a one-dollar item is put in for the purpose of making provision for certain payments at a time when the total amount is not known, and because it is necessary to have some authority before payments can be made. I notice on page 10 that there is a one-dollar item under Fisheries, and there is another one on page 12 in connection with the National Employment Service. There is another one with respect to Mines and Technical Surveys on page 13. It would be a good idea to have some explanation given of those items.

The CHAIRMAN: I think your point is well taken. I will ask Dr. Davidson to explain why items are put here in the amount of $1. However, I do not think his explanation will be as you have suggested.

Dr. DAVIDSON: Senator Aseltine, the items which cause us most difficulty are the smallest ones and the biggest ones, and quite frequently we receive questions about the $1 items. I have to say that they are put in for a variety of reasons. May I take you through a few examples to indicate this?

Look at page 4 under "Land Rehabilitation, Irrigation and Water Storage Projects". This is one to which you did not refer. It is Vote 55d under Agriculture, down towards the bottom of the page. The purpose of this one dollar item is not to provide for additional funds.

Senator ASELTINE: It is not?

Dr. DAVIDSON: There are sufficient funds in the vote which would otherwise not be required to cover what moneys will be required if this vote is passed. The purpose of this is the following: In the main estimates the vote is intended to provide for expenditures in respect of land rehabilitation, irrigation and water storage projects, but it does not cover the provinces of Ontario and Quebec where a serious drought condition developed in 1965, and for which it is desired to provide some assistance.

Senator MCCUTCHEON: Mr. Chairman, would it be fair to ask Dr. Davidson if the principal purpose of the one-dollar items is to effect changes in legislation by approval of the estimates?

Dr. DAVIDSON: If you include in that, Senator McCutcheon, legislation which consists simply of vote wordings in previous estimates then technically that is correct, but this is not to actually amend legislation that is on the statute books, except by way of the Appropriation Act. In other words, the vote wording appearing in the main estimates which was not broad enough to cover this particular situation.

Senator MCCUTCHEON: Then, let me ask you this question: does the legislation cover the provinces of Ontario and Quebec?

Dr. DAVIDSON: The vote does not cover them as it presently stands.

Senator MCCUTCHEON: But the legislation does?

Dr. DAVIDSON: There may be no legislation at all.

The CHAIRMAN: The previous Appropriation Acts would.

Dr. DAVIDSON: Let me check the vote wording. Yes, Vote 55 in the main estimates is as follows:

> Irrigation and Water Storage Projects in the Western Provinces including the South Saskatchewan River Project, . . .

which is not covered by legislation.

> . . . the Prairie Farm Rehabilitation Act Program, Land Protection, Reclamation and Development, the Maritime Marshland Rehabilitation Act Program and the Agricultural Rehabilitation and Development Act Program—Administration, Operation and Maintenance, including Canada's fee for membership in the International Commission on Irrigation and Drainage.

tion, Irrigation and Water Storage Projects. So, this vote consolidates certain programs that are authorized by legislation, and also certain programs that are authorized only by the vote wording of the legislation itself.

All of those subject headings are properly a part of Vote 55, Land Rehabilita-

This vote wording extends the scope of this particular vote to include expenditures in respect of irrigating drought stricken farms in Ontario and Quebec. We know there is enough money already requested of Parliament, although not yet voted, in the Main Estimates, to cover the $50,700 that we estimate the extension of the vote to Ontario and Quebec will cost. Therefore, we put in this debit amount of $58,699 to indicate that it is not the extra money we need but only an extension of the vote wording authority, so that the moneys already in this vote can be used for these additional purposes which were not included in the original purposes set out in the wording of Vote 55 in the main estimates.

The CHAIRMAN: And if there were no surplus in the votes already granted under the Main Estimates this item would appear with the same wording but with the appropriate figure for the actual expenditure against it instead of the figure we have now?

Senator FLYNN: Not necessarily.

Senator MCCUTCHEON: On that point, Mr. Chairman, may I refer Dr. Davidson to page 17 of Supplementary Estimates (D) where under "Loans, Investments and Advances" this appears:

> Vote L 15d—to provide that the total amount of outstanding advances at any one time with respect to loans to Indians under section 69 of the Indian Act, notwithstanding subsection 5 thereof, shall not exceed $1,500.

Now, that is legislation, in my opinion.

Dr. DAVIDSON: Senator McCutcheon, may I make it clear that I was not giving that one illustration as being the sole illustration that I was going to put forward. I pointed out to Senator Aseltine that these one dollar votes represent different kinds of problems in different sets of circumstances. I would be very glad to explain to you what this refers to.

Senator MCCUTCHEON: I do not want to interrupt your sequence. You go ahead.

Dr. DAVIDSON: There has been since 1938 a practice of making loans to Indians on reservations, or to groups of Indians. In section 88 of the Indian Act there is a provision which prohibits the charge, pledge, mortgage and attachment of Indian real and personal property situated on a reservation. This is what makes it impossible for Indians on a reservation to have access to the ordinary credit facilities that are available to people whose assets, personal and real, can be pledged. For this reason this fund has been provided over the years. It was originally set up at an amount of $1 million under section 69 of the Indian Act. The purpose of this is to amend the amount of the size of the fund

because of the growing volume of need for funds to advance to Indians under proper security arrangements.

Senator McCUTCHEON: Which is really an amendment to the legislation?

Dr. DAVIDSON: That is correct. I might just add that since 1938 some $2.8 million had been loaned to individual groups of Indians, and the collection experience has been one I think members recognize as being exceptional, that only 2.94 per cent had to be written off in that period.

Senator McCUTCHEON: I am not questioning the purpose or validity, but in this particular item, at least, you are amending the statute by an item in the estimate?

Dr. DAVIDSON: That is correct.

The CHAIRMAN: I suppose section 69 might not necessarily bind the Crown, in any event?

Senator McCUTCHEON: It makes it clear that it does not, anyway.

Dr. DAVIDSON: I should not have misled you, Mr. Chairman. It is not section 69 that deals with limits on the credit; that is section 88. If I am right, section 69—and I cannot recall specifically—does include the stated amount of $1 million as the upper limit of this.

Could I go on and give some additional examples of what this one-dollar item sometimes covers? I would like to refer to an interesting one, because it presents a special problem, on page 13, under Mines and Technical Surveys. The item I refer to says:

> Vote 15d—Administration, Operation and Maintenance—To extend purposes of Mines and Technical Surveys Vote 15 of the Main Estimates for 1965-66 to permit oceanographic and hydrographic ships to carry out work in extraterritorial waters during the fiscal years 1965-66 and 1966-67, notwithstanding the Department of Mines and Technical Surveys Act.

Here again, I think Senator McCutcheon might raise the point, is this an amendment to the legislation? Here is the situation. We have an oceanographic and hydrographic ship, whose job it is obviously to carry out oceanographic and hydrographic explorations for Canada in Canadian territorial waters. Its main purpose is to do this, and in fact it does so during the winter months when it is not so busy, as Senator Flynn, who was minister, knows. To make constructive use of this vessel it has been the practice for a number of years for this vessel to be sent down to southern waters for the purpose of training new recruits, and for the purpose of keeping the ship active and exercised.

Some question has been raised in the last Auditor General's report, or the one before that, as to whether this is a use of funds to finance this operation which was not intended by Parliament and not within the scope of the Mines and Technical Surveys Act. Now, we have the option. Either we put the ship up for the winter, beach the crew and have them sitting on their hands doing nothing, because we have to keep them together as a crew until next year, or we have to make some sensible and working use of the crew and the ship during this period. The purpose of this is to make it possible to allow the ship to do what it has done for a number of years, which the Auditor General says is borderline as far as the law is concerned, and the purpose of this one-dollar vote is to accomplish that objective.

This came to our attention only in December when the Department of Mines and Technical Surveys requested advances on behalf of its crew members prior to setting off in January; and while in theory, presumably, we should have said, "No, you must wait until we have an Act by Parliament," we thought this was the only practical course of action to take in the circumstances and that is why the one dollar is in the estimates.

Senator McCUTCHEON: Very pleasant arrangements for the crew.

Dr. DAVIDSON: I have often wondered if there was some alternative use of the vessel during the winter months, but it also might be difficult to find a vote wording in the estimates for the purpose that I might have in mind.

The CHAIRMAN: Senator Aseltine, I believe you have a question to ask.

Senator ASELTINE: Page 10, under Fisheries the top item, Vote 5d.

Dr. DAVIDSON: I will read the explanatory note, Mr. Chairman:

> Article II of the Convention on Great Lakes Fisheries between Canada and the United States of America provides for the establishment of a commission to be composed of two national sections, each section composed of not more than three members appointed by the respective contracting parties. At a meeting of the contracting parties held in June 1964 to review the activities of the Great Lakes Fisheries Commission it was proposed that Article II of the Convention be amended to provide for not more than four members of each section. It was suggested by the Department of Justice that legislation in the form of an item in Estimates be sought to authorize such an amendment. Approval in principle for inclusion of an item in Supplementary Estimates for 1965-66 was authorized by the Treasury Board in September 1965. The amount of $1 included in these supplementaries will indicate approval of the amendment to article II of the Convention on Great Lakes Fisheries between the respective contracting parties.

Senator McCUTCHEON: In connection with that explanation, may I ask you this. Authorization is given for the increase of a number of members of each of the contracting parties, and this provides for the appointment of such, and that is, as you have indicated, an amendment to the existing legislation. Now, what happens next year? Is the legislation going to be amended or—

Dr. DAVIDSON: This is a standard authority, and if I understand it correctly, what happens is that if the effect of this is to change the import of any section in any act of Parliament or in any schedule to any act of Parliament, when the statute revision is carried out by the Department of Justice, which is done every ten years, it will take note of this and will effect the change in the wording of the legislation in the Revised Statutes.

Senator McCUTCHEON: But the passage of this item will effectively change the legislation until the Revised Statutes are revised?

Dr. DAVIDSON: Yes, that is, if this is on the statute books now in statutory form. I speak without precise knowledge, but I presume that Article II of this Convention is to be found in the schedule to the Great Lakes Fisheries Convention Act, and this has the effect, therefore, in the interim, pending the revision of the statutes, of effecting this particular change in Article II of the Convention which is attached as a schedule to the Great Lakes Fisheries Convention Act.

The CHAIRMAN: Of course, it is possible that the Convention itself might provide for just such an amendment without the necessity of legislation.

Senator McCUTCHEON: Then surely it would not be necessary to bring in this item.

The CHAIRMAN: It would still be necessary because of the appointment of the fourth member.

Senator REID: How did this originate in the first place?

Dr. DAVIDSON: This is a question I cannot answer. The only thing that I can say is that this is the result of an agreement reached between the representatives of the Canadian Government and the representatives of the United States Government that this would be done; and this is for the purpose of fulfilling the commitment entered into at that time.

Senator REID: I believe the responsibility rests on a commission of three?

Dr. DAVIDSON: Yes; but they have you on that commission, have they not? You are worth any other two.

The CHAIRMAN: Are there some further questions?

Senator PEARSON: Referring to Vote 10d under Forestry on page 10, may I ask why Western Feed Grains does not come under Agriculture rather than Forestry?

Dr. DAVIDSON: I think the only answer I can give you, Senator Pearson, is that this responsibility was originally in the Department of Agriculture and was transferred to the Minister of Forestry, under the Rearrangements and Transfers of Duties in the Public Service Act, in February 1964. It was a decision of the Government that this should be handled by the Minister of Forestry. That is the explanation, as I can give it to you.

Senator BAIRD: Mr. Chairman, I would like to ask a question about an item on page 12. It is vote 15d, expenses of the Canada-United States Interparliamentary group. Is that the total amount?

Dr. DAVIDSON: No, sir.

Senator BAIRD: That is just a supplementary?

Dr. DAVIDSON: That is the additional amount required.

Senator BAIRD: Have you any idea of the total amount that was spent?

Dr. DAVIDSON: Yes, sir. May I read this explanatory note, Senator Baird? This is the $55,000 item. It reads:

> This supplementary estimate is required for the additional costs of a visit to Canada of five members of the French National Assembly and to cover a further amount required to liquidate the outstanding accounts and commitments of the Fifty-fourth Annual Interparliamentary Conference.

The original appropriation for planning and organizing the Fifty-fourth Annual Interparliamentary Conference in Ottawa, 1965, was $200,000; and this additional $50,000 is required to make up the costs which have already been incurred.

This was to pay the outstanding bills, in other words. The bills have in fact been paid, because we have advanced $50,000 out of our Finance Contingencies Vote to this purpose. When this amount is approved by Parliament, if it is, it will be refunded to the Finance Contingencies Vote.

Senator VAILLANCOURT: We read on page 12 ". . .expenses of the Interparliamentary Conference to be held in Ottawa in 1965." Why does it say "to be held" when the date has already passed?

Dr. DAVIDSON: I appreciate the point you make, Senator Vaillancourt. We are here in some difficulty because it is necessary to maintain consistency between the vote wording of the main estimates and the vote wording of the supplementary estimates, when you are asking for supplementary appropriations to add to the appropriation already made. The wording given in the main estimates, and which appears in the Blue Book, referred to the Interparliamentary Conference "to be held in Ottawa in 1965", as it was looking forward at that time. That is why it was worded in that way in the main estimates. Our legal advisers tell us that we should keep that wording, no matter how ridiculous it seems from our point of view; because if we change the wording, then it may be interpreted as being a separate vote—which cannot be used for the same purpose as the original vote was used for.

Senator VAILLANCOURT: That is satisfactory.

Senator AIRD: I would like to ask a question regarding an item on page 13, National Defence, Vote 40d—Development. We have the single word "Develop-

ment," although there is a sum of $9 million concerned. In most of the cases there is an explanation for expenditures. I wonder if this was a matter of technique for that particular department or what the explanation is in relation to it.

Dr. DAVIDSON: I will give you first the technical answer and then I will tell you what this is all about. The reason that this says "development" is that, if you will turn to page 270 of the main estimates, 1965-1966, it says "development"—and again, for the same reason as that which I gave to Senator Vaillancourt, we have to maintain consistency.

As to what this program relates to, you are perhaps familiar with the so-called hydrofoil program, in which we are attempting, through National Defence and through this Development Vote, among other things, the development of a hydrofoil prototype that will, as you know, permit the ship to rise out of the water and proceed at much greater speeds than it would if it had to remain in the water. This is a program which has been under way for a number of years. The target date for the production of the full prototype, as I understand it, is April to August of this year.

This is merely a reflection of the fact that the costs of the program have had to be revised upwards, number one; and number two, that the funding of the program has had to be accelerated, because there has been greater progress made this year than was anticipated when the vote was originally put into the main estimates.

This $9.3 million is required to pay the accounts that will be incurred, that have been and are being incurred at the present time, largely at de Havilland but also at the shipyard in the lower St. Lawrence, in respect of this program.

Senator AIRD: Thank you. The main point I was trying to make is why there is not a short description given along the lines that you have given.

Dr. DAVIDSON: Could I just have another look at the main estimates and see if there is anything in the detail that would throw any light on that. I have looked, and I see there is not. Senator Aird, I think that is a good question, which I would like to take under consideration myself. It does not tell you very much.

Senator YUZYK: Would Dr. Davidson kindly give me a general explanation of the item on page 1, which comes immediately after the figure "16". It says: "Departments for which no Supplementary Estimates are Required". I notice in the previous estimates and in the present estimates that in all cases there were increases for every department. I would like an explanation as to which departments there were for which there was no increase at all and for which there is no provision in the supplementary estimates, as the previous estimates and the present are exactly the same. Do these departments spend extra money every year or are they stationary?

Dr. DAVIDSON: The departments for which no supplementary estimates are required are departments whose budgetary requirements are included in the main estimates presented at the beginning of the financial year. They may or may not have been included in supplementary estimates A, B or C, or they may be departments who, because they have been able to live within their estimates and have not been faced with any special contingencies or emergencies requiring additional funds, are able at this date to say: "We are still in a position to live within the amounts of money that are included in this total for our department and we do not at this date foresee any supplementary requirements." Some of these may turn up in the final supplementaries of the department concerned, depending on whether they can make it to the end of the fiscal year without overexpenditure.

Senator YUZYK: Could you state one department of this kind which does not require an increase?

Dr. DAVIDSON: We could take the Department of Insurance, which is a small department. However, there is the Department of National Revenue. There is nothing at the present time being requested in the way of supplementary appropriations for the Department of National Revenue. There is no extra appropriation being requested for the Department of Public Works, for the Secretary of State, for the Department of Trade and Commerce, and so on.

Senator YUZYK: I see.

Dr. DAVIDSON: You may interpret this in either of two ways. Either these departments are doing remarkably well and have been living within their appropriations, and should be commended; or we did a remarkably poor job of budgeting those departments' estimates last year and gave them more money than they needed, and they are living on the fat. You pay your money and take your choice.

Senator YUZYK: Are there cases of that kind?

Dr. DAVIDSON: I will have to plead the Fifth Amendment on that point.

Senator MOLSON: Let us hope it was the first.

Senator HUGESSEN: I should like to ask a question in connection with those four departments which have very large supplementary estimates. I am not satisfied that something could not have been done in the main estimates to show some of this contemplated expenditure. I think it is very important to have the main estimates as clear and as accurate as possible and show the general public what the picture is. Here you have two or three hundred million dollars to which you have made no reference in the main estimates and which come to us now. I must confess I always feel rather suspicious that any Government may be anxious to hold off things until supplementary estimates come in and then try to slip them through. The fact is, of course, that when the main estimates are brought forward showing to the public the estimated expenditures for the year they are inaccurate to the extent of these large amounts which are produced later.

Dr. DAVIDSON: I appreciate your point, and I think there is validity in it. However, Senator Hugessen, I should draw your attention to the fact that the supplementary estimates requirement for the year ahead are always taken into account in the Budget Speech, and when the Minister of Finance in his speech in April, last year forecast the expenditures for 1965-66 at $7,650 million, he was taking into account what was then known on the basis of previous history and the prospects at that time. Therefore he made provision in his budget forecast for all supplementary estimates that he could foresee in the course of the year ahead.

Senator HUGESSEN: Why could he not put these in the estimates?

Dr. DAVIDSON: That is a good question. But this involves matters of Government policy in many ways. For example, in some departments like the Department of Transport—

Senator HUGESSEN: Surely he must have known he would have to spend something.

Dr. DAVIDSON: Did he? When these estimates were being made up—and that was a year ago when they were being put into print—it was the hope that some kind of legislative action could be taken as a result of the MacPherson Report which could well have the effect of altering the requirements under this particular item. When you have been dealing with this in supplementary estimates for four or five years and then you reach the point of time when you are just about ready, as you think, to take action, it might seem silly to switch over and change it to the main estimates and then have a $70 million item lapse, and have to bring in a supplementary estimate for a further amount to cover the costs of implementing the legislation arising out of the MacPherson

Report. You could not pay that out of this $70 million item because a different vote wording would be required. As you can see, this is quite a dilemma to be faced with.

There are substantial numbers of programs arising in the course of each year where a government, for reasons it considers to be justifiable, decides that instead of simply saying "We are tied hand and foot and we will have to wait until next year," that there is something they should do and they take the responsibility of doing it by way of a supplementary estimate.

It is the practice at Treasury Board meetings—perhaps it is wrong but we do not think it is—when we are working on the main estimates not to include anything put forward by departments at that time as a proposal which has not already received either cabinet or legislative approval. We do not wish our main estimates to include sums for purposes for which Parliament may be asked three months later to approve legislation. Therefore many of these items put forward to us in the estimates but which we know are prospective commitments are taken out of the main estimates and included in the overall forecast of expenditure, so that the Minister of Finance may include that in his global figure when he gives his prospective estimate of expenditures. But it has to be put in the supplementary estimates when legislation is eventually passed by Parliament, or cabinet makes a decision. I offer this not in defence but as an explanation as to why we find ourselves in this situation.

Senator HUGESSEN: It is an interesting situation, and I thank you for the information.

The CHAIRMAN: Senator Hugessen, before you came in we had a discussion about the meetings of this committee and it was felt that we should meet every Thursday morning when the Senate is sitting. We realize that that is the morning on which the Standing Committee on Transport and Communications sits. However if you were calling a meeting we would endeavour to arrange things so that they would not overlap. I thought I should draw your attention to this fact. This was the feeling of the committee.

Senator BURCHILL: Coming back to Senator Hugessen's question, I would like to ask Dr. Davidson to give me some idea as to the average percentage which the supplementary estimates are of the main estimates.

Dr. DAVIDSON: I think a good guess would be 5 per cent or 6 per cent or something of that order. It is certainly less than 10 per cent. I cannot think of a year in which the total supplementaries for the entire year have been as much as 10 per cent. They have been less than 10 per cent in any year that I can recall.

Senator HUGESSEN: Is there a tendency for them to rise?

Dr. DAVIDSON: As I said to Senator Burchill a short while ago, it fluctuates from $400 million to $600 million a year. If you were to chart the trend you would probably find that the supplementary estimates as a percentage of the total are fairly constant. They rise consistently with the total of government spending.

Senator ISNOR: I was rather interested in the question asked by Senator Hugessen. I was wondering whether from the point of view of the public it would not reflect to the credit of the Government of the day, and particularly the Minister of Finance, if the gross amount was included in the estimates in the first case, and later on if there should be a surplus left over from the estimate that it could go to his credit.

Dr. DAVIDSON: Well, sir, it would save us a lot of trouble at Treasury Board if we could come and ask Parliament to give us all the sums of money we thought we might need whether in fact we needed them or not. But if we were to do so I have no doubt we would be attacked by members of the House of Commons and the Senate for asking for a lot more money than there would be

any likelihood of our requiring. There is, however, one thing I have been wondering about and it has never been tried to the best of my knowledge. We do find ourselves asking for the sums of money that at the end we do not spend and do not need. I have often wondered whether it would be feasible to work out a procedure which would involve us in asking Parliament, by a suitable vote wording, of course, to reduce a vote already in being in the main estimates by an amount we know we are not going to need, and to appropriate that particular amount to other purposes. This would really mean that we would in effect be asking Parliament for authority to transfer the funds that might already have been voted for particular purposes to others without raising the total spending authority. This I think from some points of view would be worth exploring, but it really would confuse the picture for anyone who has to work from the printed documents at a later date in history. A considerable amount of analysis and research is done, based on the printed main estimates, and if we were to take $10 million voted in the main estimates and by parliamentary authority at a later date transfer it to other purposes, it would be very difficult to reconcile these transfers in the research and accounting work done by many people outside government circles. Therefore I have hesitated to bring it forward as a firm suggestion. It would be one way of reassuring Parliament that in the overall we are not asking for any more money than we really need.

Senator ISNOR: I think if you were to do that you would be opening the door to charges that you were juggling figures.

Dr. DAVIDSON: Correct, correct.

Senator MOLSON: Mr. Chairman, wouldn't it be possible to do the same thing by including, as is done with supplementary estimates, the cancellation of amounts which are no longer required; to have the supplementary estimates for the increased amounts for the specific purposes set out, but at the same time record and approve the withdrawal of some which are no longer needed for certain votes wich have already been passed?

Dr. DAVIDSON: This is the kind of thing. If I could use this National Defence item of the hydrofoil, for example, we know now that the National Defence Main Estimate Vote 15 is going to be underspent this year, that there is much more than this $9 million that will lapse in the National Defence department's main Vote No. 15. The question is: should you have a vote here which simply says, "to amend Vote No. 15 in the Main Estimates by reducing the amount of $1,382 million by $10 million and transferring to Vote No. 40."

Senator FLYNN: I think objection is raised to the transfer. Why not give a credit, pure and simple, on, say, a reduction of item No. 15d, so we can refer to it? Then we know the overall estimates.

Dr. DAVIDSON: This could be done by the device of the one-dollar item in the same way we use the one-dollar item for other purposes.

Senator FLYNN: Have a credit. If you do not spend the money you do not want to enlarge the item, and you give a pure and simple credit.

Senator BURCHILL: Was there any reference to the system in the recommendations of the Glassco report?

Dr. DAVIDSON: On this particular point?

Senator BURCHILL: Yes.

Dr. DAVIDSON: No.

Senator FLYNN: We know in the Public Accounts what are the sums that have not been spent out of the total amount authorized. It is only in the report of the Public Accounts?

Dr. DAVIDSON: That is correct.

Senator MOLSON: Mr. Chairman, there always seems to be a very great reluctance on the part of the Government to admit there is any such thing as a credit anywhere.

Senator FLYNN: I think you are right. In other departments as well.

The CHAIRMAN: If there is no further question, may I suggest that you leave with the Steering Committee the program for the following few meetings, having in mind the suggestions I made at the outset of this meeting and the suggestions that were made during this meeting. If there is nothing further, we will meet again next Thursday at a time to be set out in the notice calling the meeting, if the Senate is sitting next Thursday.

Senator ISNOR: Would you consider sitting at 10.30 instead of 10 a.m.? It would give us a chance to attend to our correspondence before meeting.

The CHAIRMAN: Yes. The only trouble today is that the caucuses are meeting at 11 o'clock, and we thought 10 o'clock a more appropriate time for those who wanted to attend caucus. However, on Thursday, 10.30 a.m. is all right as long as the Transport and Communications Committee is not meeting. If it is meeting I think we shall have to meet earlier or later, depending upon the time of its meeting.

Senator HUGESSEN: I think Transport will be meeting next Thursday.

The CHAIRMAN: If you have only the pipe line bill it might not be very long.

Senator HUGESSEN: There might be the Ottawa Terminal bill too.

The CHAIRMAN: In that case, you would take quite a while. If there is no further business before we adjourn, next meeting will be at the call of the Chair.

Thank you again, Dr. Davidson and Mr. Allen, for your valuable help.

The committee adjourned.

First Session—Twenty-seventh Parliament
1966

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING COMMITTEE ON

FINANCE

The Honourable T. D'Arcy Leonard, *Chairman*
The Honourable H. de M. Molson, *Deputy Chairman*

No. 2

Second Proceedings on The Estimates

laid before Parliament for the fiscal year ending 31st March, 1966.

WEDNESDAY, FEBRUARY 23, 1966
THURSDAY, FEBRUARY 24, 1966

WITNESSES:

Department of Citizenship and Immigration: The Honourable Jean Marchand, Minister; W. R. Dymond, Assistant Deputy Minister, Program and Development.

Department of Labour: F. M. Hereford, Director, Special Services Branch.

APPENDICES:

"A" Answers to questions submitted by the Honourable Senator Belisle. (United Nations assessments per Nation.)

"B" Answers to questions submitted by the Honourable Senator Pouliot. (U.N. Congo operation and Middle East Emergency Force.)

"C" Letter from Minister of Labour to each Provincial Premier with respect to the terms of the Winter Works Program.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

23455—1

THE STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Burchill
Choquette
Connolly (*Halifax North*)
Crerar
Croll
Denis
Dupuis
Farris
Flynn
Gelinas
Gershaw
Grosart
Haig
Hayden
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
McCutcheon
McKeen
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Taylor
Thorvaldson
Vaillancourt
Vien
Welch
Woodrow
Yuzyk (48)

Ex officio members

Brooks
Connolly (*Ottawa West*)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, January 26, 1966:

"The Honourable Senator Bouffard moved, seconded by the Honourable Senator Hayden—

That the Standing Committee on Finance be authorized to examine and report upon the expenditures set out in the Estimates laid before Parliament for the fiscal year ending 31st March, 1966;

That the said Committee be empowered to send for persons, papers and records and to sit during sittings and adjournments of the Senate;

That the evidence received and taken at the preceding session be referred to the Committee; and

That the quorum of said Committee be reduced to seven members.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

23455—1½

MINUTES OF PROCEEDINGS

WEDNESDAY, February 23rd, 1966.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 4.30 p.m.

Present: The Honourable Senators Leonard (*Chairman*), Aird, Aseltine, Baird, Belisle, Brooks, Croll, Denis, Gershaw, Haig, Hayden, Isnor, Kinley, McKeen, Methot, O'Leary (*Antigonish-Guysborough*), Pouliot, Quart, Rattenbury, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson and Yuzyk.—(23)

The Estimates laid before Parliament for the fiscal year ending March 31st, 1966, were further examined.

The following witnesses were heard: Department of Citizenship and Immigration: The Honourable Jean Marchand, Minister; W. R. Dymond, Assistant Deputy Minister, Program and Development. Department of Labour: F. M. Hereford, Director, Special Services Branch.

On Motion duly put it was RESOLVED to print as Appendix "C", a letter from the Minister of Labour relating to Winter Works.

At 5.45 p.m. the Committee adjourned until Thursday, February 24th, 1966, at 9.30 a.m.

At 9.30 a.m. Thursday, February 24th, 1966, the Committee resumed.

Present: The Honourable Senators Leonard (*Chairman*), Aird, Aseltine, Baird, Belisle, Croll, Haig, Isnor, Kinley, McCutcheon, O'Leary (*Antigonish-Guysborough*), Pearson, Pouliot, Rattenbury, Smith (*Queens-Shelburne*), Thorvaldson and Yuzyk.—(17)

The Estimates laid before Parliament for the fiscal year ending March 31st, 1966, were further examined:.

The following witnesses were heard: Department of Citizenship and Immigration: W. R. Dymond, Assistant Deputy Minister, Program and Development; Department of Labour: F. M. Hereford, Director, Special Services Branch.

At 10.55 p.m. the Committee adjourned until Thursday, March 3rd, 1966, at 10.00 a.m.

Attest.

Frank A. Jackson,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Wednesday, February 23, 1966.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1966, met this day at 4.35 p.m.

Senator T. D'Arcy Leonard in the Chair.

The CHAIRMAN: Honourable senators, I think my first words should be to welcome on your behalf the Honourable Jean Marchand, Minister of Citizenship and Immigration. This is Mr. Marchand's first appearance before us—probably before any Senate committee— and he has graciously put himself out to some extent to be with us, and I want to express our appreciation on your behalf.

As you know, we were originally scheduled to meet at 9.30 tomorrow morning, but by reason of the tragic death of the Lieutenant-Governor of Quebec, the minister has to leave for that city, but very graciously said that he would make himself available this afternoon. So we are taking advantage of the recess during pleasure to hear the minister give his evidence. He also has officials with him: Mr. W. R. Dymond, Assistant Deputy Minister, Program and Development, Department of Citizenship and Immigration; and Mr. F. M. Hereford, Director, Special Services Branch, Department of Labour.

Then the committee will be meeting again tomorrow morning at 9.30.

Senator ISNOR: Why at 9.30 a.m.?

The CHAIRMAN: Because the Standing Committee on Transport and Communications is meeting at 11 a.m., and in order to get any business through it is necessary for us to work our time in with their meeting. I feel very much the same way as you do about meeting at 9.30; I would sooner hold the meeting later. That is the reason, in any event.

The particular items with which the committee is concerned are in Supplementary Estimates (D), two items under the Department of Labour, Vote 6d of $54 million for the Municipal winter works incentive Program for 1965-66, and Vote 8d, $17 million for the winter house building incentive program.

Without further ado, I believe the minister is prepared to go ahead and deliver a statement or give us some information on those programs.

The Honourable Jean Marchand, Minister of Citizenship and Immigration: Mr. Chairman, my first word would be to thank you for having re-arranged your meeting to allow me to be here this afternoon. As you have said, I have to go to Quebec tomorrow morning, and this is why, of course, it was impossible to fulfil the appointment as it was originally arranged.

Mr. Chairman, honourable senators, I am pleased indeed to have been invited by you to appear before the Senate Finance Committee during your consideration of the estimates for the fiscal year ending March 31, 1966. I understand that the particular information which you would like to receive from me concerns the various programs being carried out by the government to stabilize employment throughout the year. These measures which are generally

known as "Winter Works Programs" are designed to shift employment from summer to winter in order to level out employment over the year as a whole. They reduce unemployment in the winter and utilize the construction industry's labour force on a more even basis which helps to reduce manpower shortages in the peak season.

Seasonal unemployment has been a recurrent aspect of the Canadian economy throughout our history. Not too many years ago, winter unemployment was accepted as inevitable. New construction techniques and the efforts of the federal government and communities through the "Do it now" campaign have met with considerable success in reducing winter unemployment in Canada. Our attack on winter unemployment has been mounted in various ways.

I should first like to mention the winter employment campaign which is now in its thirteenth year. This campaign bears a slogan which I am sure is familiar to all Honourable Senators "Why wait for Spring—do it now".

The CHAIRMAN: That is Senator Quart's quotation.

Hon. Mr. MARCHAND: It is a promotional campaign which has had a tremendous impact in breaking down the barriers of habit and tradition which for so many years were responsible for the heavy winter unemployment which we have experienced.

The costs of this promotional or educational campaign are modest in terms of the results achieved. For 1965-66, an amount of $285,000 is included in the main estimates plus $150,000 in the supplementary estimates to cover the costs of newspaper advertising, pamphlets, envelope stuffers, radio and television coverage and other publicity. It is estimated that for every dollar spent by the federal government on this promotional program, we are receiving $10 of public service support at the national level in the various advertising media.

Responsibility for the promotion of the winter employment campaign at the local level rests with the National Employment Service. Local winter employment committees have been established for many years in about 150 centres across Canada. The members of these committees are local business and professional people who are interested in reducing winter unemployment. Honourable senators are no doubt aware of the many ingenious promotional programs which have been initiated by these committees to stimulate the public to "Do it now" rather than waiting for spring.

Before I deal with the municipal winter works incentive program and the winter house building incentive program which I know are of major interest to honourable senators, I would like to refer to the efforts of the federal government to influence increased winter employment within its own operations. Federal government departments have been directed by the Cabinet to schedule their expenditures on new construction, maintenance and repair and procurement so that maximum winter employment is achieved. The objective is that 50 per cent of employment resulting from these expenditures will occur during the winter months. To ensure that the Cabinet's intentions in this regard are fulfilled there is an Interdepartmental Committee on Federal Winter Work Programming of which my Deputy Minister is the chairman. This committee is charged with the responsibility of examining the estimates of the spending departments in this area and ensuring that the departments concerned so arrange their programs that the maximum winter employment will result.

To supplement the attack on winter unemployment at the federal level, there has been in effect for the past three years a program which is known as the Federal Government Supplementary Winter Construction Program. Briefly stated, this program provides for the carrying out of federal government construction projects which have reached the stage where they can be proceeded with, but which are not of sufficient priority to permit their inclusion in the main estimates. Provision for such projects has been made in the contingencies

vote of the Department of Finance to enable such projects to proceed during the winter months. This program has been restricted to areas where winter unemployment is highest. The expenditures have been modest but they have resulted in providing additional winter employment in areas where the need was greatest. In 1963-64, the federal expenditure was about $4 million. In 1964-65 it was about $5 million and the estimated expenditure for the current winter is $5,257,000. The number of man-days of employment provided was 203,782, in 1963-64; 156,224 in 1964-65 and 178,594 is the estimate for the current winter.

Thus far I have dealt with the efforts of the federal government to encourage increased winter employment more or less by means of persuasion and example. As honourable senators will appreciate, effective as these measures have been, some additional incentive has been necessary. This requirement has been fulfilled through the provision of financial incentives under the municipal winter works incentive program and the winter house building incentive program.

The municipal winter works incentive program has now been in operation for eight years. Under this program, the federal government provides an incentive to winter construction by contributing to the direct payroll costs of municipal public works projects which would not otherwise be carried out in the winter. During the earlier years of the program, the categories of eligible projects were (a) construction or major reconstruction of streets, sidewalks and roads; (b) construction and major reconstruction of water, sewage and storm sewage facilities; and (c) the construction and development of municipal parks and playgrounds.

At the present time, the program applies to any capital undertaking of a municipality except work on schools and school grounds, hospitals and hospital grounds, subway transportation systems and municipally-owned buildings to be used for industrial or business purposes under private auspices.

During the first two winters, the program covered the period December 1 to May 31. In 1960-61, the period of the program was extended so that it covered the 7½ months—October 15 to May 31. Under the 7½ month program, it was found that municipalities tended to commence work on approved projects on October 15, discontinue operations when the more severe weather set in with work resuming as the more favourable weather arrived in April or May. As this tended to defeat the purpose of the program to increase winter employment the period of the program was reduced in 1963-64 to the six-month period November 1 to April 30 which still applies.

A further modification of the program adopted in 1963-64 was to increase the federal incentive payment to 60 per cent of direct payroll costs incurred on approved projects by municipalities located in areas designated under the Department of Industry Act and areas of especially high unemployment designated by the government. The federal incentive has remained at 50 per cent of direct payroll costs in all other areas.

All of the provinces including the Yukon and Northwest Territories and a number of Indian bands have participated in the program and most of the provinces provide a supplement to the federal contribution as a further incentive to municipalities. This supplement is an additional 40 per cent of payroll costs in the Province of Quebec and 25 per cent in many other provinces.

The volume of winter employment created by this program has increased each winter since its inception in 1958-59. During its first year of operation, it is estimated that 25,400 jobs were provided for a total of 1,020,000 man-days of work. Under the program for the winter of 1964-65, preliminary estimates indicate that 167,000 jobs were provided for a total of almost 8,000,000 man-days of work. Thus far during the current winter, projects have been

authorized which will provide an estimated 142,800 jobs for an estimated 7,464,400 man-days of work. Applications are still being received and the final figures for the current year will not be available for some time.

During the first winter 647 municipalities participated in the program. In recent years, the number of municipalities participating has been in the neighbourhood of 2,700. Federal expenditures have increased from some $6,-000,000 in 1958-59 to approximately $40,000,000 in 1964-65. For the current winter, it is estimated that the federal expenditure may reach $48,000,000. This is provided for in the Supplementary Estimates (D) for the fiscal year ending March 31, 1966.

In addition to the programs which I have already mentioned, I have been asked to deal with the winter house building incentive program. This program is administered by my colleague the Minister of Labour who is also the minister responsible for the administration of housing matters through the Central Mortgage and Housing Corporation. I propose to outline briefly the provisions of the winter house building incentive program, although as I have indicated, the Minister of Labour is responsible for this program.

The winter house building incentive program was introduced in 1963. Under this program, the Government of Canada provides a direct payment of $500 to the owner-builder or first purchaser of a house which is substantially constructed during the winter months. The $500 incentive payment applies to single detached houses and to each unit in multiple residential structures containing not more than four units. A four unit building, for example, may be eligible for an incentive payment of $2,000. In 1963-64, the winter period for the purposes of this program was December 1 to April 15. In 1964-65 and 1965-66, the effective period of the program was increased to the five-month period November 15 through to April 15.

During the winter of 1963-64, some 28,000 housing units qualified for the incentive payment. The following winter 33,500 housing units qualified for the incentive payment. As of this date, 34,553 dwelling units have met the requirements of the program at the commencement of construction. Very few have as yet been completed and so it is not known at this date what the final coverage of the program will be. I should add here that applications are still coming in, in respect of housing being constructed this winter.

It is estimated that this program, each winter, has provided in the neighbourhood of 100,000 jobs on-site and at least as many additional jobs off-site. Through a federal expenditure of $14,000,000 the first winter and $16,750,000 the second winter the timing of some $500,000,000 and $600,000,000 worth of housing has been influenced so as to achieve a high degree of employment stability in an industry which had a highly seasonal employment pattern.

In inviting me to appear before the committee Mr. Chairman, you made reference to the comments of the Auditor General in his Report to Parliament dealing with expenditures under the Municipal Winter Works Incentive Program for the fiscal year ending March 31, 1965. In this connection, I might say that the Auditor General has been carrying out test audits of expenditures under this program each year since the fiscal year 1962-63. Following these audits, the Auditor General's office has submitted the reports of their findings to the department. Each of these reports is taken up with the appropriate provincial authorities in order to determine the eligibility of the payments questioned. Where it has been established that refunds are due to the federal government, recoveries have been made. These recoveries in respect to the fiscal year 1962-63 amounted to some $30,000 and in 1963-64 to some $32,000.

I have with me officials concerned with these various programs and if honourable senators have any questions they would like to raise, I shall be only too pleased to provide the information required.

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

Senator ASELTINE: I wonder if the minister could give us any information by provinces of the amount of money spent?

Hon. Mr. MARCHAND: Yes. We have this information on the Municipal Winter Works Program, I believe. Have you that information, Mr. Hereford?

Mr. F. M. Hereford, Director, Special Services Branch, Department of Labour: Yes. Do you want that information for last winter, senator?

Senator ASELTINE: Let us say for last year, that is to say, 1964-65.

Mr. HEREFORD: 1964-65: Newfoundland, $209,000; Prince Edward Island, $273,000; Nova Scotia, $119,000; New Brunswick, $394,000; Quebec, $24,076,000; Ontario $6,139,000; Manitoba, $1,208,000; Saskatchewan, $1,445,000; Alberta, $2,222,000; British Columbia, $4,003,000; North West Territories, $19,300, Indian bands, $143,000.

Senator ASELTINE: What is the total of those amounts?

Mr. HEREFORD: Slightly over $40 million.

Senator ROEBUCK: What is the explanation for the figures of $6 million for Ontario and $24 million for Quebec?

Mr. HEREFORD: The main reason is that Quebec adds 40 per cent to the federal contribution.

Senator METHOT: It does not cost anything to the municipalities?

Hon. Mr. MARCHAND: Certain of the municipalities, not all of them, get a joint contribution of 100% of payroll costs.

Senator CROLL: We could not hear the answer and I am interested, would you repeat it?

Mr. DYMOND: In the Province of Quebec, the government of the province adds 40 per cent to the federal Government's 50 per cent, on payroll costs of municipal winter works projects, bringing it up to 90 per cent; and in the case of designated areas and high winter unemployment areas in the Province of Quebec the federal percentage is 60 per cent and the provincial percentage is 40 per cent, which brings it up to 100 per cent in some areas.

Senator CROLL: What is the percentage between wages and material?

Mr. DYMOND: This all applies to labour, to payroll costs.

The CHAIRMAN: These are all labour costs.

Senator CROLL: Labour and material?

Mr. DYMOND: No, just payroll.

Senator CROLL: How do you explain the difference between British Columbia and Ontario—$24 million as against $6 million?

Mr. DYMOND: I think that, in the main, Ontario is a bigger province.

Senator CROLL: Yes, much bigger than British Columbia. Even in British Columbia they agree on that.

Mr. DYMOND: It has proportionately more per capita than Ontario.

Mr. HEREFORD: Perhaps the more favourable winter weather in British Columbia is part of the explanation.

Senator RATTENBURY: Most of these programs initiate with the provinces, do they not? They make requests for this work?

Hon. Mr. MARCHAND: They have to agree. The municipalities make the request to the provincial government and the provincial government transfers it here.

Senator ISNOR: I wonder why you give the same time limit in all provinces across Canada. We had an answer a moment ago—because of the favourable weather in British Columbia.

Senator HAYDEN: Do they not winter better?

Senator ISNOR: I doubt if this is a fair arrangement, when you look at the figures and see that Nova Scotia got only $119,000, a very small sum, as against several million in some of the other provinces. I wish to emphasize that the time limit has something to do with that. As regards the more severe weather, my point is that you should take it into consideration and grant a longer period in places like Nova Scotia and New Brunswick than elsewhere, or a shorter period in British Columbia.

Hon. Mr. MARCHAND: The purpose of this program is to decrease unemployment at the peak period of the year when we have greater unemployment throughout Canada. It is a general phenomenon in Canada. This is the purpose of the scheme. It is not necessarily designed to have buildings constructed: it is really an employment stabilizing measure.

Senator ISNOR: On that ground alone, I think more favourable consideration should be given to the Maritime provinces in general, more particularly Nova Scotia because of the employment problem there. The unemployment figures for Nova Scotia during the last several years have been very high.

Mr. DYMOND: I would not say that this is the only explanation for the rather low proportionate figure in Nova Scotia. One factor is that the Nova Scotia Government does not add any percentage to the federal percentage of payroll expenditure. You tend to get the biggest effect, understandably, in those provinces which add contributions to the payroll expenditures of the federal Government.

The CHAIRMAN: This is a very important point. When you reach a condition where we have unemployment throughout Canada now barely over 3 per cent, should there not be more of a slanting or weighting given to the Atlantic provinces or those areas where there is still a greater degree of unemployment than in other parts of Canada? Should the proposed 50 per cent figure not be weighted more towards those areas where there is a larger degree of unemployment. I think that is Senator Isnor's point.

Mr. DYMOND: I might add a comment which, however, does not provide the complete answer. In Nova Scotia, Newfoundland, New Brunswick and eastern Quebec there is a weighting in respect to the fact that the federal payroll expenditure is 60 per cent in most areas of these provinces, except the large urban centres, by virtue of the designated areas under the Department of Industry Act and the high winter unemployment areas designated by the Government; so there is a degree of weighting that is heavier in this respect in the Maritimes or Atlantic provinces.

The CHAIRMAN: Although it does not seem to be having an effect? The figures do not show that it is having such a great effect?

Mr. DYMOND: Another relevant variable in this matter in relation to various areas, is that in order to participate in this program, municipalities must have resources of their own, because this measure applies only to the payroll costs. Therefore, there must be tax revenues in the municipality or capability for borrowing there, before that municipality can take much advantage of his particular program. As the minister has said, it is not designed primarily to assist municipalities in carrying out capital construction projects but rather to stabilize employment. From the point of view of assistance, the municipality must have something to start with, before it can come into the program as heavily as in other parts of the country.

Senator ISNOR: What you are saying is that the provinces which show such small amounts have not co-operated to the same extent as the other provinces?

Senator RATTENBURY: Have been unable to do so?

Mr. DYMOND: This is not necessarily a matter of co-operation. Some municipalities cannot afford it.

Senator BROOKS: I understood Mr. Dymond to say that some municipalities were so poor they could not borrow. I would think they would need the most help in regard to their unemployment position. Is that correct?

Mr. DYMOND: To answer that question, let me return to the original intent of the program. It was designed for municipalities which were providing employment, either through contractors or through their own employees, on construction work. The intent of the program is simply to shift around, as between summer and winter, the amount of employment that they were going to do anyway, so that there would be more employment in the winter and relatively less in the summer, which is the peak period of the construction industry.

Some municipalities are doing more construction and more capital work and have a greater capacity to do this sort of thing.

This program has quite an effect on those municipalities which do a lot of construction work, and much less effect in those municipalities which are not doing much construction work regardless of how many unemployed they have in general as a municipality.

Senator BROOKS: The opportunity for providing work was limited in some parts and in others it was not?

Mr. DYMOND: That is right, due to their own resources basically, outside of this program. This was simply to induce, to provide an incentive to municipalities to shift work out of the summer months and into the winter months. I think that many municipalities have used it to create work that they were not going to do because of the lack of funds.

The CHAIRMAN: Senator Haig.

Senator HAIG: Does a project, to be accepted by the federal Government, have to be completed within a specific period, that is started and ended within a specific period?

Hon. Mr. MARCHAND: In principle, yes. There may be exceptions if for one reason or another there is a delay which cannot be avoided.

Senator HAIG: They can start in the winter months and then continue into the summer?

Hon. Mr. MARCHAND: I think there is a limit at the 30th of May.

Mr. HEREFORD: It is generally required that the work be completed within the six months, but some preliminary work is permitted in some types of construction.

Senator HAIG: So that is the reason why the streets of Winnipeg are chocked up during the wintertime.

The CHAIRMAN: Senator Roebuck.

Senator ROEBUCK: I asked the first question as to the disparity between Ontario and Quebec in the amount of $6 million in the first case and in the amount of $24 million in the second. It was well answered so far as Quebec was concerned but perhaps it is unfair to Ontario if the question is not completed. What does Ontario do to benefit provincially or municipally by way of supplementing the grants in the same was as Quebec was doing?

Mr. HEREFORD: Ontario contributes 25 per cent of payroll costs and 30 per cent in the special areas.

Senator ROEBUCK: It was very unfair to leave it just like that.

The CHAIRMAN: Senator Denis.

Senator DENIS: Does the payroll take into account the regular employees of the municipality or only those that are unemployed? In other words does it mean that the number of projects would depend on the number of unemployed in a municipality? If there is no unemployment in a municipality there is no point in that municipality asking for assistance for a winter works program? Perhaps you can give us the number of projects presented to the federal Government by each province and then give us the number of projects refused by the federal Government because they did not fit into the regulations under the act. I would like to know the number of projects presented to the Government by each province, the number that have been rejected and the reasons for the rejection. In one area of Ontario during the campaign I was asking one of the organizers what about the winter works program and if it helped, and his answer was, "We don't need it because we have no unemployment. As a matter of fact if there was another hundred men in the municipality we would hire them right away." They are not interested in the program. Would it be possible to have the number of projects for a complete year for each province and the number that were rejected?

Mr. HEREFORD: I can give you that information but I am not too sure it will illustrate what you have in mind. I should explain first of all that the statistics we maintain are based according to applications received for a municipality. An application might cover one project or it might cover half a dozen. In that instance we might accept five and reject one. The application itself would be shown as having been approved. In other words there would have to be an adjustment to it. The only figures I have on that deal with applications received, the numbers approved for each province and the numbers rejected. I would add that the numbers rejected are rather small when compared with the total applications. I can give it to you for this winter up to date, that is mid-February, if that would be acceptable to you.

Senator DENIS: What I have in mind is, for example, with relation to Nova Scotia or New Brunswick. If they have more projects—if they have 100 projects and all are approved you cannot blame the Government for not spending more money on winter works programs in those provinces.

Senator HOLLETT: Let us get the figures on record.

Mr. HEREFORD: Starting with British Columbia for the current winter up to February 11.

Provinces	*Applications Approved*	*Applications Refused*
British Columbia	368	None
Alberta	601	2
Saskatchewan	858	3
Manitoba	163	1
Ontario	822	3
Quebec	2,062	52
Nova Scotia	69	None
Prince Edward Island	89	1
Newfoundland	83	None
Northwest Territories	56	None

Indian Bands have submitted 46 applications and there were no refusals.

Senator DENIS: You did not mention New Brunswick.

The CHAIRMAN: You cannot get away with that.

Mr. HEREFORD: I'm sorry, I forgot New Brunswick. They have a perfect record. There were no rejections. There were 71 applications approved from that province.

Senator DENIS: They had these projects to help in the problem of unemployment where there was unemployment. If the province paid a part of the cost in addition to what the federal Government paid it would help the municipality to have perhaps one more project. If a municipality had no unemployment it would get nothing out of it. They would go on with their projects in wintertime just as they would in summertime. That might explain the situation as far as unemployment is concerned and also in regard to the part played by the rest of the provinces.

The CHAIRMAN: Senator Methot.

Senator METHOT: What happens if the project is not completed during the winter season? Could it be carried on to the year after, or could it be carried on in the spring and still be paid for?

Mr. HEREFORD: The federal Government would contribute to the payroll cost of the work performed during the winter; that is, up to the last day of the program. The project at that stage which has not reached completion would have to be carried on without federal contribution. The other part of your question was: could it qualify in the second year. It could under certain conditions. It has to be a project designed to provide increased winter employment. If it is a project that was started one winter and goes through the summer and then carries on for a month into the second winter it would hardly satisfy the regulations during the second winter. But if the municipality were to cease work on the project during the summer and resume again the next winter this would be an acceptable project.

The CHAIRMAN: Senator Pouliot.

Senator POULIOT: Mr. Chairman, what is the basis for the allotment of grants to each province? Is there any basis for that?

The CHAIRMAN: On the Municipal Winter Works Program?

Senator POULIOT: Yes.

Mr. DYMOND: Well, the offer of the federal Government basically is 50 per cent of the payroll costs for any eligible municipal project. This is the same offer for every province. The amount of money that would be spent in each province is a reflection, I would say, of about three or four variables: The number of projects eligible that the municipalities bring forward, the amount of additional grants that the province makes on its own behalf under the program, the number of municipalities that participate in the program and their financial resources.

Senator BROOKS: And the ability to pay their share?

Mr. DYMOND: Yes, and I might observe in relation to the question raised by Senator Roebuck, one of the big differences between Ontario and Quebec is that in Ontario there are only 299 municipalities participating in the program, whereas in the Province of Quebec there are 1,070 municipalities participating in the program. Of course, some of the municipalities in Ontario are very large, but the program seems to have a much greater carrying power or spread in the Province of Quebec in terms of numbers of municipalities participating, though I think there are more municipal authorities in the Province of Quebec than there are in Ontario.

Senator POULIOT: What reasons are given for the rejection of projects?

Mr. HEREFORD: I have not the specific reasons for each of the 62-odd that I mentioned as being rejected, Senator Pouliot.

Hon. Mr. MARCHAND: But you have some restrictions.

The CHAIRMAN: Isn't there a memorandum of qualifications?

Mr. HEREFORD: Yes, we have that.

The CHAIRMAN: Would you like to have that filed with the committee? There is a memorandum on the conditions to which these applications must conform. Perhaps we should have that on our record.

Senator HAIG: Guidelines.

Senator POULIOT: But there are certain principles which are established?

The CHAIRMAN: Yes.

Senator RATTENBURY: Am I correct in assuming that municipal employees ordinarily employed during the winter are not applicable to this legislation? In other words, it is the unemployed?

Hon. Mr. MARCHAND: Yes.

Senator RATTENBURY: It is the unemployed that must be employed?

Hon. Mr. MARCHAND: Yes.

Senator RATTENBURY: And no permanent municipal employee can be employed?

Hon. Mr. MARCHAND: If some permanent employees are transferred to the program because they are needed, say, a foreman or something like that, a skilled labourer, they are supposed to employ unemployed workers to replace them. It is provided that they can transfer them.

Senator RATTENBURY: Wasn't there some controversy in the newspapers a short while ago about that?

Hon. Mr. MARCHAND: Yes.

Senator THORVALDSON: May I ask what authority supervises that problem, namely, the problem whether the municipalities are using people who are definitely unemployed and consequently legitimately come within the program, or whether they are people who would be employed in any event. Who supervises that condition?

Hon. Mr. MARCHAND: It is supposed to be supervised by the province. The whole administration of the plan is under the provincial authorities.

Senator BROOKS: Do they recruit from unemployment insurance offices in the different districts?

Hon. Mr. MARCHAND: They are supposed to go through the N.E.S.

The CHAIRMAN: The National Employment Service.

Hon. Mr. MARCHAND: But it was mentioned in the Auditor General's report that in many cases this is not done. Sometimes it is not justified, and they should have done it. But on other occasions it is inevitable. For example, if there is a collective agreement and they have to call back designated employees in the agreement they cannot go through the N.E.S.

Senator ROEBUCK: Is there any minimum allowed which the municipality or the province is expected to contribute?

Hon. Mr. MARCHAND: Well, necessarily, if the participation of the federal Government is 50 per cent and the participation of the province is 25 per cent, then of course they will have to pay 25 per cent.

Mr. DYMOND: There is no requirement.

Hon. Mr. MARCHAND: There is no requirement.

Senator ROEBUCK: If there are provincial governments which do not contribute, they have no interest in this.

Hon. Mr. MARCHAND: I do not see their interest, except they are part of the community.

Senator CROLL: They all pay 25 per cent.

Mr. DYMOND: No, some do not. New Brunswick—

Senator DENIS: Since the inception of the program, do you find a year whereby, for instance, the Province of Ontario would have used more money than the Province of Quebec?

Mr. HEREFORD: I think perhaps in the early years.

Senator DENIS: That is very interesting, because those people from Ontario are rather touchy.

Mr. HEREFORD: Senator, in the winter of 1958-59 the federal expenditure in Ontario was $1,996,000, and in Quebec that winter it was $1,426,000.

The CHAIRMAN: I hope you are satisfied, Senator Denis.

Mr. HEREFORD: There was more in Ontario the next year: $2,447,000 as opposed to $1,686,000 in Quebec. But from there on Quebec has had a larger share.

Hon. Mr. MARCHAND: Does it coincide with the increase of the provincial participation?

Mr. HEREFORD: The first two winters the Province of Quebec did not make any financial contribution, but in the third they added 40 per cent.

Senator METHOT: Isn't it a fact it costs more, for instance, to build houses on which we are going to receive $500 during the wintertime than during the summertime, and that the advantage is not so large as it was supposed to be?

Mr. HEREFORD: Construction does cost a little more in the wintertime, depending on the type of construction. You have to heat the building while you are working on it, and so on.

Mr. DYMOND: On the other hand, I think it might be observed that for large contracts there are certain offsets in terms of keeping a labour force together and their equipment operating more continually throughout the year and, very importantly, in having houses for the spring market as compared to not having them.

Senator SMITH (*Queens-Shelburne*): Isn't my understanding correct, then, that in those provinces where this program has really gone over and where, according to the figures, it is of some importance, it is mostly because those provinces themselves make a direct contribution, varying from 25 to 40 per cent of the labour cost? I notice in Nova Scotia where the participation is so very little it is insignificant, and it is also a province that does not make any contribution. Is that generally so? What about some of these other so-called poor provinces and smaller provinces, are any of them making contributions?

The CHAIRMAN: Perhaps we should get on the record what the contributions of the other provinces are.

Senator SMITH (*Queens-Shelburne*): While that figure is being looked up by the officials, I have another question I would like to ask the minister. Is it possible for a province itself to participate directly in the winter works program by carrying on a provincial program in the wintertime such as cutting bushes on the sides of highways?

Hon. Mr. MARCHAND: I understand it has to be done through a municipality.

Senator SMITH (*Queens-Shelburne*): Where your highway work is being done in the province by the province itself, that would not be so. I gather that is not possible. They just do not take advantage of the winter works program?

Hon. Mr. MARCHAND: I do not know, but I think it has to be a municipal project.

Mr. DYMOND: Yes, it has to be a municipal project. In answer to your first question, I think there is one element of it that might bear mentioning. New Brunswick, for example, does not add any percentage either and yet the expenditures in New Brunswick are quite often twice as much as Nova Scotia.

We have attributed this to very vigorous activity on the part of the provincial Government itself in promoting the program among its own municipalities as a straight promotion sort of operation that, I think, has an impact on this situation.

Senator SMITH (*Queens-Shelburne*): I think that might be an important reason. I have discussed this subject with people in municipalities in Nova Scotia.

They had some projects to which they have given consideration. However, one town clerk, with whom I discussed this matter, said, to use his own words, "There is too much red tape involved". He said that it costs so much for the exchange of letters, that his time is valuable, and they get discouraged and give it up completely. Is that assessment of his difficulties a fair one?

Mr. HEREFORD: Not really.

Senator SMITH (*Queens-Shelburne*): What is this so-called "red tape," to which the town clerk referred?

Mr. HEREFORD: Our requirements are simply an application form describing the project which when approved by the province is submitted to the federal Government, and we deal with these applications the day they are received. Unless something unusual arises, the approved application form goes back to the province immediately.

Senator POULIOT: The requirements of the Department regarding these works are signed by the federal Government and the province, are they not?

The CHAIRMAN: Perhaps I might answer that, Senator Pouliot. The minister has given me a copy of a letter which was sent by the honourable Mr. MacEachen to each provincial premier, dated July 12, 1965, which sets out the terms upon which the federal Government is prepared to make its grants.

Senator POULIOT: It is like a deed?

The CHAIRMAN: It is like an agreement, if you will. I think we should have this printed as an appendix to today's proceedings and we shall then know the terms under which these works are carried out.

Hon. Senators: Agreed.

(*Copy of letter from Hon. Mr. MacEachen printed as appendix to today's proceedings.*)

Senator POULIOT: Thank you very much, Mr. Chairman.

Hon. Mr. MARCHAND: It must be clear that this is not an agreement negotiated with each province because conditions differ.

Senator POULIOT: Each province comes with its projects?

Hon. Mr. MARCHAND: Yes.

Senator POULIOT: Now, are there any bylaws or regulations of the Government which decide on the orders specified by the Minister of Labour?

Mr. DYMOND: Those are the complete regulations that govern the projects sent in by the province. Privinces may set up some regulations of their own, which vary from province to province, relating to the financial capacity of the municipality, or regulations relating to their additional share, and this kind of thing; they do not vary very much.

Senator POULIOT: Do the provinces submit those provincial regulations to the federal Government before they put it in force?

Mr. HEREFORD: In each case, senator, there is simply an additional explanation of what is contained in it.

Senator POULIOT: It is like the marginal note?

Mr. HEREFORD: That is correct.

Senator KINLEY: Do they have regard to what production is available in the provinces, or have you one specification throughout Canada?

Mr. DYMOND: There is one specification for all of Canada.

Senator KINLEY: May I point out that in Nova Scotia they have to bring in lumber from other parts of Canada.

Mr. DYMOND: Are you referring to the housing program?

Senator KINLEY: Yes; they have to import wood and materials from other parts of Canada, because Nova Scotia has only a certain amount of timber available.

Mr. DYMOND: On the housing program, the specifications with respect to this matter are the National Building Code.

Senator KINLEY: I know that. We provided houses for our men; we did that ourselves. The complaint regarding the amount of $500 is not related to winter time; the cost in the winter time is much more than $500.

The CHAIRMAN: Senator Croll?

Senator CROLL: During the year 1964-1965, the period we are talking about, the regulations are that the dominion Government pays 50 per cent and the provinces 25 per cent of the cost. Some of the provinces added to that. Will you put on the record an indication of how much each province added beyond the 25 per cent?

Mr. DYMOND: The province does not have to give anything; this is entirely up to the province.

Senator CROLL: Let me re-phrase the question. The contribution of the dominion Government was 50 per cent. Would you indicate for the record how much each province gave beyond that, so that we can read it in the record tomorrow.

Mr. HEREFORD: In Prince Edward Island, and I might say the whole of that province, is a designated area for the purposes of the program—the federal contribution is 60 per cent and the province adds 30 per cent.

Senator CROLL: You said designated areas 60 per cent?

Mr. HEREFORD: In Quebec the federal Government pays 50 per cent, and 60 per cent in certain designated areas, and the province pays 40 per cent.

Senator CROLL: In addition to the 50 per cent?

Mr. HEREFORD: To the 50 per cent or 60 per cent.

Senator CROLL: So that in some instances it is 100 per cent.

Mr. HEREFORD: That is correct.

Senator CROLL: If that is for the province which needs money for education, and all the other things, I am very glad to hear about it.

Mr. HEREFORD: Ontario contributes 25 per cent and 30 per cent in designated areas. Manitoba contributes 25 per cent in respect of unemployed persons who are not entitled to unemployment insurance and 50 per cent in respect of persons who immediately before being employed on the projects have been in receipt of social welfare assistance for 30 days. So that that 50 per cent does not apply to the whole. The contribution of Saskatchewan is 25 per cent right across the board. Alberta, 25 per cent across the board. British Columbia pays 50 per cent in respect of persons who had been in receipt of social welfare allowances. If these people are not available, the contribution is 25 per cent of direct payroll costs in respect of unemployed persons who have no entitlement to unemployment insurance benefits.

I have not mentioned New Brunswick, Nova Scotia and Newfoundland, as they do not make a financial contribution.

Senator BROOKS: Does that mean that the federal Government pays 100 per cent?

Mr. HEREFORD: In those three provinces? No, it is 50 per cent or 60 per cent.

Senator BROOKS: Then the provincial government has to make up the difference.

Senator DENIS: It is made up by the municipalities.

Senator BROOKS: But some municipalities are not paying anything, are they? I understand that the basis was 50 and 25 and 25.

The CHAIRMAN: That is why the amount is so small in Nova Scotia.

Senator CROLL: So New Brunswick, Nova Scotia and Newfoundland receive nothing from their provincial governments?

Mr. HEREFORD: That is correct.

Senator CROLL: If I recall, and correct me if I am wrong, it occurs to me that Newfoundland does much better than either of the other two provinces; is that correct?

Mr. HEREFORD: It might be mentioned that the whole of Newfoundland is a designated area.

Senator CROLL: But if I recall correctly, Newfoundland does better than the other two.

Senator BROOKS: I have the figures here. Newfoundland, $209,000; Nova Scotia, $119,000; New Brunswick, $394,000.

Senator CROLL: Then New Brunswick is higher than Newfoundland. How do you explain the difference between Newfoundland and Nova Scotia, I mean, the comparative wealth is the other way.

Mr. HEREFORD: I would have to say, sir, that I think this is a matter of the promotion of the program within the province.

Senator CROLL: By the province?

Mr. HEREFORD: Yes.

Senator ISNOR: The minister in his statement mentioned two amounts, $285,000 and $150,000. The $150,000 was for advertising. What was the other amount, $285,000 for?

Mr. HEREFORD: They are both for advertising.

Mr. DYMOND: The $285,000 was in the Main Estimates and the $150,000 in the Supplementary Estimates.

The CHAIRMAN: Honourable senators, it is now almost 5.45 and the Senate bell must be on the verge of ringing. We will meet tomorrow morning at 9.30 with the officials here.

The committee adjourned.

OTTAWA Thursday, February 24, 1966.

The committee resumed at 9.30 a.m.

Senator T. D'Arcy Leonard in the Chair.

The CHAIRMAN: Honourable senators, it is 9.30 and there is a quorum. When we left off yesterday we knew the Minister would not be able to be here this morning, but we have with us again Mr. Dymond and Mr. Hereford, and they are prepared to continue answering your questions in connection with particular items in the supplementary estimates dealing with winter works programs, the municipal winter works and also the housing program.

We might start off where we finished yesterday evening. The witnesses are ready to answer any questions from the committee, if anybody has any questions.

Senator HOLLETT: Yesterday I was interested in the figures in the statement made by the Minister. I was wondering if Mr. Dymond could tell us as to whether they have made any estimates of the additional costs of doing winter work as compared with summer work.

Mr. W. R. Dymond, Assistant Deputy Minister, Program and Development, Department of Citizenship and Immigration: We have not gone into this very thoroughly departmentally. However the Canadian construction industry did a survey, particularly on the commercial and industrial building sector and the additional winter costs in that kind of construction, and they found that the winter costs for large buildings were very, very small, about one or 2 per cent—

Senator HOLLETT: Two per cent?

Mr. DYMOND: Less than one per cent for that kind of building. Now I do not think that is typical of all kinds of construction work. For housing, my impression would be that there has been a little more work done on this in the industry and by Central Mortgage and Housing Corporation, but it would appear to be somewhat higher than that, although it depends to a great extent on the year, and the kind of winter and even to a greater extent on the capabilities of the contractor and whether he plans his work effectively ahead and makes the necessary provisions. Much depends upon him and upon his equipment and how good a job he does.

There are, of course, other kinds of construction work that you get into such as paving which is very expensive if you want to do it in wintertime. Then there are other jobs that can be done better in the winter; bridge work, for example, so far as putting in piers and that kind of thing you can do better in winter because of the ice. A lot of trenching work can sometimes be done better in winter because the ground is frozen and you do not need to make provision for holding the walls up with boards and so on. So that there is a very mixed picture in terms of additional cost during the winter depending upon the type of work, the climate and the skill of the contractor—a number of variables like that. We do not have any details other than this large building sector in figuring our additional winter costs.

Senator RATTENBURY: These costs are increased in wintertime or if a job is projected for wintertime working. Jobs like bricklaying or machinery work—the daily average goes down in wintertime although we are devising means to combat wintertime construction by encasing construction in balloons.

Mr. DYMOND: That is right; it is very difficult to get a true picture of this cost question.

Senator RATTENBURY: The original prices are predicated on the scheduling of the work.

Mr. DYMOND: And it depends a lot on the type of construction.

Senator KINLEY: You are interested only in new construction? You do not do any remodelling or fixing up older places that can be very cheaply put into good shape?

Mr. DYMOND: Are you talking about housing now, senator?

Senator KINLEY: Yes.

Mr. DYMOND: We have not got into any direct incentives for the renovation field in housing. We have quite a campaign as part of the "do it now" campaign that emphasizes the desirability of doing renovation work in the winter months. We have had a lot of co-operation from the building supply industry particularly in this campaign, and their sales since this campaign has started have doubled and tripled. They have really moved ahead in the winter months as a result of this emphasis.

Senator RATTENBURY: Their sales have evened out on the 12-month basis pretty well.

Mr. DYMOND: This is true of the housing industry as a whole.

Senator KINLEY: In the rural districts I find we can buy small farms and places quite cheaply, and you can put your man on them, and with the automobile they do not mind driving five or six miles to come to work, and they feel they get less taxation. Then when we have a lay-off they are not so dependent; they have some stock and some things they raise on the land. This is especially good for the veterans; they do that a lot. But it seems to me that there is a place for remodelling and replacing in this scheme. In the cities they are putting up these 'cliffdwellers' " apartments, and so on; I do not like it. A man is much better off if he raises his family in rural places. The schools are good now, and he has the telephone and all the conveniences of a town. He has power for his water and power for his heat, and everything. To build up the rural communities that way is a good idea. We have been doing it for 50 years.

The CHAIRMAN: He can get loans for that type of undertaking.

Senator KINLEY: Yes, and a building loan to remodel his place. A fellow comes in to work in the plant, and he has been raised on a farm. Then he gets an urge and he will buy a place in the country, and the first thing you know is we lend him the money and then the first thing is he owns it. He is not like the fellow that gets fired and has no money. He has a place and something to do, and it creates a good economy.

The CHAIRMAN: Mr. Dymond, yesterday you gave us some very interesting information breaking down the municipal winter works program by provinces. Have you similar figures with respect to the $500 incentive for the housing program?

Mr. DYMOND: Yes, I think we do.

The CHAIRMAN: Would the committee like to have that information?

Hon. SENATORS: Yes.

The CHAIRMAN: Is it for the 1964-65 year?

Mr. F. M. Hereford, Director, Special Services Branch, Department of Labour: The figures on the expenditures given yesterday were for 1964-65 municipal program.

Senator KINLEY: In the provinces where they give an extra amount, do they amplify this $500 at all?

Mr. DYMOND: No, the provinces are not involved.

The CHAIRMAN: This is a direct payment by the federal Government to the first purchaser of a house. Broadly speaking that is it, isn't it?

Mr. DYMOND: Yes, a housing unit.

The CHAIRMAN: Built in the wintertime?

Mr. DYMOND: Yes. The provinces are not involved in this program.

Mr. HEREFORD: The expenditures to date under the 1964-65 winter house building program are as follows, by province:

Newfoundland	$ 130,000
Prince Edward Island	$ 28,000
Nova Scotia	$ 197,000
New Brunswick	$ 196,000
Quebec	$6,545,500
Ontario	$4,726,000
Manitoba	$ 743,500
Saskatchewan	$ 647,000
Alberta	$1,815,000
British Columbia	$1,417,000
The Yukon and Northwest Territories	$ 6,000

Senator CROLL: All we have to do is to divide that by 500?

Mr. HEREFORD: Yes, or I could give you the number of units. The division of those figures by 500 gives you the number of units.

The total amount expended up to now is $16,451,000.

Senator PEARSON: You have not that divided by metropolitan and rural, have you? For instance, Montreal, Toronto, Hamilton?

Mr. HEREFORD: No, I have not, senator.

Senator CROLL: That indicates one thing, that there was more winter building, real winter building for home consumption done in Quebec than there was in Ontario.

Senator RATTENBURY: Of that type.

Senator CROLL: Well, when you say "of that type"—it is all winter building. Any house that is built at all gets the $500.

Senator RATTENBURY: I realize that, but it does not necessarily indicate the degree of the activity in the various provinces on an overall picture.

Senator CROLL: I was under the impression we were doing much more in the way of building in Ontario than in any other province.

Senator RATTENBURY: That is the point I make.

Senator CROLL: But it may not be true.

Mr. DYMOND: As far as housing accommodation is concerned, this does not cover multiple unit apartments.

Senator CROLL: I realize that, and I was staying off that.

The CHAIRMAN: It also indicates there is a more general use of the housing subsidy for employment throughout the whole of Canada than there seemed to be in connection with the municipal winter works incentive program. Is that a proper deduction? That is, that the comparable figures for other provinces are not so extreme as in the case of winter works.

Mr. DYMOND: We would have to analyze it really on a per capita basis to make a deduction on that.

Senator CROLL: Something comes to my mind. Do you remenber the forerunner of this bill, the 1939 bill—what was it called?—in which the municipalities through the province were given loans?

Mr. HEREFORD: The Municipal Improvements Assistance Act.

Senator CROLL: I remember that act very well in 1939. I was not here then, but I remember looking into it when I came back in 1945. I am sure I am right when I say that what struck me then was that almost 70 per cent of that was in the Province of Quebec, and that was on a loan basis, and it was repaid at that time, because I followed it up at the time when I was urging the Government to do more of that in 1945, when we got back here. They seemed to take the opportunities in that province as far back as 1940. They seem to take those opportunities much more than we do in the rest of the country. These were loans that were repaid. This merely bears out the fact that the rest of the country just is not wising up to some of these advantages.

The CHAIRMAN: May I ask whether there is any special incentive also given by the Province of Quebec in connection with these loans, apart from the $500?

Mr. HEREFORD: No.

The CHAIRMAN: There is nothing, for example, like there is in connection with farm loans in Quebec, like especially favourable interest rates to farmers?

Mr. DYMOND: There is something in the housing field.

Mr. HEREFORD: There is a provincial rebate. I am not thoroughly familiar with it, but there is a provincial rebate system in Quebec whereby persons with income below a certain level get a rebate on the interest on the mortgage.

The CHAIRMAN: That is what I recall too.

Senator POULIOT: In other words, Mr. Chairman, what I understand is that the department does not run after Ontario or Quebec to offer money; it takes due consideration of the number of projects that are submitted; is that the case?

Mr. DYMOND: Yes, that is correct, under the municipal winter works incentive program.

Senator POULIOT: If a province submits a larger number of projects for grants than any other province, then it is expected to get more than the province which submits a smaller number of projects; is that correct?

Mr. DYMOND: That is correct.

Senator POULIOT: Now, to continue on that point, your plans are not given according to the population of a province?

Mr. DYMOND: That is correct.

Senator POULIOT: It is given according to the needs.

Senator ISNOR: The financial picture must come into that.

Senator POULIOT: Yes, the size of the project; and for the size of the project it is the same thing, is it?

Mr. DYMOND: That is correct.

Senator POULIOT: Now, sir, is it not true that there are more designated areas in eastern Quebec and in northern Quebec than there are in Ontario.

Mr. DYMOND: Yes, to my knowledge there is more population in designated areas in the Province of Quebec than in the Province of Ontario—areas designated under the Department of Industry Act for grants for industrial development.

Senator POULIOT: That was my understanding. And is there any preference for a province over any other province in approving projects?

Mr. DYMOND: No, it is strictly on the number of projects that come forward from the province and whether those projects are eligible under the terms of the program.

Senator POULIOT: You are just the same as a bank which lends money to those who want to borrow it, and the bank does not run after customers who do not need any loan; is that true?

Mr. DYMOND: Yes. I would say the analogy is a little difficult to make between banking and this in certain respects. We do not evaluate the credit worthiness, for example, of any of the applicants for grants under the municipal program. That is a matter strictly for the province. In other words, if money would have to be borrowed from banks for the program that comes forward, that is a matter for the departments of municipal affairs and agencies of that kind at the provincial level. We are not involved in that question at all.

Senator HAIG: In other words, the project has to be approved by the province before submission to you?

Mr. DYMOND: That is correct.

Senator RATTENBURY: Why then does the Auditor General come into the picture?

Mr. DYMOND: Well, I think he probably should answer for himself on that, senator. My understanding is that he is in the picture auditing any federal expenditures.

Senator RATTENBURY: After they are made?

Mr. DYMOND: After they are made.

The CHAIRMAN: I wonder if at this stage I may refer to pages 43 and 44 of the Auditor General's report. He has listed eight points in connection with these agreements. Whether or not Mr. Dymond or Mr. Hereford would like to deal with any one of these points, I do not know. Some are more important than others. For example No. 8 says:

> Instances were noted on projects carried out under contract where the wages shown on the claim were at the rates charged to the municipality by the contractor and not at the rates actually paid by him to his employees.

I presume he paid his employees less, and charged the municipality more. What do you have to say about this?

Mr. DYMOND: We could comment on that, senator. The system that we normally follow is that the Auditor General brings these points to our attention in connection with the test audits of provincial accounts, and we then bring the comments which he makes to us, as the federal department responsible for the program, to the attention of the province, and ask for their comments. Steps are then taken to recover moneys that are brought to our attention if they were improperly made.

I might ask Mr. Hereford to elaborate more fully on what we do when comments are brought to our attention by the Auditor General.

Mr. HEREFORD: That is substantially the procedure. The provinces on occasion have some very good explanation as to why this was done; and in some instances it is acceptable. What we really do is negotiate with the provinces on the individual reports of the Auditor General. Some items we are agreed are properly chargeable, where it is determined that money is due to the Crown, we effect the recovery.

The CHAIRMAN: From our point of view, I think we are more interested in how you are going to avoid the same thing happening if we are to have a 1966-67 winter works program, which I presume we will have, where there appear to be opportunities for the intentions of the federal Government being frustrated or made more difficult by procedures. Is there any step ahead of time that can be taken to make sure that when a project is approved it accomplishes what the federal Government intends it will accomplish, creating employment, particularly for those unemployed, and seeing that they get the pay cheque they are entitled to.

Mr. DYMOND: I might make a general comment, and then Mr. Hereford can comment. Yes; for example, particularly as a result of the test audits that I believe the Auditor General has been making since 1962-63, it certainly has come to our attention that there are some of these problem areas in this program that the Auditor General's report indicates.

We of course are handicapped to a considerable degree by virtue of the fact that the provinces are administering the program initially at the provincial level, so that we do not have a supervisory field staff out checking on the activities of the municipalities in this respect. We have to rely, by and large, on the provinces to do this. However, there are certain aspects of the program that are really difficult to administer, such as a number of the items that the Auditor General mentions in the report. I think, for example, we need a better and tighter definition of an "unemployed man" for the purposes of employment on the program.

Some of the conditions we laid down should really be a bit unrealistic, and I think it is a question of either dropping those conditions or substituting one or more capable of administration by the municipalities and the provinces.

From discussions I have had with the minister, I think it is his view that we need to engage in sharpening up our definitions, making them more realistic and capable of administration by the provinces and the municipalities, and I know the minister intends to take a look at it.

Senator CROLL: If I remember correctly, you told us there were recoveries to the extent of about $30,000 one year, $30,000 odd the next year in that area. Let us take the year 1963-64. In the case of a bad actor in 1963, from the time you recovered, how did you look at him in 1964? Did you have a repetition on the part of that bad actor after you recovered—a term I am using for the municipality which takes advantage?

Mr. HEREFORD: We look at the next year's projects very closely, and we put what we call a "stop payment" on projects where we have some concern.

Senator RATTENBURY: Do you look at it from the viewpoint of the project or from the viewpoint of the manpower employed, or from both?

Mr. HEREFORD: In both ways.

Senator KINLEY: Do you blacklist any municipalities or contractors? Do you have to blacklist them?

Mr. DYMOND: No, I do not think we engage in a practice of that kind. We do not have any dealings directly with contractors. It is strictly up to the municipality to hire the contractors.

Senator KINLEY: Only the house building?

Mr. DYMOND: In the house building?

Senator KINLEY: Yes.

Mr. DYMOND: Any house that is built in conformity with the terms of the program is an eligible house, regardless of who is involved in building it.

Senator KINLEY: There is an open element in every business, there is always some loss, but I do not think we should take what the Auditor General says lightly. He is the watchdog of the treasury and is a very important man and he is looking after the safety of the people's money. We should take seriously anything he says, and I think we do.

Mr. HEREFORD: The Auditor General has not reported on the house building program.

Senator CROLL: How much money does our program involve in the 1964 program, on the amount of recovery of $30,000?

Mr. DYMOND: Do you mean the total amount of expenditure?

Mr. HEREFORD: In 1963-64, which would be the year, our expenditures were in the neighbourhood of around $32 million.

Senator CROLL: Thirty-two million dollars of which you recovered $30,000 in recoveries?

Mr. DYMOND: For the sake of clarity, we are recovering other moneys which have not been brought to your attention by the Auditor General.

Mr. HEREFORD: There is still under consideration for those two years something in the neighbourhood of $60,000 being negotiated.

Mr. DYMOND: But there are also other ways in which we have detected expenditures that do not conform with the terms of the program—where we have withheld payment as well.

Mr. HEREFORD: That is true.

Senator CROLL: I have not got the report in front of me—you have it, Mr. Chairman—but did not the Auditor General make a statement, the purport of which was that we had no way of checking at all any of these things?

The CHAIRMAN: I think you may have in mind that, in the case of one province; he said that it "has indicated its reluctance to an examination being

made of the records of its municipalities by members of the audit office on the grounds that these records are already being subjected to extensive examination by the provincial auditor". There is nothing said as to the access to the provincial records. It is regarding the auditor's attempt to check the municipal records that this comment is made. I think that is probably what you have in mind.

Senator SMITH (*Queens-Shelburne*): On the winter house building program, my rough calculations indicate that in the year for which we saw figures and the breaddown through the various provinces, a lot of money was spent in connection with the incentive payments of $500, and there were about 32,000 homes built in Canada in that year. Is that your figure?

Mr. HEREFORD: The year 1964-65?

Senator SMITH (*Queens-Shelburne*): Yes.

Mr. HEREFORD: There were 33,573 dwelling units that qualified for the incentive under the program.

Senator SMITH (*Queens-Shelburne*): And having qualified, there was that much money spent?

Mr. HEREFORD: We have made expenditures to the extent I indicated, $16,451,000. We still have to receive claims for $335,500, which is the difference.

Senator SMITH (*Queens-Shelburne*): And having qualified, there was that quite good. Have you any information as to the net effect of this incentive program by referring to what would be a similar active year in the house building industry, for winter time?

Mr. DYMOND: I could perhaps give some figures that would be suggestive in this regard. The house building program started in the winter of 1963-64—the winter incentive program. Let me give you the figures for 1962-63, for dwelling starts in centres of 5,000 population and over. In that year there were 56,000 dwelling units built, or starts of houses, in those centres. In the period November to February in the year 1962-63, there were 13,000 starts. Now we come to the year 1963-64, which was the first year of the program, and in total there were 59,000 starts, and in the winter period there were 23,000 starts.

Senator CROLL: Seven thousand more.

Mr. DYMOND: More than that.

Senator CROLL: You said 16,000?

Mr. DYMOND: Twenty-three thousand as compared to 13,000, so it is almost a doubling of activity in the winter, while there was not much increase in total.

Senator CROLL: And in the next year?

Mr. DYMOND: In the next year, 1964-65, the total number of starts amounted to 58,000 and in the winter period the number of starts was 24,000.

Senator CROLL: That is 13,000, 23,000 and 24,000—only 1,000 more.

Mr. DYMOND: There was not much more total activity in house building, because the figures are almost identical.

The CHAIRMAN: You might give the figures for the last year, 1964-65, for the other two periods of the year.

Mr. DYMOND: These are enlightening and I would summarize them by saying that, for about the same level of housing we just about doubled the starts in the winter period. If we take the July-October period 1962-63, before the program, the number of starts was 25,000. In 1963-64 this dropped to 21,000. In 1964-65 it dropped to 19,000. So we took starts out of the July-October period that went into this winter period.

If we look at the March-June period in 1962-63, there were 18,000 starts; in 1963-64 this had dropped to 15,000; and in 1964-65 it had also dropped to 15,000. So we were redistributing, which was our exact intent, the activity in

the housing industry on a much more even basis throughout the year. This, in terms of the total employment effect, or the total effect, was for a relatively small expenditure of Government money in terms of the impact that it had on the industry.

Senator SMITH (*Queens-Shelburne*): I wonder, Mr. Chairman, whether the witness could put this net effect in terms of jobs, in net increase in the number of jobs during the winter season?

Mr. DYMOND: We have not got any solid statistical data on employment in this industry. This is very diffiult to come by, technically. Our estimate is that we redistributed about 100,000 jobs on the on-site construction, and about an approximately equal number in all the industries that stand behind the construction industry—which are a very large array of industries. This is our estimate of the impact in terms of employment, but I must stress that it is very much of an estimate. We do not have solid statistical data on this particular question.

Senator CROLL: So that on an expenditure of $32 million odd we got 200,000 people employed, approximately?

Mr. DYMOND: Fifteen million dollars, approximately.

Senator CROLL: Fifteen million dollars. Two hundred thousand people employed, estimated, in addition to making available homes for people?

Mr. DYMOND: That is correct. There are two effects to this program, and I might mention them for the record. The major effect is simply that of a redistribution of house building activity as between the winter and summer months, and this is our main intent from an employment point of view. But, there is some incremental addition, I think, to the housing stock, and to the number of people who have the capacity to purchase houses because of the fact that the amount of down payment required is reduced by $500. This undoubtedly has had some effect in increasing in any particular year the number of units built, but to what extent we do not know.

Senator RATTENBURY: The $500 is applied against the down payment?

Mr. DYMOND: A purchaser can use the $500 as part of the down payment, so to that extent it reduces it where it counts.

Senator CROLL: Is there a similar sort of program in the United States?

Mr. HEREFORD: No, sir.

Mr. DYMOND: We are the only country that has this sort of program in the housing industry.

Senator SMITH (*Queens-Shelburne*): To follow up what I was dealing with a few minutes ago, may I ask if there are facts to substantiate the statement that the bonus incentive for winter house building is by far the most important part of your encouragement of the use of labour in the winter time? It strikes me, by just looking at the thing casually, that it is much more effective in that respect when compared to the total of jobs created by the municipal winter works program.

Mr. DYMOND: No, I think the figures for the municipal winter works program are equally large, or even a little larger. I think the observation to make is that per job affected the housing incentive program is a much bigger bargain in terms of the taxpayer's dollar than the other program is. In other words per job affected we do not need to spend nearly as much money in the housing sector as we do in the municipal winter works sector, but I do not see any other way of achieving the result in the other sector of the economy, so to speak.

I think the reason why we can have such a big impact in the housing sector is that essentially we have to put just a little money in with the consumer's money. He is still paying for most of the house. We are paying only for a very

small percentage of that housing unit, but, nevertheless, where we put the taxpayer's money is at the very point where it counts most from the average consumer's point of view.

The CHAIRMAN: It is a leverage.

Mr. DYMOND: Yes, it is something he can put with his down payment, and that is a very big leverage.

Senator SMITH (*Queens-Shelburne*): It strikes me that with the creation of a desire to build houses in the winter because of the bonus we are opening up so many other ancillary labour-content industries. I know that that is an awkward phrase, but there is created a demand for the materials that go into a house, which are widely varied, whereas, I understand, the general run of construction under the winter works program, although there is some cement and items like that used, is for the most part very heavy labour-intensive, and does not bring in the labour involved in the manufacture of materials. Is not that the situation too?

Mr. DYMOND: It is pretty hard to say. You are really talking about the percentage of labour content in a housing unit as compared to the percentage of labour content in other construction activities that are covered by the municipal winter works incentive program. I personally would not want to generalize on that subject. I think it depends a lot upon an analysis of the character of the construction taking place under the municipal winter works incentive program. Some of it is very light on materials, but in places where small buildings are being built, an curbs, sidewalks, lighting and that sort of thing—

Senator SMITH (*Queens-Shelburne*): Just on that point, there are certain classes of buildings that are excluded from the municipal winter works program?

Mr. DYMOND: Oh, yes.

Senator SMITH (*Queens-Shelburne*): And they are quite common in so far as municipalities are concerned. I do not know what buildings you have left. What are the buildings that do qualify? Do town halls qualify?

Mr. HEREFORD: That is right, town halls, fire stations and recreation centres, etc.

Senator SMITH (*Queens-Shelburne*): But no schools or hospitals?

Mr. HEREFORD: Schools and hospitals are buildings excluded.

Mr. DYMOND: I might say a word, if I may, on this exclusion of buildings under the program. The main economic reason, if I could put it in that way, or the employment reason, for these exclusions is that the construction of large buildings such as schools and hospitals typically carry on over the winter months in any event, and our intent is simply to influence those construction activities that would not normally either take place in the winter months or continue through the winter months.

Senator ASELTINE: Mr. Chairman, we are pretty well on into 1966 at this time, and I am wondering if any figures are available for 1965-66 similar to those we obtained yesterday with respect to 1964-65.

The CHAIRMAN: That is related to the item of $54 million in the estimates we are currently dealing with for the municipal winter works program, and the item of $17 million for the winter house building incentive program. Senator Aseltine, I think, has asked a very good question, and we would all like to know how far you are along in processing applications and spending money in connection with this current fiscal year which ends at the end of next month.

Mr. HEREFORD: Yes, sir. Under both of these programs we are still receiving applications, and will be receiving them because the municipal winter works program runs through to April 30, and the winter house building incentive

program does not reach its conclusion until April 15. I have figures here with respect to the municipal winter works incentive program up to February 11. It must be borne in mind that these are estimates. Yesterday I was able to give our exact expenditures, and these figures will be much higher. I might say in explanation that our experience over the years has been that our actual payments are somewhere in the neighborhood of 65 to 70 per cent of the estimates. I will give you the estimates based on the—

Mr. DYMOND: These are taken from the applications made by the municipalities. I make that explanation, because we have no responsibility at this stage for the figures they submit.

Mr. HEREFORD: The figures are: Bristish Columbia, $4,548,000; Alberta, $4,324,000; Saskatchewan, $3,486,000; Manitoba, $1,340,000; Ontario, $11,808,000; Quebec, $32,875,000; New Brunswick, $756,000; Nova Scotia, $636,000; Prince Edward Island, $670,000; Newfoundland, $471,000; Northwest Territories, $81,000; Indian Bands, $201,000.

That comes to a total of $61,196,000. There may be a slight difference because of some rounding-off in the figures, but the total is—

Senator PEARSON: Why is there such a tremendous difference in the amount for the province of Quebec as compared with the amounts for the other provinces?

Mr. HEREFORD: As was pointed out by Mr. Dymond there is the added incentive provided by the provincial Government.

Senator KINLEY: Has your department any economic interest in Expo '67?

Mr. DYMOND: No, no financial interest.

Senator KINLEY: Therefore, part of the money that goes to Quebec is not absorbed by preparation for the centennial?

Mr. DYMOND: There may be some works that could be related to the centennial.

Senator KINLEY: Prince Edward Island seems to be in the forefront with respect to these figures.

Senator RATTENBURY: It is about the same as Nova Scotia.

Senator MCCUTCHEON: I did not hear Mr. Hereford's reply as to why Quebec was absorbing more than half the estimate.

The CHAIRMAN: We dealt with this yesterday, Senator McCutcheon.

Senator MCCUTCHEON: I was in bed yesterday.

The CHAIRMAN: We are glad to see you back today. Quebec gives a bonus in addition to the federal subsidy to municipalities in connection with these works. Ontario, for example, gives 25 per cent and Quebec gives 40 per cent. These are nondesignated areas, and in the case of designated areas—

Mr. DYMOND: The federal grant is 60 per cent and the provincial is 40 per cent to make up a total of 100 per cent of the cost.

Senator KINLEY: In Prince Edward Island when constructing the buildings in Charlottetown in connection with the Centennial, had you anything to do with that?

The CHAIRMAN: This had nothing to do with the winter works program.

Senator KINLEY: But I wonder if it had been begun in winter what would have been the situation?

Mr. DYMOND: If, for example, the city put in street lighting—I don't know whether they did or not, but if they did this could have been under our program.

Senator KINLEY: I know there was quite some trouble with winter works.

The CHAIRMAN: Are you finished now with Senator Aseltine's question?

Senator CROLL: They didn't answer the question fully about housing.

The CHAIRMAN: I want to know how to reconcile a $61 million figure with the figure in the estimates of $54 million.

Mr. DYMOND: Mr. Hereford explained that the expenditures of the municipalities only came to 60 to 70 per cent of the final figure we encounter here.

The CHAIRMAN: There was an overestimate?

Mr. DYMOND: There was an overestimate of 30 per cent. We took that into account in presenting our estimates to Parliament.

Mr. HEREFORD: Might I add a word? The $54 million includes $6 million provided by way of Governor General's warrants to take care of a shortage in our estimates last year. We had $35 million in the estimates and our final expenditures come to about $41 million. For the current year our expenditure is anticipated to be $48 million.

The CHAIRMAN: Does any of this $54 million have to be returned to the consolidated revenue fund if it is not spent or does approval of applications automatically carry over to enable you to make the payments?

Mr. HEREFORD: This is what I believe to be a non-lapsing vote because the vote covers two fiscal years. It also provides for the payment of undischarged commitments under previous programs.

The CHAIRMAN: There is no lapse involved.

Mr. HEREFORD: No.

The CHAIRMAN: Now if we could have the figures for Senator Aseltine.

Mr. HEREFORD: I have very little information as yet as to expenditures because not too many of the houses have been completed. If I may give the figures in relation to units—many are still under construction.

Mr. DYMOND: You can get a rough indication of the expenditure by multiplying the units by 500.

Mr. HEREFORD: The applications received for 1965-66 are:

> Newfoundland, 204; Prince Edward Island, 54; Nova Scotia, 528; New Brunswick, 501; Quebec, 13,137; Ontario, 9,460; Manitoba, 1,668; Saskatchewan, 1,999; Alberta, 3,815; British Columbia, 3,640; Northwest Territories, 6.

And that totals 35,012 units.

Senator ASELTINE: What was the total for the previous year?

Mr. HEREFORD: It ran just about the same at that time.

Senator RATTENBURY: There is no yardstick subject to which this $500 becomes payable? Referring to Senator Kinley's remarks on rural development, if a farmer decides to put up his own house he may have $7,000 or $8,000—

Mr. HEREFORD: He can participate.

Senator RATTENBURY: It does not have to be built under the regulations of C.M.H.C. or N.H.A.?

Mr. HEREFORD: No.

Mr. DYMOND: The only restriction is that the building is carried out within the prescribed period, and that it conforms in general to the national building code in relation to housing.

Mr. HEREFORD: There is also some limitation as to size because it is specified in the National Building Code that a certain amount of space shall be provided for each room. We do provide that a house must have at least four rooms and a bathroom.

Mr. DYMOND: There are no restrictions as to how the house shall be put in place. It can be done by the owner or by a contractor.

Senator RATTENBURY: That is a very good feature.

Mr. HEREFORD: The only restriction is the timing.

The CHAIRMAN: Mr. Dymond, on your municipal winter works, do your figures give any indication as to what the hourly wages on winter works programs amount to? In other words for what the federal and provincial governments are spending, how many man-hours result and can you give some indication of the average cost per man-hour?

Mr. DYMOND: This could be calculated. We have man-hour estimates that could be compared with estimates of expenditure. We have not calculated those.

Mr. HEREFORD: No. For the current winters program the total payroll costs estimated, works out at $113,643,000 and it is estimated that these projects will provide 7,464,407 man-days of work.

The CHAIRMAN: That is roughly $16 per man-day of work.

Mr. HEREFORD: Of course it varies greatly across the country.

Mr. DYMOND: On an eight-hour day it would be $2 an hour, but the wage rates in construction vary substantially from place to place and in terms of skill used on the job.

Senator MCCUTCHEON: You do not enforce any minimum wages?

Mr. HEREFORD: These projects are exempted from the Fair Wages and Hours of Labour Act because of their large volume, but under the terms of the program reliance is placed on the province—

Senator KINLEY: They come under the provincial codes.

Senator RATTENBURY: Most provinces have a minimum wage now.

Mr. HEREFORD: What we say is reliance will be placed on the provincial government to ensure that going wage rates will apply on these winter works projects and hours of work will not exceed a reasonable maximum per week. Overtime work, except for emergencies, should be excluded.

Senator PEARSON: Do all provinces qualify in the matter of fair wages, the building rate?

Mr. HEREFORD: The local rate is applied, that is right.

Senator MCCUTCHEON: Do you audit the books?

Mr. HEREFORD: The provincial auditor or an auditor designated by him carries out the pre-audit.

Senator MCCUTCHEON: You accept that?

Mr. HEREFORD: Yes, sir.

Senator ISNOR: You do not accept that, do you? The Auditor General, in turn, follows that up?

Mr. DYMOND: Yes, the Auditor General carries out, in turn, test audits of the provincial and local audits.

Senator MCCUTCHEON: That is why he found it difficult to understand what the Monks were being paid.

Mr. DYMOND: That is a question related to conformity with the terms of the program.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I would like to ask, what is the agency which carries out the inspection of the specifications and other qualifying factors with regard to the winter house building program?

Mr. DYMOND: The inspection or the agency that certifies the house as conforming to the terms of the program is the Central Mortgage and Housing Corporation. They do this on a contract basis for the Department of Labour.

Senator ISNOR: Mr. Dymond, have you given any thought to the suggestion made yesterday in regard to having different periods for different provinces because of weather conditions?

Mr. DYMOND: We have given quite a bit of thought to that particular question, senator, as a result of numerous representations that have been made from various quarters regarding inequalities in the program by virtue of the fact that the weather is much more difficult to build in in certain parts and at certain times in Canada than in other parts. We have tried to come up with some way of drawing boundary lines around the various parts of Canada that would provide a more equitable sort of approach in terms of precipitation, temperature, various conditions, and drawing lines on maps based on weather data. And I must confess that every time we have come up and looked at one of these maps and tried to make a judgment as to what would be equitable, at that point I am afraid we threw up our hands and said that we really could not see a way of equalizing the impact of weather in any equitable way so far as municipalities were concerned. This is not to say we give up as of now, but we have certainly found it extremely difficult to come up with any policy based on this sort of approach.

SENATOR SMITH (*Queens-Shelburne*): I can understand the difficulty on the part of Nova Scotia, which is my home. If I go back inland 10 or 15 miles I am in another climate completely. I can play golf while they have two feet of snow on the hills 15 to 20 miles inland. I do not think anyone is ever going to solve that kind of thing.

Mr. DYMOND: The other variable is that the data we were working on was long-term averages of weather—precipitation, temperature, and that sort of thing—and, of course, the weather varies tremendously from year to year and area to area. What might be equitable one year turns out to be inequitable another year.

SENATOR YUZYK: Do you get any guidance at all from the provinces regarding some of these projects, such as weather and the like? Do the provinces give you any criticism or advice on some of these programs—the winter works program, for instance?

Mr. DYMOND: With respect to this matter?

SENATOR YUZYK: In general, I am wondering. It looks as if it is quite acceptable right across the country by the provinces. If it is, then they would give some kind of criticism, good or bad, or whether they are satisfied or not, which would help out in the coming years to improve this program.

Mr. DYMOND: Yes, I might say that last year we conducted quite an extensive research program on the program itself, in co-operation with, I think, each of the provinces.

Mr. HEREFORD: Yes, each of the provinces.

Mr. DYMOND: And we prepared a report for the use of the department and the provinces on the program, and certain suggestions and recommendations in a very general character emerged from that report, designed to make the program a better and more effective one. We held a meeting of provincial officials and departmental officials last year, was it?

Mr. HEREFORD: Early June.

Mr. DYMOND: In early June of last year, and really there were not many recommendations for change that came out of that meeting at the official level. I do not want to give the impression by any means that we are at all happy necessarily with all the provisions or that all the provinces are happy; but when we went through this exercise of trying to find out from the provinces—the point

I think you are making, senator—what changes they as a group desired, we really could discover no kind of concensus regarding any substantial changes in the program.

Senator SMITH (*Queens-Shelburne*): I wonder if the departmental officials have ever discussed this subject with all the provinces, with a view to having them all accept at least to some degree the responsibility for adding to the federal incentive, because it is so obvious that those provinces which are now in that field of providing incentives of their own are the very provinces where the program is apparently a much greater effort than it is in the others. Have there been discussions held trying to persuade the other provinces which are lagging in that respect to participate?

Mr. DYMOND: I would not say discussions have been held on a very senior level or in a very formal way on this point, senator. There have been efforts made, I think, from time to time, correspondence and discussion, to convince some of the provinces that if they want to participate in this program to the extent many other provinces do, this seems to be the way to produce the result, namely to put some additional provincial money on top of the federal money, but I think the Government has never taken the position that we should in a sense tell provinces how to do it or tie our offer of funds to any specific offer the provinces might make.

Senator SMITH (*Queens-Shelburne*): Could I assume at least the success of the program in relation to the financial participation of the provinces has a very close connection, so they will realize that if they entertain some thought of adding to the incentive their winter unemployment could be assisted in some measure?

Mr. DYMOND: I think the whole concept of the program is largely based on inducing municipalities to behave in a way which will reduce winter unemployment through the offer of financial assistance, if they bring forward projects in the winter that conform. I think, looking at the statistics overall, one would be led to the conclusion that the more the financial assistance the greater the performance in this respect.

Senator SMITH (*Queens-Shelburne*): Does the kind of information we received yesterday and today find its way into the Department of Labour in the various provinces, so they will take a look at the national picture instead of reading in the newspapers that Quebec had so many millions of dollars, and so on? Do they understand what the whole picture is?

Mr. HEREFORD: Yes, sir. We produce these cumulative reports weekly, and they are provided to all the provinces, and we provide all the provinces with infomation as to what the other provinces are doing.

Senator O'LEARY (*Antigonish-Guysborough*): On this subject, I believe that perhaps the provinces would be more concerned with the information they would get from the municipalities and the Department of Municipal Affairs, rather than the Department of Labour. By request and by invitation on their part, if they are not satisfied with the present participation of their provincial government, it would seem to me that the municipalities are in a much better position to decide. I am speaking for Nova Scotia, for example, and I think this is the situation.

Senator SMITH (*Queens-Shelburne*): I doubt very much if some of the municipalities realize the extent to which some of the provinces have gone in sharing in the incentive program. Yesterday there were figures given in connection with a number of provinces.

Mr. DYMOND: We deal with departments of municipal affairs on this program, not departments of labour, if I may say that by way of clarification.

Senator ISNOR: I was interested in the last answer, and I would like this on the record as to procedure. Who initiates the start of this request for assistance?

Mr. DYMOND: The municipality brings forth a project and an application form to the provincial Department of Municipal Affairs. We then look at it to see whether it conforms to the terms of the program. They may also be concerned with whether that municipality has the financial capacity to finance the project, and then they send it to us and we review the application to see if it conforms to the terms of the program and send it back to the Department of Municipal Affairs to inform the municipality that they may proceed with the project.

Senator ISNOR: Actually, you are dealing with the province and the province in turn is dealing with the municipality?

Mr. DYMOND: That is correct.

The CHAIRMAN: Have you any figures indicating the extent to which the large cities, like Toronto and Montreal, take part in this winter works municipal program?

Mr. HEREFORD: I am sorry I have not them with me. They are available of course.

The CHAIRMAN: Would you write me a letter so that I can present it to the committee? Is anybody interested in the larger cities, particularly Toronto and Montreal?

Senator SMITH (*Queens-Shelburne*): All the major cities, even including Halifax.

Senator BAIRD: And also St. John's, Newfoundland.

Mr. DYMOND: We will try to select at least one large city in every province of Canada.

Senator THORVALDSON: I should like to know approximately what proportion of the whole winter works program is taken up by the $500 for the home-building bonus, that is, in dollars.

Mr. DYMOND: In terms of federal expenditures?

Senator THORVALDSON: Yes; what proportion is made up of the $500.

Mr. HEREFORD: We estimate this year that $17 million will be spent on the house building program and $48 million on the municipal winter works program.

Senator THORVALDSON: Is that all integrated through your department? Do these two programs dovetail together?

Mr. DYMOND: The new Department of Manpower to be proposed to Parliament will administer the municipal winter works incentive program and the other programs of which the minister spoke on the first day—the "do-it-now program", which is part and parcel of the National Employment Service operation, and the federal Government activity in this field in its own building program through the interdepartmental committee. The Department of Labour administers the house building program in cooperation with C.M.H.C.

Senator THORVALDSON: One other question. It occurs to me that the winter works program was started quite a few years ago when unemployment figures were extremely high—I think from six to eight per cent. Now is is down considerably. In fact, we refer to some areas as having no unemployment whatsoever. Now, are there any discussions in any places about curtailing these programs that were commenced with a certain objective, that objective having been banished to a certain extent? Perhaps this is not a fair question to ask these gentlemen, but maybe they could make a comment or two.

Mr. DYMOND: I might make some observations, without answering in terms of the policy of the government, which of course I am not in a position to do.

Certainly the amount of winter unemployment has been reduced, fortunately, in recent years in Canada as the result of the very substantial rate of

economic growth over the past four to five years. However, there is still a good deal of winter unemployment due to seasonality in the housing industry, which—and there is a judgment involved here—would increase probably if these incentives were suddenly removed. I underline the word "suddenly".

There is another aspect of these programs that is particularly important in the present kind of tight manpower economy in general that we now have in Canada, and that is to even out or utilize more effectively the labour force in the construction industry. For example, if we had not the house building incentive program last year, my judgment would be that there would have been a good deal more pressure on manpower supply. In the late summer and in October when there was not nearly as much housing in that period as otherwise would have been but for the program.

I think the same kind of reasoning applies in the main to the municipal winter works incentive program. In other words, the economic rationale, if you like, has shifted to some degree for these programs as we have moved from an economy of relatively high unemployment to relatively low unemployment. However, personally I would be prepared to argue along the lines I have done that it is now much more in terms of effective utilization of manpower in industry.

The CHAIRMAN: If there are no further questions, I will convey your thanks to Mr. Dymond and Mr. Hereford for the information they have given to us and for the co-operative and courteous way in which they answered our questions. We are grateful to you, gentlemen.

Our next meeting will be next Thursday at 10 o'clock a.m., and the witness who has agreed to come will be Mr. Max Henderson, the Auditor General.

Whereupon the committee adjourned.

APPENDIX "A"

Answers to Questions Submitted by
The Honourable Senator Belisle
with respect to Individual National Assessments
on a percentage basis

TERMS OF REFERENCE FOR RATES OF ASSESSMENT

General Assembly Resolution 14 A 3 (I), paragraphe 3 of February 13, 1946.

The apportionment of expenses

13. The expenses of the United Nations should be apportioned broadly according to capacity to pay. It is, however, difficult to measure such capacity merely by statistical means, and impossible to arrive at any definite formula. Comparative estimates of national income would appear *prima facie* to be the fairest guide. The main factors which should be taken into account in order to prevent anomalous assessments resulting from the use of comparative estimates of national income include:

(a) Comparative income per head of population;

(b) Temporary dislocation of national economies arising out of the Second World War;

(c) The ability of Members to secure foreign currency.

Two opposite tendencies should also be guarded against: some Members may desire unduly to minimize their contributions, whereas others may desire to increase them unduly for reasons of prestige. If a ceiling is imposed on contributions the ceiling should not be such as seriously to obscure the relation between a nation's contributions and its capacity to pay. The Committee should be given discretion to consider all data relevant to capacity to pay and all other pertinent factors in arriving at its recommendations. Once a scale has been fixed by the General Assembly it should not be subjected to a general revision for at least three years or unless it is clear that there have been substantial changes in relative capacities to pay.

General Assembly Resolution 1927 (XVIII), paragraph 2 of December 11, 1963.

In calculating rates of assessment, the Committee on Contributions should give due attention to the developing countries in view of their special economic and financial problems.

LIST OF 48 UNITED NATION'S MEMBERS WHO PAY LOWEST UNITED NATIONS ASSESSMENT OF .04%

	Estimated Population
Albania	1,711,000
Bolivia	3,596,000
Burundi	2,600,000
Cambodia	5,740,000
Cameroon	4,560,000
Central African Republic	1,250,000

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	Estimated Population
Chad	2,720,000
Congo (Leopoldville)	15,007,000
Costa Rica	1,338,000
Cyprus	589,000
Dahomey	2,200,000
Dominican Republic	3,334,000
El Salvador	2,721,000
Ethiopia	21,800,000
Gabon	458,000
Guatemala	4,095,000
Guiana	3,357,000
Haiti	4,448,000
Honduras	2,008,000
Iceland	182,000
Ivory Coast	3,665,000
Jordan	1,827,000
Kenya	8,847,000
Laos	1,882,000
Liberia	9,500,000
Libya	1,270,000
Madagascar	5,940,000
Malawi	3,753,000
Mali	4,394,000
Malta	328,000
Mauritania	770,000
Mongolia	1,019,000
Nepal	9,550,000
Nicaragua	1,541,000
Niger	3,117,000
Panama	1,177,000
Paraguay	1,903,000
Rwanda	2,780,000
Senegal	3,360,000
Sierra Leone	2,183,000
Tanzania	10,118,000
Togo	1,563,000
Trinidad and Tobago	894,000
Uganda	7,016,000
Upper Volta	4,500,000
Yemen	4,000,000
Zambia	3,500,000
Somalia	2,250,000

APPENDIX "B"

Answers to Questions Submitted by The Honourable Senator Pouliot with respect to The United Nations Congo Operation and the cost of the U.N. Emergency Force. (Middle East)

ONUC ASSESSMENTS SINCE 1960

(in $ U.S.)

Country	*Total Assessments*	*Contributions and/or credits*	*Total Balance Due*
Afghanistan	46,840.00	9,236.50	37,603.00
Albania	43,636.00	34.00	43,602.00
Algeria	26,179.00	26,179.00	
Argentina	901,253.00	747,582.00	153,671.00
Australia	4,763,191.00	4,763,191.00	
Austria	1,209,750.00	1,209,750.00	
Belgium	3,452,156.00	3,315,409.47	136,746.53
Bolivia	43,636.00	8,803.00	34,833.00
Brazil	869,796.50	368,830.50	499,965.00
Bulgaria	190,881.00	35.00	190,746.00
Burma	63,814.00	63,814.00	
Burundi	10,471.00		10,471.00
Byelorussian S.S.R.	1,358,277.00	396.00	1,357,881.00
Cambodia	43,636.00	43,636.00	
Cameroon	25,328.50	25,328.50	
Canada	8,577,381.00	8,577,381.00	
Central African Republic	25,328.50	18,739.50	6,589.00
Ceylon	80,790.00	80,790.00	
Chad	25,328.50	15,496.50	9,832.00
Chile	225,075.00	228.00	224,847.00
China	6,891,432.50	154,226.50	6,737,206.00
Colombia	242,686.50	242,686.50	
Congo (Brazzaville)	25,328.50	15,390.50	9,938.00
Congo (Democratic Republic of)	37,582.50	37,582.50	
Costa Rica	33,949.50	20,034.50	13,915.00
Cuba	260,470.00	211.00	260,259.00
Cyprus	25,328.50	25,328.50	
Czechoslovakia	2,760,142.00	734.00	2,759,408.00
Dahomey	25,328.50	18,334.50	6,994.00
Denmark	1,626,753.00	1,626,753.00	
Dominican Republic	54,545.00	42.00	54,503.00
Ecuador	50,923.50	42,778.90	8,144.60
El Salvador	38,351.00	22,055.00	16,296.00
Ethiopia	46,840.50	34,416.50	12,424.00
Finland	1,004,190.00	1,004,190.00	
France	17,036,551.00	5,399.00	17,031,152.00
Gabon	25,328.50	25,328.50	
Ghana	67,581.00	67,581.00	
Greece	195,208.50	195,208.50	

23455—4½

Country	*Total Assessments*	*Contributions and/or credits*	*Total Balance Due*
Guatemala	42,437.00	4,228.00	38,209.00
Guiana	43,636.00	33,698.00	9,938.00
Haiti	33,949.50	33.50	33,916.00
Honduras	33,949.59	17,772.50	16,177.00
Hungary	995,378.00	354.00	995,024.00
Iceland	36,170.50	36,170.50	
India	3,130,511.50	3,130,511.50	
Indonesia	390,737.00	390,737.00	
Iran	174,149.50	174,149.50	
Iraq	98,182.00	75,820.00	22,362.00
Ireland	198,647.00	198,647.00	
Israel	122,907.50	122,907.50	
Italy	6,183,458.00	6,183,458.00	
Ivory Coast	29,847.50	29,847.50	
Jamaica	12,424.00	12,424.00	
Japan	4,140,637.00	4,140,637.00	
Jordan	43,636.00	34.00	43,602.00
Kuwait	9,938.00	9,938.00	
Laos	33,949.50	33,949.50	
Lebanon	42,437.00	30,329.00	12,108.00
Liberia	33,949.50	30,600.50	3,349.00
Libya	43,636.00	43,636.00	
Luxembourg	72,895.00	72,895.00	
Madagascar	29,847.50	2,579.50	27,268.00
Malaysia	127,947.00	127,947.00	
Mali	25,328.50	1,069.00	24,259.00
Mauritania	17,215.00		17,215.00
Mexico	786,792.00	599.00	786,193.00
Mongolia	17,215.00		17,215.00
Morocco	152,725.00	152,725.00	
Nepal	33,949.50	27,360.58	6,588.92
Netherlands	2,781,426.00	2,781,426.00	
New Zealand	1,143,843.00	1,143,843.00	
Nicaragua	33,949.50	33.50	33,916.00
Niger	25,328.50	25,328.50	
Nigeria	133,024.50	133,024.50	
Norway	1,298,245.00	1,298,245.00	
Pakistan	347,665.00	347,665.00	
Panama	33,949.50	33.50	33,916.00
Paraguay	33,949.50	9,720.50	24,229.00
Peru	89,276.50	93.50	89,183.00
Philippines	352,704.50	352,704.50	
Poland	2,467,165.00	1,155.00	2,466,010.00
Portugal	201,842.00	169.00	201,673.00
Roumania	710,742.00	69,727.00	641,015.00
Rwanda	10,471.00		10,471.00
Saudi Arabia	69,538.00	51.00	69,487.00
Senegal	33,933.50	13,515.50	20,418.00
Sierra Leone	17,215.00	17,215.00	
Somalia	25,328.50	7,883.50	17,445.00
South Africa	1,503,809.00	472.00	1,503,337.00
Spain	985,943.00	784.00	985,159.00
Sudan	55,008.50	49,148.50	5,860.00

Country	Total Assessments	Contributions and/or credits	Total Balance Due
Sweden	3,712,796.00	3,712,796.00	
Syrian Arab Republic	20,424.00	45.00	20,379.00
Thailand	135,598.50	109,240.50	26,358.00
Togo	26,394.00	1,069.00	25,325.00
Trinidad & Tobago	10,471.00	10,471.00	
Tunisia	42,437.00	42,437.00	
Turkey	423,149.00	423,149.00	
Uganda	10,471.00		10,471.00
Ukrainian S.S.R.	5,187,215.00	1,518.00	5,185,697.00
U.S.S.R.	39,234,576.00	11,491.00	39,223,085.00
U.A.R.	300,495.00	252,108.00	48,387.00
United Kingdom	21,369,451.00	21,369,451.00	
United Republic of Tanzania	17,215.00	17,215.00	
United States	88,902,194.00	88,902,194.00	
Upper Volta	26,394.00	12,249.00	14,145.00
Uruguay	97,759.00	97.00	97,662.00
Venezuela	432,538.50	432,538.50	
Yemen	43,636.00	34.00	43,602.00
Yugoslavia	394,069.00	60,800.00	333,269.00

ONUC VOLUNTARY CONTRIBUTIONS

(in $ U.S.)

Country	Year	Amount
Australia	1963	92,000
	1964	36,500
Austria	1963	25,000
	1964	9,900
Canada	1963	173,000
	1964	90,000
Denmark	1963	37,000
	1964	13,286
Finland	1963	18,635
	1964	8,244
Ireland	1963	5,053
	1964	2,947
Japan	1963	81,927
	1964	33,425
Netherlands	1963	57,000
	1964	22,694
New Zealand	1963	22,916
	1964	9,002
Norway	1963	28,000
	1964	10,000
Sweden	1963	75,000
	1964	37,500
United Kingdom	1963	410,000
	1964	175,000
United States	1960	3,900,000
	1963	1,768,479
	1964	704,111

UNEF ASSESSMENTS SINCE 1956/57

(in $ U.S.)

Country	Total Assessments	Contributions and/or Credits (up to June 30, 1965)	Total Balance Due
Afghanistan	68,244	31,200	37,144
Albania	47,098	7,268	39,830
Algeria	16,802	16,802	
Argentina	1,299,247	351,105	948,142
Australia	2,224,477	2,224,477	
Austria	538,757	538,757	
Belgium	1,641,690	1,641,690	
Bolivia	51,067	14,631	36,436
Brazil	1,223,705	1,134,454	89,251
Bulgaria	190,079	32,161	157,918
Burma	99,731	99,731	
Burundi	5,809		5,809
Byelorussian S.S.R.	633,835	48,755	585,080
Cambodia	47,098	47,098	
Cameroon	21,590	21,590	
Canada	4,066,762	4,066,762	
Central African Republic	17,590	15,334	2,256
Ceylon	119,310	119,310	
Chad	17,590	11,091	6,499
Chile	324,917	195,919	128,998
China	5,812,344	1,068,718	4,743,626
Colombia	374,301	374,301	
Congo (Brazzaville)	17,590	2,868	5,722
Congo (Democratic Republic of)	24,808	24,808	
Costa Rica	47,098	35,148	11,850
Cuba	292,587	70,113	222,474
Cyprus	17,590	17,590	
Czechoslovakia	1,207,243	90,166	1,117,077
Dahomey	17,590	14,997	2,593
Denmark	795,082	795,082	
Dominican Republic	58,874	41,445	17,429
Ecuador	66,680	60,909	5,771
El Salvador	60,436	54,714	5,722
Ethiopia	88,089	80,935	7,154
Finland	475,383	475,383	
France	7,876,805	7,876,805	
Gabon	17,590	17,590	
Ghana	80,373	80,373	
Greece	256,410	256,410	
Guatemala	66,812	55,294	11,518
Guina	32,328	18,387	13,941
Haiti	47,098	26,906	20,192
Honduras	47,098	41,376	5,722
Hungary	589,819	43,548	546,271
Iceland	52,246	52,246	
India	2,978,048	2,978,048	
Indonesia	561,975	561,975	
Iran	266,176	266,176	

Country	Total Assessments	Contributions and/or Credits (up to June 30, 1965)	Total Balance Due
Iraq	117,877	28,404	89,473
Ireland	211,009	211,009	
Israel	165,188	165,188	
Italy	2,855,222	2,842,048	13,174
Ivory Coast	21,575	21,575	
Jamaica	7,154	7,154	
Japan	2,790,240	2,790,240	
Jordan	47,098	7,268	39,830
Kuwait	5,363	5,363	
Laos	47,098	47,098	
Lebanon	58,874	39,029	19,845
Liberia	47,098	43,632	3,466
Libya	55,090	55,090	
Luxembourg	74,678	74,678	
Madagascar	21,575	21,575	
Malaysia	183,466	183,466	
Mali	15,590	15,590	
Mauritania	6,918		6,918
Mexico	834,251	265,479	568,772
Mongolia	6,918		6,918
Morocco	156,908	149,010	7,898
Nepal	47,098	45,842	2,256
Netherlands	1,367,300	1,367,300	
New Zealand	546,369	546,369	
Nicaragua	47,098	40,881	6,217
Niger	17,590	17,590	
Nigeria	92,353	92,353	
Norway	622,755	622,755	
Pakistan	532,832	532,832	
Panama	51,067	40,888	10,179
Paraguay	47,990	16,906	30,192
Peru	142,990	56,559	86,431
Philippines	488,656	488,656	
Poland	1,821,633	1,204,770	1,616,863
Portugal	243,217	243,217	
Roumania	497,715	35,521	462,194
Rwanda	5,809		5,809
Saudi Arabia	77,024	11,700	65,324
Senegal	23,982	15,857	8,125
Sierra Leone	6,502	6,502	
Somalia	17,590	11,868	5,722
South Africa	769,913	769,913	
Spain	1,154,055	163,858	990,197
Sudan	92,900	11,767	81,133
Sweden	1,702,629	1,702,629	
Syrian Arab Republic	39,821		39,821
Thailand	158,395	149,369	9,026
Togo	17,590	6,885	10,705

Country	Total Assessments	Contributions and/or Credits (up to June 30, 1965)	Total Balance Due
Trinidad and Tobago	5,722	5,722	
Tunisia	58,874	58,874	
Turkey	659,876	659,876	
Uganda	5,809		5,809
Ukrainian S.S.R.	2,424,922	186,724	2,238,198
U.S.S.R.	18,338,506	51,905	18,286,601
United Arab Republic	373,326	52,819	320,507
United Kingdom	9,052,564	9,052,564	
United Republic of Tanzania	6,502	6,502	
United States	42,403,138	42,403,138	
Upper Volta	15,590	1,123	14,467
Uruguay	154,767	114,047	40,720
Venezuela	563,263	563,263	
Yemen	47,098	7,268	39,830
Yugoslavia	420,799	420,799	

UNEF VOLUNTARY CONTRIBUTIONS

(in $ U.S.)

Country	Year	Amount	
Australia	1957	50,000	(Special Assistance)
	1960	178,864	(Uncollected Credit)
	1963	19,000	
	1964	45,200	
	1965	285,000	(Advance Payment)
Austria	1957	1,000	(Special Assistance)
	1963	5,000	
	1964	12,300	
	1965	40,000	(Advance Payment)
Belgium	1960	68,553	(Uncollected Credit)
		169,839	(Advance Payment)
Canada	1960	310,764	(Uncollected Credit)
	1963	37,000	
	1964	86,000	
	1965	551,000	(Advance Payment)
Denmark	1960	59,212	(Uncollected Credit)
	1963	8,000	
	1964	18,000	
	1965	120,612	(Advance Payment)
Finland	1963	5,365	
	1964	9,756	
France	1957	370,500	
	1963	70,000	
Ghana	1965	7,798	(Advance Payment)
Greece	1965	19,930	(Advance Payment)
Iceland	1965	6,000	(Advance Payment)
India	1965	150,000	(Advance Payment)

Country	Year	Amount	
Ireland	1957	10,000	(Special Assistance)
	1963	1,179	
	1964	3,821	
Jamaica	1965	3,466	(Advance Payment)
Japan	1957	10,000	(Special Assistance)
	1960	50,000	(Uncollected Credit)
	1963	19,116	
	1964	45,864	
	1965	321,280	(Advance Payment)
Italy	1960	118,577	(Uncollected Credit)
Kuwait	1965	3,466	(Advance Payment)
Luxembourg	1965	7,077	(Advance Payment)
Madagascar	1965	3,262.40	(Advance Payment)
Malaysia	1965	11,265	(Advance Payment)
Mexico	1957	10,000	(Special Assistance)
Netherlands	1957	56,062	(Special Assistance)
	1960	100,923	(Uncollected Credit)
	1963	13,000	
	1964	31,139	
	1965	142,948.80	(Advance Payment)
New Zealand	1957	27,950	
	1963	4,112	
	1964	10,164	
	1965	58,029	(Advance Payment)
Norway	1960	48,963	(Uncollected Credit)
	1963	7,000	
	1964	13,000	
	1965	74,090.40	(Advance Payment)
Pakistan	1957	5,000	
	1965	29,114	(Advance Payment)
South Africa	1965	93,755	(Advance Payment)
Sweden	1960	138,895	(Uncollected Credit)
	1963	25,000	
	1964	37,500	
United Kingdom	1957	507,650	
		1,000,000	(Special Assistance)
	1959	275,000	
	1963	90,000	
	1964	200,000	
	1965	1,005,768	(Advance Payment)
United States	1957	920,850	
		12,000,000	(Special Assistance)
	1959	3,500,000	
	1963	371,546	
	1964	871,905	

ONUC ASSESSMENTS SINCE 1960

(in $ U.S.)

Country	Total Assessments	Contributions and/or credits	Total Balance Due
Afghanistan	46,840.50	9,236.50	37,603.00
Albania	43,636.00	34.00	43,602.00
Algeria	26,179.00	26,179.00	

Country	*Total Assessments*	*Contributions and/or credits*	*Total Balance Due*
Argentina	901,253.00	747,582.00	153,671.00
Australia	4,763,191.00	4,763,191.00	
Austria	1,209,750.00	1,209,750.00	
Belgium	3,452,156.00	3,315,409.47	136,746.53
Bolivia	43,636.00	8,803.00	34,833.00
Brazil	869,796.50	368,830.50	499,965.00
Bulgaria	190,881.00	35.00	190,746.00
Burma	63,814.00	63,814.00	
Burundi	10,471.00		10,471.00
Byelorussian S.S.R.	1,358,277.00	396.00	1,357,881.00
Cambodia	43,636.00	43,636.00	
Cameroon	25,328.50	25,328.50	
Canada	8,577,381.00	8,577,381.00	
Central African Republic	25,328.50	18,739.50	6,589.00
Ceylon	80,790.00	80,790.00	
Chad	25,328.50	15,496.50	9,832.00
Chile	225,075.00	228.00	224,847.00
China	6,891,432.50	154,226.50	6,737,206.00
Colombia	242,686.50	242,686.50	
Congo (Brazzaville)	25,328.50	15,390.50	9,938.00
Congo (Democratic Republic of)	37,582.50	37,582.50	
Costa Rica	33,949.50	20,034.50	13,915.00
Cuba	260,470.00	211.00	260,259.00
Cyprus	25,328.50	25,328.50	
Czechoslovakia	2,760,142.00	734.00	2,759,408.00
Dahomey	25,328.50	18,334.50	6,994.00
Denmark	1,626,753.00	1,626,753.00	
Dominican Republic	54,545.00	42.00	54,503.00
Ecuador	50,923.50	42,778.90	8,144.60
El Savador	38,351.00	22,055.00	16,296.00
Ethiopia	46,840.50	34,416.50	12,424.00
Finland	1,004,190.00	1,004,190.00	
France	17,036,551.00	5,399.00	17,031,152.00
Gabon	25,328.50	25,328.50	
Ghana	67,581.00	67,581.00	
Greece	195,208.00	195,208.50	
Guatemala	42,437.00	4,228.00	38,209.00
Guiana	43,636.00	33,698.00	9,938.00
Haiti	33,949.50	33.50	33,916.00
Honduras	33,949.50	17,772.50	16,177.00
Hungary	995,378.00	354.00	995,024.00
Iceland	36,170.50	36,170.50	
India	3,130,511.50	3,130,511.50	
Indonesia	390,737.00	390,737.00	
Iran	174,149.50	174,149.50	
Iraq	98,182.00	75,820.00	22,362.00
Ireland	198,647.00	198,647.00	
Israel	122,907.50	122,907.50	
Italy	6,183,458.00	6,183,458.00	
Ivory Coast	29,847.50	29,847.50	
Jamaica	12,424.00	12,424.00	
Japan	4,140,637.00	4,140,637.00	
Jordan	43,636.00	34.00	43,602.00

Country	Total Assessments	Contributions and/or credits	Total Balance Due
Kuwait	9,938.00	9,938.00	
Laos	33,949.50	33,949.50	
Lebanon	42,437.00	30,329.00	12,108.00
Liberia	33,949.50	30,600.50	3,349.00
Libya	43,636.00	43,636.00	
Luxembourg	72,895.00	72,895.00	
Madagascar	29,847.50	2,579.50	27,268.00
Malaysia	127,947.00	127,947.00	
Mali	25,328.50	1,069.50	24,259.00
Mauritania	17,215.00		17,215.00
Mexico	786,792.00	599.00	786,193.00
Mongolia	17,215.00		17,215.00
Morocco	152,725.00	152,725.00	
Nepal	33,949.50	27,360.58	6,588.92
Netherlands	2,781,426.00	2,781,426.00	
New Zealand	1,143,843.00	1,143,843.00	
Nicaragua	33,949.50	33.50	33,916.00
Niger	25,328.50	25,328.50	
Nigeria	133,024.50	133,024.50	
Norway	1,298,245.00	1,298,245.00	
Pakistan	347,665.00	347,665.00	
Panama	33,949.50	33.50	33,916.00
Paraguay	33,949.50	9,720.50	24,229.00
Peru	89,276.50	93.50	89,183.00
Philippines	352,704.50	352,704.50	
Poland	2,467,165.00	1,155.00	2,466,010.00
Portugal	201,842.00	169.00	201,673.00
Roumania	710,742.00	69,727.00	641,015.00
Rwanda	10,471.00		10,471.00
Saudi Arabia	69,538.00	51.00	68,487.00
Senegal	33,933.50	13,515.50	20,418.00
Sierra Leone	17,215.00	17,215.00	
Somalia	25,328.50	7,883.50	17,445.00
South Africa	1,503,809.00	472.00	1,503,337.00
Spain	985,943.00	784.00	985,159.00
Sudan	55,008.50	49,148.50	5,860.00
Sweden	3,712,796.00	3,712,796.00	
Syrian Arab Republic	20,424.00	45.00	20,379.00
Thailand	135,598.50	109,240.50	26,358.00
Togo	26,394.00	1,069.00	25,325.00
Trinidad & Tobago	10,471.00	10,471.00	
Tunisia	42,437.00	42,437.00	
Turkey	423,149.00	423,149.00	
Uganda	10,471.00		10,471.00
Ukrainian S.S.R.	5,187,215.00	1,518.00	5,185,697.00
U.S.S.R.	39,234,576.00	11,491.00	39,223,085.00
U.A.R.	300,495.00	252,108.00	48,387.00
United Kingdom	21,369,451.00	21,369,451.00	
United Republic of Tanzania	17,215.00	17,215.00	
United States	88,902,194.00	88,902,194.00	
Upper Volta	26,394.00	12,249.00	14,145.00
Uruguay	97,759.00	97.00	97,662.00

Country	Total Assessments	Contributions and/or credits	Total Balance Due
Venezuela	432,538.50	432,538.50	
Yemen	43,636.00	34.00	43,602.00
Yugoslavia	394,069.00	60,800.00	333,269.00

ONUC VOLUNTARY CONTRIBUTIONS

(in $ U.S.)

Country	Year	Amount
Australia	1963	92,000
	1964	36,500
Austria	1963	25,000
	1964	9,900
Canada	1963	173,000
	1964	90,000
Denmark	1963	37,000
	1964	13,286
Finland	1963	18,635
	1964	8,244
Ireland	1963	5,053
	1964	2,947
Japan	1963	81,927
	1964	33,425
Netherlands	1963	57,000
	1964	22,694
New Zealand	1963	22,916
	1964	9,002
Norway	1963	28,000
	1964	10,000
Sweden	1963	75,000
	1964	37,500
United Kingdom	1963	410,000
	1964	175,000
United States	1960	3,900,000
	1963	1,768,479
	1964	704,111

APPENDIX "C"

LETTER SENT TO EACH PROVINCIAL PREMIER

Re: Winter Works Program.

OTTAWA, July 12, 1965.

Dear Premier:

As I indicated in my telegram to you of July 2, the Federal Government is prepared to continue the Municipal Winter Works Incentive Program during the winter of 1965-1966.

The terms of the program for next winter will be substantially the same as the terms of last winter's program and the federal incentive payment will apply to work performed on authorized projects during the period November 1, 1965 to April 30, 1966.

The terms of last year's program included a provision for granting extensions of time for completing projects which had been delayed because of severe weather conditions. This matter was discussed at a federal-provincial meeting of officials on June 4 and a decision has not yet been reached as to whether a similar provision is needed under the program for this winter. In any event, this is not a matter which will affect the advance planning municipalities will be carrying out on projects for the coming winter.

The terms of the program for the coming winter are as follows:

1. The Government of Canada, subject to the approval of each winter works project by the provincial government and acceptance of it by the Government of Canada, will reimburse each municipality one-half of the direct payroll costs of the municipality or its contractors or sub-contractors incurred on site on winter works projects during the period November 1, 1965 to April 30, 1966.
   In the case of municipalities in the Designated Areas and the Areas of High Winter Unemployment, the federal incentive will be 60 per cent of direct payroll costs.
2. Winter works projects for the purpose of this program shall include any capital undertaking of a municipality except work on schools and school grounds, hospitals and hospital grounds, subway transportation systems and municipally-owned buildings to be used for industrial or business purposes under private auspices, it being provided in respect to construction of municipal buildings that the federal incentive payment as related to the 1965-1966 program shall not exceed $100,000 on each new structure.
   Winter works projects shall be designed to create additional employment during the period of the program and be undertakings which would not normally be carried out at this season of the year in the absence of the program.
3. The bulk of those employed under this plan must be unemployed at the time they are hired or persons who would be unemployed in the absence of special winter works projects under this program. In this way, the employment created will benefit those most in need.
4. The hiring of workers under this program shall be made without discrimination against or favour for any persons with respect to racial origin, religious views or political affiliation.

5. The facilities of the National Employment Service, where available, will be used in hiring workers to be employed on accepted projects.
6. Payments to regular and to year-round employees of the municipalities will not be included as part of the direct payroll costs incurred on accepted winter works projects except in the case of workers with special skills normally transferred to general municipal maintenance work during the winter months, who are required on accepted winter works projects. Regular workers in this exceptional group may be included provided an equal number of unemployed workers are recruited in co-operation with the National Employment Service for general maintenance work to replace the workers transferred, whose names and occupations will be submitted in each case.
7. Reliance will be placed on the provincial government to ensure that going wage rates will apply on these winter works projects and that hours of work will not exceed a reasonable maximum per week. Overtime work, except in emergencies, should be excluded.
8. Materials of Canadian manufacture shall be used on accepted winter works projects wherever possible in order to ensure maximum employment in Canada.
9. Preference is to be given to those projects providing the greatest amount of employment and priority is to be given to projects in areas where winter unemployment is particularly high.
10. In the case of a province which, under the laws of that province, carries out works in a rural municipality that are of a nature normally considered to be a municipal function, such works may be included for the purposes of this program, provided that all other requirements have been met.
11. Projects to which the Government of Canada is contributing through financial grants under other agreements or arrangements other than centennial projects being carried out under Agreements between the provinces and the National Centennial Administration will not come within the scope of this program, it being provided, however, that projects on which loans are obtained under the Municipal Development and Loan Plan and under Part VÎB of the National Housing Act will not be disqualified by reason of any forgiveness feature from receiving a contribution from the Government of Canada under this program.
12. The federal incentive on accepted municipal winter works projects carried out within the prescribed period will apply from the date of commencement, on or after November 1, 1965, or from the date of acceptance of the project by the Government of Canada, whichever is later.
13. In addition to exercising any usual functions in authorizing municipal projects, the provincial government will be responsible for approving those winter works projects proposed by municipalities which come within the program. The provincial government will forward particulars of each winter works project so approved to the Canadian Department of Labour. After acceptance of a project by the Government of Canada, the provincial government will be informed and will notify the municipality that claims may be made in respect of the project as indicated below.
14. Claims for incentive payments by the Government of Canada will be audited by the provincial auditor, or an auditor designated by him.

15 Audited claims will be submitted to the Canadian Department of Labour after certification by the appropriate provincial minister.

This certification will be to the effect that the direct payroll costs have been incurred on winter works projects which meet the conditions set out above.

16. Audited and certified claims for reimbursement will be submitted to the Canadian Department of Labour not more frequently than once a month. All claims must be forwarded not later than October 31, 1966.
17. Notwithstanding the aforementioned terms under which the incentive will be paid, the province may submit, and the federal government may accept for payment interim claims covering the federal share of up to 80 per cent of actual payroll costs incurred on any one project approved by the province and accepted by the Government of Canada; said interim claims to be subject to the province submitting a final statement audited and certified in accordance with the conditions of paragraphs 14 and 15 above.
18. The province will permit access by authorized officials of Canada at all convenient times to records, documents and files of the province and its municipalities directly or indirectly relating to authorized projects, as may be deemed necessary for the audit of direct payroll costs claimed under this program.
19. The provincial government will provide such additional information as may be required from time to time by the Minister of Labour of Canada.

The provisions set forth in numbered paragraphs 1 to 19 shall apply to projects in unorganized settlements when sponsored by a community organization and carried out under acceptable community supervision and provincial supervision.

A detailed survey of the Municipal Winter Works Incentive Program was carried out by the Department of Labour in co-operation with the provinces during the summer of 1964 and some very useful information concerning the program was obtained from this survey. We intend to undertake further research with a view to increasing the effectiveness of the program and your co-operation in this important work would be greatly appreciated. Consideration has been given to the possibility of introducing a system of variable incentive payments which would take into account summer-winter cost differentials which vary according to type of project and climatic conditions. Further study will be required before such a change could be introduced and we are proceeding with this study.

The Municipal Winter Works Incentive Program has been effective in shifting work from summer to winter and has also been effective in relieving some of the labour market pressures this year. Since there are indications that construction labour will again be in short supply during the summer of 1966 it is important that projects be shifted wherever possible to next winter.

While the main purpose of the program is to stimulate employment in the winter months by shifting work from summer to winter, the program can also provide a significant opportunity for improving the skills of workers particularly in the construction industry. Any steps you can take to encourage municipalities and contractors engaged on municipal projects to undertake increased apprenticeship and other training will help meet developing manpower shortages.

As in previous years we shall be issuing a pamphlet describing the program for the coming winter and copies will be available shortly.

I hope the program for 1965-66 will be acceptable to you and I would appreciate hearing from you as soon as possible.

Yours sincerely,

Allan J. MacEachen.

First Session—Twenty-seventh Parliament
1966

THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

The Honourable T. D'Arcy Leonard, *Chairman*
The Honourable H. de M. Molson, *Deputy Chairman*

No. 3

Third Proceedings on The Estimates
laid before Parliament for the fiscal year ending 31st March, 1966.

THURSDAY, MARCH 3, 1966

WITNESSES:

AUDITOR GENERAL'S OFFICE: A. M. Henderson, Auditor General; C. F. Gilhooly, Audit Director.

APPENDIX:

"D" List of larger urban areas participating in Winter Works Program.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

23457—1

THE STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Burchill
Choquette
Connolly (*Halifax North*)
Crerar
Croll
Denis
Dupuis
Farris
Flynn
Gelinas
Gershaw
Grosart
Haig
Hayden
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
McCutcheon
McKeen
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Taylor
Thorvaldson
Vaillancourt
Vien
Welch
Woodrow
Yuzyk—48.

Ex officio members

Brooks
Connolly (*Ottawa West*)

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, January 26, 1966:

"The Honourable Senator Bouffard moved, seconded by the Honourable Senator Hayden—

That the Standing Committee on Finance be authorized to examine and report upon the expenditures set out in the Estimates laid before Parliament for the fiscal year ending 31st March, 1966;

That the said Committee be empowered to send for persons, papers and records and to sit during sittings and adjournments of the Senate;

That the evidence received and taken at the preceding session be referred to the Committee; and

That the quorum of said Committee he reduced to seven members.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

23457—1½

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Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

23457—1½

MINUTES OF PROCEEDINGS

THURSDAY, March 3rd, 1966.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.00 a.m.

Present: The Honourable Senators Leonard (*Chairman*), Aird, Aseltine, Baird, Belisle, Brooks, Burchill, Croll, Flynn, Gershaw, Grosart, Haig, Isnor, Kinley, McCutcheon, O'Leary (*Antigonish-Guysborough*), Pearson, Pouliot, Rattenbury, Reid, Smith (*Queens-Shelburne*), Taylor, Thorvaldson, Woodrow and Yuzyk. (25).

The Estimates for the fiscal year ending March 31, 1966, were further considered.

On motion of the Honourable Senator McCutcheon it was Resolved to print as Appendix "D" to this day's proceedings a list of the larger urban areas participating in the Municipal Winter Works Incentive Program.

The following witnesses were heard:

Auditor General's Office: A. M. Henderson, Auditor General. C. F. Gilhooly, Audit Director.

At 11.45 a.m. the Committee adjourned to the call of the Chairman.

Attest.

Frank A. Jackson,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Thursday, March 3, 1966.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1966, met this day at 10 a.m.

Senator T. D'Arcy Leonard in the Chair.

The CHAIRMAN: Honourable senators, may we come to order. We have with us this morning a witness who is very familiar to all of us, and whom I think we may regard as an old friend, namely, Mr. Max Henderson, the Auditor General. With him are two of his associates, Mr. C. F. Gilhooly and Mr. A. G. Cross.

Before we ask Mr. Henderson to give us the information that we may wish from him, I should report that pursuant to the questions that were asked last week of the Honourable Mr. Marchand and his assistants, we have received from Mr. Hereford a list of the winter works expenditures in the major cities of Canada. That list is in front of me, and I would suggest that it be printed as an appendix to today's proceedings, if that is agreeable.

Hon. SENATORS: Agreed.

(See appendix "D")

The CHAIRMAN: In the meantime, if anyone wishes to ask as to any particular one of the large cities of Canada, I have the information in front of me and will give it.

Senator ISNOR: Mr. Chairman, Halifax is not large, but for the record would you give the figures?

The CHAIRMAN: They are here, Senator Isnor. The number of man days work to be provided in Halifax in 1965-66 under the winter works program is 14,624, and the amount of the federal Government's share of the payroll cost $69,153.

Mr. Henderson may wish to commence by saying something of a general character. He was before us as a witness during our 1964 hearings. As you know, last year we did not get very far before Parliament adjourned and then dissolved.

I would ask Mr. Henderson if he would like to pick up from where he left off in his evidence two years ago, dealing with the form and content of the Estimates, looking at this from the standpoint of the Auditor General.

Incidentally, I think you have copies of the Auditor General's Report for 1964-65, but there are extra copies available if required.

Mr. A. M. Henderson, Auditor General: Mr. Chairman and honourable senators, it is again a particular pleasure for me to be with you this morning and to place myself at your disposal in regard to any questions you may have respecting the subject matter with which your committee is dealing. I might say that we follow the proceedings of this committee very closely. On more than one occasion it has given us a signal as to areas to look at.

We have particularly admired the recommendations that you made in your last report after you concluded the examination of witnesses on the Glassco Commission recommendations. I have no doubt that that work will stand everyone in good stead as we progress toward what I hope will be a satisfactory conclusion of that exercise.

I would propose first to address myself to the subject matter you have suggested, Mr. Chairman, namely the form and content of the Estimates, which is the chief interest of the committee.

I should like to deal first with what I might call some basic principles in Government's proposed spending to Parliament and the people. Parliament's approval, it seems to me, like the approval of any proposed spending by the people who have got to pay for it, should be before the expenditure is made. I think the importance of this is demonstrated by the present debates and I hope you will agree with me here.

Estimates of the size of Canada's which have practically doubled in the last five years—should be presented to Parliament in the clearest possible manner. I would like to give you what I think are four good basic reasons among plenty of others.

One is the significance or direct relation of the proposed spending to the taxes which have to be levied to pay for it. Secondly, the complex nature of so many of today's big spending programs and the administrative procedures surrounding them. Thirdly, the mounting pressures and demands on the time of Parliament. Finally, the fact that, as the representatives of the people, the parliamentarians called upon to approve such estimates cannot always be expected to be trained in interpreting all of the financial complexities and consequences which are present in so many of today's vast Government undertakings.

Considerations such as these impose a special or additional responsibility on executive government to present its spending estimates as clearly, concisely and as fully descriptive as possible, all other things being equal.

I might turn now, Mr. Chairman, to an up-dating of events since our last meeting; or perhaps for the benefit of those who were not present at that time I might remind you that since 1960 I have been stressing in my reports to Parliament fundamentals along the lines that I have just given you. Each year I have outlined ways in which improvements could be made.

In 1961 the Public Accounts Committee convened a subcommittee on the form and content of the Estimates and this led to a recommendation being made by the subcommittee based on one of my recommendations whereby the Treasury started to show the approximate cost of major services provided free to each department and agency. They have been doing this now for several years. It is shown in memorandum form for each department throughout the Blue Book. Thus you can at least see more closely the real overhead in departmental spending than was the case before. This is just the beginning. We are hoping, and the Treasury is planning, as and when Glassco's financial management recommendations come to be implemented more fully, that these costs will actually be borne out of the appropriation of the department with credits given where they should be given. However, this is a very logical first step and as I say, it does mean that you can find out more closely the real cost of that all-important cost element, government overhead.

Senator POULIOT: Would you mind if I ask a question?

Mr. HENDERSON: Please do.

Senator POULIOT: I have a service to render and we need your support. I wonder if you will explain this. I speak as a senator. I remember that when I came in the total amount of money spent by the Government of Canada was

less than half a billion dollars, and the Honourable Mr. Dunning told me that it was on account of the war that the expenditure was so high, it was $500 million, or half a billion. Now it is 12 to 14 times more and naturally it takes more time to discuss the spending of the money now than it took then.

Mr. HENDERSON: That is right.

Senator POULIOT: We senators are in an unfortunate position. I wonder if that is because of the way the agenda is prepared in the House of Commons. On one day at three o'clock we are told that the acting Governor General, the administrator, will come at a quarter to six for the Royal Assent. We are told to be ready to swallow hundreds of millions of dollars in one or two hours. It makes no sense.

Mr. HENDERSON: You are saying what I am saying, senator. That is exactly the point. But of course not everybody will agree as to the exigencies you describe. It is a fact that the pressures and demands on the time of both houses is getting greater and greater with the complexity of the spending and other programs.

Senator POULIOT: There are many useless matters that are brought before the House of Commons instead of the Estimates.

The CHAIRMAN: Are you suggesting really that the form of committee consideration of estimates is the way that it should be dealt with?

Senator POULIOT: They should deal with the Estimates as much as possible in the first place. The Throne Speech debate is not so important and I remember time and time again when it was postponed to some later date. That change would give many days for the study of estimates in the Commons and give us a chance to have at least two or three days to ask questions or to discuss the spending of money.

The CHAIRMAN: That is the purpose of this committee in so far as the Senate is concerned.

Senator POULIOT: I know that, but I need the support of Mr. Henderson, because what he says receives wide publicity and is very important.

Senator BROOKS: Would not that be a duplication of work now done in the other place? There are 25 departments. Would it not be impossible to go through the Estimates of 25 departments in a committee such as this, for instance? I do not see how it could be done in a practical way by a small committee of the Senate. I know that in a general way we should know more about the Estimates, but they are pretty well threshed out before they ever get to the Senate and I do not think that the Senate is the place to make a thorough and detailed examination of them.

Mr. HENDERSON: If I may, I will answer Senator Pouliot's first question. The principal contribution that I can make to this is to continue pressing for a clear and concise description of the spending because I think that is due to the people who are called upon to approve it. I do not see how you can approve a global figure unless you ask some questions, or know something about it.

Senator POULIOT: You are perfectly right.

Mr. HENDERSON: Therefore, there is a responsibility upon executive government to do the best job it can, within the confines of security and all that sort of thing, to give businesslike and effective descriptions. That means, at least, that when the material comes to you it comes adequately described, and you are able to give it the judgment it deserves.

Now, on the other point about the pressures of time and the discussion of the estimates in the House of Commons which Senator Brooks has mentioned, I personally have had doubts over the years whether in fact the estimates have been properly thrashed out in the House of Commons. In fact, it seems to me

that too much time has been spent on minor aspects of the estimates, and too little time on the basic fundamentals. This point has, I think, been recognized by the house now, and by the committees, because this year we are seeing for the first time the Estimates being sent to all new committees. It is surely an excellent thing if they are able to send for witnesses and papers, and to spend several hours in a much smaller group going into the proposed spending of each department in depth.

Senator BROOKS: That was one of the recommendations of the Glassco Commission.

Mr. HENDERSON: Yes, and, of course, this has been the British practice for some time, and this is the point I have been raising for the last several years, and so has the Public Accounts Committee. I believe this to be a real step forward. There should be more informed discussion and an opportunity to examine the architects of the spending.

Senator POULIOT: Besides that, Mr. Henderson, it seems to me that the true British parliamentary practice is not observed at all when the House of Commons sits in committee. When the estimates are brought forward, instead of asking questions the members deliver orations—

The CHAIRMAN: That is part of the tradition.

Senator POULIOT: To me the purpose of the committee of the whole on supply in studying the Estimates is to give the head of the department an opportunity to give full information to the members of Parliament, so that they will know how much money has been paid for some wharf, or something like that. It is to enable them to obtain some precise information. The members can then decide whether it is not enough, or too much. But, when somebody starts to speak of a wharf he goes on to speak about the beauty of the St. Lawrence River, and so on, which is ridiculous.

The CHAIRMAN: Perhaps Mr. Henderson would like to go on with his statement.

Senator CROLL: May I, at this point ask Mr. Henderson a question? As I understand the British practice, they have a committee—

Senator POULIOT: The National Expenditure Committee.

Senator CROLL: They have an all-party committee that sits *in camera*, and takes a department each year and goes through it in depth. There is no record. That committee makes a thorough study of a department. In that way they get around to the various departments. They do it in that fashion. Does that have any appeal at all?

Senator BENIDICKSON: The House of Commons is getting to that.

Mr. HENDERSON: Do you mean: has the British practice any appeal?

Senator CROLL: Yes.

Mr. HENDERSON: I know it is their practice to have these committees sitting *in camera*. The public accounts committee over there sits in camera. I understand the same is true of the estimates, as you say, although I believe today they are covering more than one department a year. That is beside the point, but the thing is that they are able to give everything a much better going-over than could be the case when it is done in public. Considerable publicity than attaches to their reports to the house. I think our proposed method is well worth trying. It is true we are not holding any committee meetings *in camera*, but if we are able to spread our total Estimates across these committees in the manner proposed the result could well be very constructive. I would like to see this given the trial that is proposed.

Senator CROLL: I read the British *Hansard* from time to time, and I seldom see a discussion of an estimate.

Mr. HENDERSON: This is because they have come to accept the reports of the committees, as I would hope our Parliament will come to accept the reports of the 20-odd committees that are now set up for this purpose. After all, one of the objectives of a committee, should be to merit or win confidence, and that takes a little time, does it not?

The CHAIRMAN: I think in the British system the Estimates are automatically referred to the committee on estimates, and that committee must report within a certain number of days. Then, there may be a debate on that report, and the Estimates must be passed by a final date. So, there is a time limit on the consideration of the Estimates.

Senator POULIOT: Then, Mr. Chairman, what Senator Brooks has said is sound, and in order to understand something in the Estimates we have to work as you do yourself; we have to take the Estimates one by one, and discuss them, and after we are through with one estimate we take the other. In that way we can make progress, and come to some understanding of the whole business.

Mr. HENDERSON: I think your committee, if I may say so, Senator Pouliot, has made, and is making its greatest contribution by the study it made a couple of years ago on the overall recommendations of the Glassco Commission, and now of the form and content of the Estimates—

Senator POULIOT: Do you know why?

Mr. HENDERSON: Rather than picking out any segment it is dealing with the underlying principles in these Estimates.

Senator POULIOT: Do you realize why our committee is making progress? It is because we have a good chairman and we have a good clerk, and my colleagues are interested in the subject.

The CHAIRMAN: You are out of order. Proceed, Mr. Henderson.

Mr. HENDERSON: I was explaining how in 1961 the Public Accounts Committee convened this subcommittee. This led to the Treasury's showing of the approximate cost of major services provided free, which they do in memorandum form now for each department so that you can see all the important elements of overhead. The matter is not going to be left there. I should imagine it will probably stay in that form for a short time to come—perhaps a long time, depending on the speed with which Glassco comes to be implemented.

In 1963 the Public Accounts Committee went to work again, and formed another subcommittee on the form and content of the Estimates. This time they did so at the request of the Treasury Board which sought the approval of the Public Accounts Committee for its proposals to consolidate a number of votes. I should like to just mention what has happened here, because this brings me right up to the situation today. It is an important point.

The committee's third report in 1963 was tabled in the House of Commons in December of 1963. This is the last time the Public Accounts Committee has reported on the subject, because the committee has not met since the end of 1964. This is one of my problems. I have two years' reports backed up waiting for them. In that 1963 report they made this immediate recommendation—first of all, they approved the revised vote pattern proposed by the Treasury Board for introduction into the Main Estimates, subject to certain improvements suggested by the Auditor General to the committee. Your committee, Mr. Chairman, is familiar with this revised vote pattern. I think Dr. Davidson spoke of it in 1964, and you, of course, are seeing it now in the Estimates you have before you.

Secondly, the committee supported my recommendation that supporting financial information of Crown corporations and other public instrumentalities be included in the Details of Services in the Blue Book for the purpose of providing better information to the members and to the public with respect to

the nature of the fiscal requirements of the Crown corporations and other agencies requiring financing by parliamentary appropriations.

This had been one of my recommendations over the years, that instead of putting in the Blue Book the amount required for example, for the net operating needs of the CBC at $100 million, and having nothing else on the page, there would be shown the major areas of spending involved in that request and perhaps a comparison with how it was spent in the previous year; that is, details of the budgets behind these figures in the case of all Crown agencies and corporations coming to the Government for money—

The CHAIRMAN: Coming to Parliament.

Mr. HENDERSON: —coming to Parliament for money, just the same as it has to be given to a banker if you ask him for a loan. He would demand information like that.

The third committee recommendation is in support of my own recommendation for the presentation of additional information in the estimates concerning the staff of all government departments and the crown corporations and other public instrumentalities showing the number of employees actually on the payrolls at the latest date available. This has never been shown in the Estimates before. And fourthly, the committee recommended that brief notes be given explaining proposed major increases in the size of establishments. In other words, explaining why.

You might like to know what has happened to these recommendations since. In regard to the first one, the revised vote pattern which the Public Accounts Committee approved, I found it necessary to put a note in my 1965 report. This is at paragraph 51 which shows it was not carried out precisely as the Public Accounts Committee had intended it should be when it agreed to this. I have had to put down how Treasury Board carried it out in practice and the accounting consequences which followed. Transfers were made between votes and the note explains how Parliament got less information. I am referring now to paragraph 51, page 22, of my 1965 report headed "Revised Vote Pattern". We can revert to this if you wish. It will be coming up for discussion in the Public Accounts Committee.

Secondly, the committee had recommended inclusion of supporting financial information of crown corporations. In its 1963 report when this recommendation was made by the committee the Secretary of the Treasury Board shortly thereafter explained to the committee that he had not been able to discuss with any of the crown corporations or public instrumentalities the practicability of including supporting financial information in the estimates with respect to their operations. He undertook to do so and to advise the Auditor General for the information of the committee.

I shall be reporting to the Public Accounts Committee on this point to the effect that there has been no further word as to the progress of these discussions. We are no further ahead and no such supporting financial information has appeared in the estimates respecting these crown corporation requirements.

Now as to the presentation of additional information in the estimates concerning the staff they wanted to have the number and the major increases explained as between the years. Two years ago Treasury commenced putting in the Blue Book an appendix entitled "Public Service Employment". You may have noticed it. There is a schedule in the back of the Blue Book showing how this recommendation is thus carried out, but with respect to explaining the major increases, I shall be explaining that this has not yet been done. All we contemplated in the Public Accounts Committee was a parenthetic note at the bottom of the page saying that the reason for this or that major increase was due to so-and-so.

Senator POULIOT: When your recommendations are not carried out, is it because of obstinacy or negligence?

Mr. HENDERSON: It is a combination of many things, Senator Pouliot. I would not pick out any specific one. It could be because of the lack of a Public Accounts Committee, too, because we did not have one in 1965.

Senator AIRD: How long has this request for additional information been outstanding?

The CHAIRMAN: Mr. Henderson referred to the fact it was in his record—

Mr. HENDERSON: This was a report tabled in the house in 1963.

Senator AIRD: What is the reason for this delay?

Mr. HENDERSON: This delay will be discussed in the Public Accounts Committee which is at the moment in process of formation and which will likely commence meetings next week. I cannot be specific. I would not wish to be unfair to the Treasury Board, and it could be that they have not been able to dispose of these matters. I submit them in letter form to the Minister of Finance, in accordance with the Public Accounts Committee's directions, and I sent this to the Minister of Finance within a few days of its being tabled. He was good enough to acknowledge it, and it is my practice to follow it up in the manner described and report back to the committee. I keep a list of these recommendations not implemented each year.

Senator AIRD: Surely this is an accounting procedure and it seems to me inexplicable that it should take so long.

The CHAIRMAN: No doubt we will have Dr. Davidson before us again at one of our future sittings and he will keep this in mind and explain it to us.

Mr. HENDERSON: Now I have directed your attention to the present situation and referred to paragraph 51 of my 1965 report on the vote pattern showing how as a result of the adoption of this vote pattern certain things have transpired which were not expected when it was brought before the committee for approval.

To bring matters down to the present time, it is our understanding, and I think yours, Mr. Chairman, that Treasury Board, as a result of its consideration of the recommendations of the Glassco Commission, expects to submit proposals to the Public Accounts Committee in due course designed to present the estimates of a number of departments on a program and activity basis with a view to having this new basis replace the present objects of expenditure basis over a period of time. That is to say that six or seven departments are lined up ready to present it and discuss it with the committee. I believe that the reason they wish to bring it before the Public Accounts Committee is to have the approval of that committee on the format of many major changes that are going to be made. There may be some questions about this program basis. Broadly speaking, it envisages asking for the money on the basis of the purposes for which it is required in terms of the programs or projects or activities planned. It depends on the extent to which the particular operations of the department of government will lend themselves to being divided into easily understood programs or activities it should mean that you can understand better where the emphasis is being placed on each activity within the operation. It is not dissimilar to the approach brought to budgeting in large commercial corporations.

Senator POULIOT: Mr. Henderson, I don't want to interrupt you, but did the members of the Glassco Commission discuss the proposed recommendations with the department of the Auditor General before making them?

Mr. HENDERSON: With me?

Senator POULIOT: With you or your department. What I want to know is: before making that recommendation in their report, did they discuss it with your department?

Mr. HENDERSON: Generally speaking, yes, Senator Pouliot, except that I myself, my office, was not examined by Glassco because we are part of Parliament. But Mr. Glassco and his associates had several meetings with me and my senior officers to dicuss their various approaches and thinking in different areas, to check some of their findings, some of their facts. We did not participate actively in it, and not all their proposals by any means were checked with us, but in the financial area a number were discussed with me.

Senator POULIOT: My question is not to the effect they asked you for guidance, but by what you have said I understand at that time they went to your department for advice.

Mr. HENDERSON: I would not say it was for advice so much as it was for checking their own thinking, their own facts. They operated quite independently, and it was not my function to seek to plant any ideas. We all wanted a completely free expression.

Senator POULIOT: You wanted them to be in the position to make an independent appraisal?

Mr. HENDERSON: Yes.

Senator POULIOT: About your department as well as the others?

Mr. HENDERSON: They would outline some of their thinking and be interested in what we had to say.

Senator POULIOT: Yes. You were co-operating with them.

Mr. HENDERSON: Indeed.

Senator POULIOT: To have them find the right way?

Mr. HENDERSON: That is right.

Senator POULIOT: What they thought to be the right way?

Mr. HENDERSON: We co-operated in the same way as auditors always seek to co-operate with any consultant that might come in. We have working papers on the operation of these departments and if we can assist in liaison or any similar way, I think that is our job.

Senator POULIOT: Before making a recommendation for the improvement of the management of Government business, I presume that you talk about the matter with the departments concerned?

Mr. HENDERSON: Yes, we have a very good relationship with all departments; they are discussing some of those matters with us a good deal. Any time we can be of help to them by means of informal discussion, we welcome it. It helps us to know them better, and vice versa.

Senator POULIOT: You are on talking terms with everybody?

Mr. HENDERSON: I am glad to say we are, senator.

The CHAIRMAN: Would you continue, please, Mr. Henderson?

Mr. HENDERSON: If there are any questions on the program and activity basis, we could deal with them.

I think it is important at this point not to overlook, if such a change as this takes place—namely, the estimates are changed over—that it is going to require quite a number of changes in many of the accounting procedures within the Government, and also it is going to alter the format and setup of many of its financial statements. Therefore, this whole subject is of considerable interest to us, and although I am in no sense of the word participating in administrative decisions surrounding this type of budgeting, my directors and I watch all the

pros and cons being discussed very closely because it is of great interest to us. It could alter the type of accounting controls on which we rely, as well as the format of the statements that are being turned out, so we are keeping closely in touch with this, and the Treasury are good enough to keep us in the picture.

Finally, as we mentioned earlier, the 1966-67 Estimates, as you know, are about to be referred to all these newly organized standing committees of the House of Commons which, it seems to me, should result in their receiving a closer scrutiny than they have before.

Senator POULIOT: Due to a division of the work?

Mr. HENDERSON: Yes, I would hope so; that would be one of the factors. So we are just on the eve of these two major changes or break-throughs, if you want to call them that, in the form and content of the Estimates. I can only say, Mr. Chairman, I think it is excellent that you are able to devote the time you do to discussing the subject, and particularly at this time.

The CHAIRMAN: Thank you, Mr. Henderson. I am sure some of the members of the committee have questions.

Senator ISNOR: Mr. Chairman, I was not quite clear as to what Mr. Henderson had in mind in respect to having the Public Accounts Committee consider the Estimates. Was that before they were finally placed before Parliament, or after?

Mr. HENDERSON: Senator Isnor, it is not the Public Accounts Committee considering the Estimates, only the form and contents of the Estimates. The individual estimates are now going to the individual parliamentary committees. The Public Accounts Committee interests itself in the form and contents of the estimates because that is vital to the entire public accounts which are referred to that committee, and also to my reports. Do I make myself clear?

Senator ISNOR: Yes, I think so; I think that clears it up. Why I asked that question was, I think I have the same thought in mind as that expressed by Senator Brooks. He has, in his experience as a cabinet minister, been involved in approving of these plans of the various departments as presented by Treasury Board. I look on Parliament in somewhat the same way as a bank or industrial firm which makes its report to its shareholders. We depend on the board of directors and the officers of that company and they, in turn, present us at the close of the year with a financial statement which has been properly audited, and this is done in good form by our present Auditor General in so far as the parliamentary accounts are concerned.

I am just a little doubtful as to whether I see the wisdom of placing the Estimates and the information before the Public Accounts Committee or any other body than the Treasury Board before they are finalized and passed and placed before Parliament. I just throw that thought out. Was that your thought Senator Brooks? Did I express it correctly?

Senator BROOKS: Yes, I have never noticed there has been very much in the way of savings in the Estimates after they once get through the Treasury Board and when they come before Parliament. They spend a lot of time going over them, but I cannot recall they have ever been reduced very much. I think most of the work is done before they ever come before Parliament as far as savings are concerned.

Mr. HENDERSON: I would not hesitate to pay the strongest tribute to Treasury Board in doing all it can to prune these things and save any money that is around that can be picked up. But, at the same time, if you subscribe to the proposal that Parliament is to have control of the public purse and vote the money, then Parliament should be given the opportunity to look these figures over. The only plea I am making is that if you ask the members of Parliament to pass estimates of the size you see here, then they are certainly entitled to be

given a maximum of information so they know just what it is they are approving.

Senator BROOKS: The Glassco report had that in mind when the commission made their recommendations.

Mr. HENDERSON: The wording you see in the votes in the Estimates is of vital importance to me because that wording becomes law, and if we find expenditures that are being charged against it we do not think the vote could have possibly envisaged, it is my duty to bring that to attention. In my report to the House each year I have a number of these cases. This year I have a number again, and we will be discussing them in the Public Accounts Committee. They can of course, represent, illegal expenditures from my point of view.

The CHAIRMAN: I think we are entitled to hope they may have some effect on the next year's estimates, if not on the actual ones that have come before us now.

Senator CROLL: I am not clear, Mr. Henderson, whether you are talking about form or substance.

Mr. HENDERSON: Well, I suppose I am talking about form. We describe it as form and content. It is the manner in which the Estimates are prepared; and the shape, or substance if you like, in which they are presented as distinct from the individual amounts, or the merits of an individual estimate.

I shall be quite happy to deal with those in any questions that might be asked. I approached this matter as I interpreted your committee's approach to be, as one of form and content of the Estimates, the broad principles on which they are prepared and the manner in which they receive their approval. Do I make myself clear?

Senator CROLL: I am having a hard time following you. Let us take any department, such as Public Works. Can you draw a picture with regard to that department?

Mr. HENDERSON: I will give you a case right here. It happens to be the case of National Defence: Defence Research and Development—40d, for development. There is one word "Development" with an amount of $9,300,000.

Senator CROLL: That is all that appears?

Mr. HENDERSON: That is all it is.

Senator HAIG: What do you want in that?

Mr. HENDERSON: I should like to know what kind of development it is. How am I to know, when checking the expenditure and finding it charged to vote 40d? It might be development in 50 different ways. Why could that not be elaborated at least into paragraphs the size of the previous two votes? Tell us something about what it is for; $9,300,000 is a lot of money.

Senator MCCUTCHEON: It is a good figure to take out of the air. They do not know what they are going to develop. You are asking too much.

Mr. HENDERSON: I believe the people who are asked to approve that figure are entitled to a maximum of information consistent with the case. I would not expect them to go into too much detail, but at least to add sufficient to indicate the kind of development it is and where it is going. For National Defence, I believe it is for the hydrofoil program.

Senator BROOKS: I think they give that information when they appear before the Public Accounts Committee. Someone asks a question as to what it is for, and they give the details.

Mr. HENDERSON: When they come before the Public Accounts Committee the money has been spent several years previously.

Senator CROLL: Following Senator Brooks question, you say to him that when they come before the Public Accounts Committee the money is being spent?

Senator McCUTCHEON: Has been spent.

Senator CROLL: Has been spent. What can the explanation do to stop it from being spent?

Mr. HENDERSON: If the money has been spent, that is it. I do a post-audit. I am not interested in approving the Estimates at all. I interest myself in the form and content of the Estimates, as I must do, because this forms the basis of the financial statements at the end of the road and which I certify.

Senator BROOKS: It is in the Treasury Board that the cutting down of an estimate is done, not when it comes to Parliament?

Mr. HENDERSON: That is right.

Senator BROOKS: I wanted to have a hospital built in Newfoundland at one time. They wanted to cut down the cost; and that was not done in the Public Accounts Committee, but by the Treasury Board.

Mr. HENDERSON: That is right. You must remember that the Treasury Board does a tremendous job. It questions the deputy heads, in closed sessions of course, and they do the best they can as good administrators to minimize spending, and the expenditures have to be justified to them before they present these estimates to public view.

The CHAIRMAN: Senator Aird.

Senator AIRD: Mr. Chairman, I want to say that at the last meeting of this committee I was the one who asked the question of Dr. Davidson, and I may say that I know something of the situation in relation to that question of $9 million which has been referred to.

The CHAIRMAN: Senator Grosart?

Senator GROSART: Mr. Henderson, you spoke of the English procedure, and I gathered from what you said that they have a procedure by which there is a time limit in Parliament for the approval of the estimates. Is that a statutory procedure?

Mr. HENDERSON: Senator Grosart, I am afraid I cannot be specific about that. It is my understanding that it is one of the rules of the house in the same way we have our own rules here, and they have found that by taking the Estimates off the floor and into the committee, and simply a report coming back, they have saved the time of the house. Consequently they have set up a timetable in order to keep everything moving. I think it is one of their rules, the same as last summer our house adopted a new set of rules for committees.

Senator GROSART: Would you say a timetable would prevent the situation which developed here in the last couple of years? My understanding was that recently in the Senate we were asked to approve expenditures by Governor General's warrants based on estimates that had not been approved. Now, you have used the phrase "illegal expenditures" in another connection. I can well understand that these particular expenditures if passed would not be illegal in that respect. With regard to illegal expenditures, has any consideration been given to penalties? Usually there are penalties for illegality in the handling of funds. Is anybody ever punished for an act which you described as illegal?

Mr. HENDERSON: Members of the Public Accounts Committee of the House of Commons have posed the same question when we get to the question of the waste of public funds in regard to the non-productive payments that I bring out. It comes up every time the committee meets. I cannot name any instances offhand where people have been dismissed as a result of what has been stated. I know of cases where they have been moved to other positions within the Public Service, or demoted in some way; but the pinning of the blame in the sort of scene we have is not an easy thing to do. There is not quite the same

organization of responsibility as exists in business, or, as we say in accounting "responsibility accounting," which may be introduced shortly so that a person may be pinpointed and held responsible for performance.

The CHAIRMAN: Senator Pearson?

Senator PEARSON: Who presents the figures to the Treasury Board?

Mr. HENDERSON: The departments. The people who want the money make up the Estimates in the first instance, and then they are presented to the Treasury Board, and usually the head of the department is invited to appear to justify them to the ministers and the Treasury Board.

Senator PEARSON: Does only one representative from the department appear before the Treasury Board?

Mr. HENDERSON: He is at liberty to bring anyone he likes from the department. Usually five or six come in. It is a thorough process, I can assure you, senator.

Senator ISNOR: Would you care to comment, Mr. Henderson, in regard to the transfer of funds from one appropriation to another in the same department, as to whether you make reference to it in your recommendations or not?

Mr. HENDERSON: The point of course that interests me on that is whether the transfer is made by the executive or is made with the knowledge of Parliament. I must watch at all times to see that the interests of Parliament are protected in the way it is done. I would say this to you that I think if there were more effective disclosures of some of the details in here it would not be necessary to practice some of those changes. I think that if more reasons behind the supplementaries were given, they would be more understandable to the reader and commend themselves more to the house possibly rendering unnecessary some of the transfers you mention. However, you must bear in mind from the standpoint of the Treasury Board that it has not been without its difficulties in financing during the past couple of years or so.

During 1965 we have had, as I think Senator Grosart mentioned, Governor General's warrants. We have had those come along in recent years on several occasions. That is a subject to which I addressed myself in my 1963 and 1964 reports. Of course, they have been used again without any change in the law at all. The same provisions apply. I believe that your chairman spoke about it in discussing the motion to set up this committee, if I am not mistaken. It has not been easy to manage without having the normal parliamentary processes working.

The CHAIRMAN: On this matter of transfer that Senator Isnor has raised, we had some discussion of it in our first meeting on February 2, as reported at page 23. Senator Molson and Senator Flynn spoke about the possibility of a credit appearing in the Estimates where a vote in the main Estimates is not spent, and then a supplementary estimate coming along in the same department, thereby looking as if it has an additional expenditure without any credit being given for it. I wonder whether Mr. Henderson would like to comment on the suggestion, which was that where a department in its supplementary estimates was asking for additional funds but did have an item on which they would be underspent, that it might be more informative for Parliament if a credit were given in the accounts for the underspending on a particular item. Is that correct, Senator Flynn?

Mr. HENDERSON: I think it would be more informative, Mr. Chairman. As I understood the burden of this question at the time, and the point that was discussed, I found myself wondering why it would not simply have been explained right in the item.

The CHAIRMAN: In other words, your point is that the main thing is an explanation of what is being done and what is happening.

Senator BELISLE: After a department has been reviewed and its spending approved by the Treasury Board, is it still possible to have additional expenses approved by order in council?

Mr. HENDERSON: The Treasury Board approval forms in effect the appropriation that is then asked of Parliament, and the money is voted, the total amount. Parliament has then spoken and the expenditures cannot exceed that amount. Treasury Board approval will be given for certain types of expenses —contracts over a certain amount and certain types of charges—but the total cannot exceed the amount that Parliament has approved. That is the basic principle—Parliament approves the total figure, the Treasury Board administers it under that, so to speak.

Senator BELISLE: If one department has a leftover, this money cannot be transferred by order in council?

Mr. HENDERSON: It lapses, unless the vote permits it to be carried forward.

Senator BENIDICKSON: The House of Commons had a procedure under the Estimates Committee, which committee would take three or four departments a year, and fairly exhaustively examine the estimates for those departments. Has that committee been abandoned and is it being replaced by these 20 committees who will specialize and take the departments in substitution for the procedure under the Estimates Committee?

Mr. HENDERSON: I am not too certain, Senator Benidickson. I think that that Estimates Committee is still one of the number that is being formed. But now we have about 20 committees and the membership of each is I think, about 22 or 24 so there are going to be some very busy days ahead with all the meetings.

Senator GROSART: I realize that your function is to call attention to these irregularities and not perhaps to conduct an inquiry. I wonder, first of all, do you establish the fact of the authority that approves these illegal expenditures?

Mr. HENDERSON: Most certainly, Senator Grosart, every paragraph that goes into my report only goes in after weeks of discussion among my senior men dating from its origin. If we decide it is an item to be included in the report, the text of it goes to the minister and/or the deputy minister. We ask him if the facts are right. I am always pleased to discuss any of these paragraphs with them and in point of fact do. We might have them under discussion like this for some time before they are incorporated into the galley sheets for my report. So it has been exhaustively looked at. The circumstances are known, and behind each of the notes I have a complete dossier.

Senator GROSART: But all of these illegal expenditures—and I use the term because it is yours—have been authorized by the department and the Treasury Board?

Mr. HENDERSON: The Treasury Board might not necessarily have been in it, it might have been paid as a result of spending regulations or alternatively the Governor in Council might have had a hand in it, or alternatively the Treasury Board minute—depending on the type of expenditure involved.

Senator GROSART: But if it was an expenditure not specifically authorized in the Estimates, it should in the normal course of events be reported to the Treasury Board?

Mr. HENDERSON: That is right.

Senator GROSART: Would some of these have been referred to the Treasury Board?

Mr. HENDERSON: Yes.

Senator GROSART: And approved by the Treasury Board?

Mr. HENDERSON: Yes.

Senator GROSART: It seems to me that the normal course in business, for example, would be to say what happened and who did it.

Mr. HENDERSON: We know that. They know that. But I am not interested in personal names.

Senator GROSART: I can understand that. It would be most unfair for your report in effect to lay a charge against certain individuals. I can understand that. What I am asking is, is that information given to the Treasury Board—as to the individual who was responsible?

Mr. HENDERSON: In my experience the departments are quite punctilious in running these cases to earth. The correspondence files indicate that their actions confirm it. The remedial action they take, I view as their business, not mine.

Senator BROOKS: In other words, you only bring it to their attention.

Mr. HENDERSON: I bring it to their attention and if it is a matter which, by its nature, I feel I should bring to the attention of the house—the requirements of the act are broad, leaving the discretion to me—I do so. But it is only after discussion with the minister and/or the deputy minister. As a matter of fact in a number of notes I have incorporated the department's point of view after inviting them to draft how they think it should read so as o remove any possibility of its not being completely understood.

Senator SMITH (*Queens-Shelburne*): How many of these so-called illegal acts did you point out in your last annual report?

Mr. HENDERSON: Of the type surrounding the payments on the Estimates?

Senator SMITH (*Queens-Shelburne*): Any type that qualified for the use of the phrase "illegal acts".

Mr. HENDERSON: I do not use the word "illegal". I give my opinion of what has gone through.

If money is spent for which the vote does not provide, we generally say it is not in conformity with the vote.

The CHAIRMAN: On page 46 of the report for example, item 74, you say:

> In our view this expenditure is in the nature of a contribution to an outside organization and therefore it is questionable whether it falls within the ambit of a defence appropriation.

Senator MCCUTCHEON: That is right, Mr. Chairman. Surely in private business as well as in public business, all an auditor can do is draw attention to the facts, and express views, and it is up to the people to whom he reports as to what action is taken.

The CHAIRMAN: And their lawyers.

Senator MCCUTCHEON: And their lawyers, yes.

Mr. HENDERSON: I would like to mention a few of these from my report, to clarify this for Senator Grosart. The first one I might mention is not perhaps in this category. It has to do with the method of financing the capital expenditures of the CBC and the method of financing Expo '67 described as loans and investments.

Senator MCCUTCHEON: You never told us who signs the notes.

Mr. HENDERSON: These are loans to people who will not be able to pay them back unless they are given the wherewithal to do it. So, I raise the question: Is that the kind of investment to carry on the balance sheet as an asset? This is, in point of fact, what is done. It is postponing the date on which the grant has to be appropriated. This may have merit today, but it has to be met at some time in the future.

Senator MCCUTCHEON: It relieves the current budget.

Mr. HENDERSON: In paragraph 67 of my 1965 report I refer to free accommodation for an international commission without parliamentary sanction. The Estimates here provide specifically for the payment of Canada's share of the expenses of the International Commission for the Northwest Atlantic Fisheries. In addition, the Governor in Council saw fit to provide the commission with free accommodation, a cost to Canada that is effectively buried in a departmental vote. The specific estimate is misleading as it suggests this is Canada's total contribution. I am wondering what the intent of Parliament was, and I bring that to attention.

Then we come to paragraph 68, the questionable charge to Vote 1 of the Department of Industry. This was a grant to help finance a study into a new process for treating various types of metallic ores, and it was disguised as a service contract and charged to departmental administration, whereas it was to subsidize this particular study. I doubt if Parliament intended that the cost of this should be charged to that vote.

We have under paragraph 74 an item of $215,000 being the cost of assistance to the Easter Island Medical Expedition which was included in the portion of this consolidated National Defence appropriation set aside for the expenses of the Royal Canadian Navy. The consolidated appropriation provided for operation, maintenance and capital requirements of the three services.

Senator BROOKS: You are suggesting an improvement in the bookkeeping?

Mr. HENDERSON: I think the wording of the vote should have said "and to include Easter Island Medical Expedition", or something of that kind.

Senator GROSART: Mr. Henderson, what should be the procedure where an estimate is inadequate? We can all understand that an estimate can be inadequate in view of the subsequent facts, and that an immediate decision has to be made to spend the money on a project, or a specific object, of an estimate. When such action cannot be delayed, what is the proper procedure?

Mr. HENDERSON: There is a certain amount of leeway in a number of these estimates and there is also a contingencies vote to which I think Dr. Davidson referred which is used quite properly to take care of the type of thing you have in mind. Of course, if it is a major expenditure then the supplementaries will have to be used when Parliament is available, but, unfortunately, as I mentioned earlier, in the past year or so the Government has had to rely for much of its money supply on Governor General's warrants so it has not been easy.

Senator GROSART: What is your main point? Is it that instead of disclosing these discrepancies between the estimated expenditure on a particular item and the amount actually spent, they have hidden it? Is this what you are in effect saying now?

Mr. HENDERSON: The amount can be hidden, although I do not find that to be the intent of the executive. It is a case, rather, of their having to find a place where they can charge it, and where they have the money available. I think Dr. Davidson referred to an item we had in our 1964 report in regard to the Department of Mines and Technical Surveys using one of its ships in the charting of shipping channels in the Caribbean. That was charged to departmental administration. I think Dr. Davidson mentioned at the last meeting that they intend to broaden this estimate wording. It appeared to be a questionable charge there. If the wording of the vote had been broadened I would not have raised it, but when I do not know whether that is the intent or not, I must ask. Perhaps he has put it there because he had no other place to put it, or he has a good and sufficient reason which, if he explains it to me, I may accept. It is a matter of judgment as to the ones I should ultimately report to the house. That is the very essence of my work—seing to it that the money that Parliament has voted is, in fact, expended for that purpose.

Senator BURCHILL: Mr. Henderson, I notice in the report of the president of one of our banks given at an annual meeting he emphasized the need for practising the old-fashioned virtue of thrift in the nation today. As our governmental budget is prepared I take it that every department assesses the amount of money it requires, this goes to the Treasury Board and is approved, and it is then passed by Parliament, and so on. If in the course of the year additional expenditures are required then supplementary estimates are prepared, and passed by Parliament. In your experience, is it the part of government to practise thrift in any way, shape or form, or have you any experience of any of these expenditures being curtailed?

Senator MCCUTCHEON: May I interject to say that the subject of thrift is a very popular text for bank presidents. That is why their offices are so modest.

Senator CROLL: Mr. Chairman—

The CHAIRMAN: Senator Croll, please wait until Senator Burchill gets an answer to his question.

Senator CROLL: I did not think he would get an answer.

Mr. HENDERSON: Senator Burchill, that is a tough question. I have certain responsibilities, as you know, to pursue waste and extravagance, and I have not hesitated to express my views on it in my reports to Parliament and to show actual cases of non-productive expenditure, because the Public Accounts Committee, since 1961, has laid down rules under which they have requested that I do so. I think beyond that it would be unfair for me to go. But I would like to say this to you, that I do feel that our successive treasury boards have done the very best job they can to contain this. I think they would be the first to deplore waste and extravagance wherever they encounter it. That has certainly been my experience.

The CHAIRMAN: Senator Croll?

Senator CROLL: Mr. Henderson, I think you have answered part of my question. Every cabinet minister I have known has hated the visit he has had to make to the Treasury Board, because they really make him sweat it out. It has just occurred to me with respect to, say, a vote on development where they set an amount and say: "We will spend approximately $9 million on development. We may spend it for this, or we may spend it for that. At this stage we have not made up our minds whether we will do this or that," it would be a mistake to disclose that in those early estimates?

Mr. HENDERSON: Yes; I would not suggest that they go beyond the bounds of normal prudence, but when they are asking for $9 million and putting it under the one heading of "Development" it seems to me that they could tag a little more on without necessarily disclosing the precise nature of the development.

Senator CROLL: You are really not giving me any more information.

The CHAIRMAN: Perhaps I might ask Mr. Henderson a question. The committee took an interest in the winter works program, and we had before us representatives of the new Department of Manpower. The Minister of Manpower and some of his officials, because of your report, dealt with the winter works program, and I think the committee might be interested in having comments from you directed towards the general question of how far the money that Parliament is voting for winter works is doing the job for which it is intended, namely, that of assisting in the cost of payroll at the municipal level.

In your report at pages 42, 43 and 44, dealing with the municipal winter works incentive program, you have eight specific numbered comments, and then you say:

> In addition to the questionable practices noted above, our review of the working paper files of the provincial auditors who carried out a

detailed audit of claims revealed instances of fraudulent and irregular practices being disclosed.

When we are dealing with the Estimates in connection with these expenditures, is there any way in which we can assist in seeing that the comments that you have made are effective in avoiding them in the future?

Mr. HENDERSON: I think that the information you were given last week by the minister and by the two officials present with him has been a very helpful step in this direction. In this note we have set down the problems with which we have been faced. This is not an easy program to check; we only make a test verification, as I have said, and I think it would be fair to say that as a result of the close examination that this particular comment has produced, we may see an improvement by this time next year. There is the important question of relationships here between the federal officials, provincial officials and municipal officials. I don't have to assure you that we are scrupulously careful to see to it that the comments we have made are correct and that once the situations are discovered and passed along to the responsible officials in the department we endeavour to keep to an absolute minimum any irritation likely to result in the liquidation of them.

Senator BAIRD: What would you do if you found some irregularity, for example, in the accounts from Newfoundland?

Mr. HENDERSON: We place the full facts in the hands of the deputy minister and his officers and they take it from there. We must defer to their judgment. They are the ones who have the administrative responsibility of dealing with the provincial people. It may well be that in their judgment they can only go so far in pursuing the matter. I can say that our experience with the departmental officials in this connection has been good.

Senator GROSART: Mr. Henderson, if you find irregularities, do you immediately bring them to the attention of the department?

Mr. HENDERSON: Yes, we are on to them the next day. In connection with the winter works program my director, Mr. Gilhooly, is here. He is in charge of this and he is addressing detailed reports to the departments regularly as a result of our various examinations.

Senator GROSART: So that in the course of any year there might be many corrective actions that never appear in your report?

Mr. HENDERSON: That is correct. This is our assessment for the year. Having set down our experience it was with the full knowledge of the departmental officials that we decided something had to be done about it. I am hoping this may help them in their administrative work.

Senator GROSART: It seems to me it would be very reassuring to the public if your annual report contained some indication of that and the size of the corrective action in the course of the year and what it has brought about.

Mr. HENDERSON: We are doing that at the moment in a number of other programs. We are putting in a note to show this. This is the first time we have said anything about municipal winter works. You will find other notes where we recorded such items and as we go along we keep a batting average so that we may be quite fair.

The CHAIRMAN: Senator Croll.

Senator CROLL: Mr. Henderson, on page 43, No. 1, when did that come to your attention? Do you have people in the field?

Mr. HENDERSON: Perhaps you would like to hear Mr. Gilhooly say a word on this since he is the director in charge of it.

Mr. C. F. Gilhooly, Audit Director, Office of the Auditor General: We actually review these claims at the provincial level and in some instances at the municipal level. In some of these examinations we do turn up examples where regular or permanent employees of the municipality are included in a claim under the winter works program.

Senator CROLL: There are thousands of these programs across the country. How many do you check or spot check?

Mr. GILHOOLY: We examine each province each year, but in that examination we can only take one or two municipalities to make a detailed examination. It is a very limited test. It should be realized that the basic responsibility as to the accuracy of these claims lies with the provincial officials—the provincial department and the provincial auditors.

Senator CROLL: They would not be interested in the same thing that you are.

Mr. GILHOOLY: To the extent that they participate in the sharing of the cost of the labour they are interested.

Senator CROLL: As a result of these various things like No. 1 that you brought to our attention, have you ever seen a charge-back by the province?

Mr. GILHOOLY: Yes.

Senator CROLL: The province would charge a municipality as a result of your findings?

Mr. GILHOOLY: Yes.

Senator CROLL: That is all on your plus side.

Mr. GILHOOLY: You must remember that these are general rather than specific observations. The specific observations on projects, in connection with which we have found erroneous charges, are contained in our letters to the department, and settlements have been negotiated with the province who in turn arranged a settlement with the municipality.

Senator GROSART: Dr. Davidson told us there was to be a major shift in the responsibility for relating expenditure to votes from Treasury to the various departments.

Mr. HENDERSON: That would refer I think to the proposed new project budgeting. Nothing has been introduced on that yet pending taking the first six departments or so to the Public Accounts Committee for their approval as to the principle. If that is given, over the next several years it is hoped to move all of the departments on to this new basis. The essence of project budgeting is that it connotes responsibility accounting. You should be able to pin on the people making the decision the responsibility for clearing up the result more effectively than you can do now.

Senator GROSART: And for getting results.

Mr. HENDERSON: Yes. Of course nothing along these lines has been introduced yet. The Estimates are still in the same form here as they have always been, with variations like the vote pattern mentioned earlier. You as a committee will, I am sure, be very interested in going into the project budgeting concept in depth, and I would strongly recommend you to do so and perhaps take the first six departments where this is to be introduced. This is something upon which I expect to be called upon to express my views when it comes to committee. I would hope that you would look at this and see if you feel if it will provide you with better information and will assist you in your examination of the spending proposals.

The CHAIRMAN: This will not appear in the 1966-67 spending estimates?

Mr. HENDERSON: They are not in any Blue Book yet, and will not be there I imagine before 1967-68. It is a major overhaul; it is quite a new trend which is developing. You may be interested to know that United Nations and its specialized agencies are now discussing changing their budgeting processes over to the project or program basis. Therefore those of us in my profession are very interested in this approach. It is not exactly new, but it will be an important change for us.

Senator GROSART: Is it necessary to wait for the introduction of project budgeting to initiate this responsibility shift?

Mr. HENDERSON: In the opinion of its authors it is, senator.

The CHAIRMAN: Any other questions?

Senator POULIOT: I would like to ask you, Mr. Henderson, if it is not common sense, that is the fundamental basis of accounting?

Mr. HENDERSON: Yes, completely. I could not agree with you more, Senator Pouliot. I like to hear that.

The CHAIRMAN: Are there any more questions?

Senator SMITH (*Queens-Shelburne*): I have one question before we get through, Mr. Chairman. It has to do with the method the Auditor General and his officials use when examining into expenditures. Do you frequently have to examine the old *Hansards* of the House of Commons and, in particular, the words of a minister when he is introducing an act for the first time, in order to ascertain what the intent of that particular legislation is?

Mr. HENDERSON: Yes, we do. We have them all. They are, indeed, very important to us, and all subsequent references. May I also add that the comments of the Senate throw a very useful light on a great deal of this for us.

Senator SMITH (*Queens-Shelburne*): Ever since I have been around, like Senator Croll, I have heard opposition parties say to a minister who would make a statement, "That, of course, is the intention of the act," and protest that as an assurance that would be the exact way the act was carried out, "Why don't you then write it in the act?" I do not know how much weight you give to statements made by ministers in view of that attitude often expressed in Parliament.

Mr. HENDERSON: We give the fullest possible attention to determining what was the intent of Parliament, what is the legislation supposed to do. It is only on that basis that we can bring the best judgment to bear on the expenditures that are made under a program.

Senator SMITH (*Queens-Shelburne*): I am interested in this particularly because there is one criticism which you made in your report of which I have some knowledge. It raised another question in my mind. This had to do with paragraph 137 on page 87, headed, "Subsidy for the construction of a floating fish processing plant, . . ."

Mr. HENDERSON: Yes.

Senator SMITH (*Queens-Shelburne*): My question is this, if you single that one out and use as your reasons for criticizing that kind of expenditure the fact the Minister of Transport in 1961 made a certain statement, "that the basic intent of the new policy was to make it possible"—and this is your statement—"for Canadian ship operators to obtain new vessels from Canadian shipyards at reasonable and competitive prices instead of being forced to have them built abroad because of lower construction costs that prevail in other countries"—I am curious, perhaps more than anything else, as to why did you pick out this little fish processing plant that would involve the employment of actually hundreds of men in the future and yet not pick out, on the same basis,

the subsidy being paid over the years for ferries in the Province of British Columbia.

Mr. HENDERSON: Each case, senator, must stand on its own feet. The reason why the floating fish processing plant case was picked out is, I think you will agree, quite clear from the text of my note. I know comparisons are invidious, but we do not aim to have all cases precisely in our reports each year. We do have a good deal about ferries in this particular report, as a matter of fact but not British Columbia ones.

Senator SMITH (*Queens-Shelburne*): But that is another field with regard to the other ferry. It strikes me, because I have made inquiries and found the position exactly as you stated it, the purpose was perhaps really, in the first instance, to make it possible for Canadian ships to be built in this country competitively. As I understand it, in British Columbia the situation was such that it was not perhaps even possible to have those ferries built in any other country, in any case; they would likely have to be built in British Columbia, in any case. If they built them down the coast in the United States the cost would have been higher. This has bothered me some, because this is a big expenditure and the Government, as you perhaps know by now, as soon as they found they were faced with the fact they had to, under the reading of the legislation in connection with the fish processing plant and the reading of the law itself, as soon as they could, get rid of this one, they make sure there are no more, and they knew the problem long before your staff got into that thing. At the same time they prevented a stocking plant being established on the lakes. They changed the regulations to prevent both the building of fish processing plants by the use of the ship-building subsidy and also ceased paying subsidies for ferries of the nature I described out in British Columbia. The situation was the same in both these cases, and this one involved, I do not know how many millions of dollars.

Mr. HENDERSON: I am familiar with it, and I am grateful to you for your explanation.

Senator KINLEY: Mr. Chairman, wasn't this project financed by the loan board of the Province of Nova Scotia?

Senator SMITH (*Queens-Shelburne*): What is the question?

Senator KINLEY: The question is: Wasn't this project financed by the loan board of the Province of Nova Scotia?

Senator SMITH (*Queens-Shelburne*): They went to any sources they could.

Senator KINLEY: Well, you know.

Senator SMITH (*Queens-Shelburne*): The banks and I do not know what else. That point is not at issue here.

Senator KINLEY: No, but the point is, as far as the legality of it was concerned, the Province of Nova Scotia must have thought it was all right.

Senator SMITH (*Queens-Shelburne*): The Auditor General did not question the legality of it, but whether it conformed to the original intent of the minister back in 1961, and it probably did not.

Senator KINLEY: Whether it was a seagoing ship or not.

Senator SMITH (*Queens-Shelburne*): It was, in the opinion of the civil servants.

The CHAIRMAN: Whether it was a stationary ship or a fish plant.

Senator KINLEY: You would know that.

Senator SMITH (*Queens-Shelburne*): It was a ship under the act, and that is why the civil servants at all levels approved that project. I do not quarrel one bit with the mention in the report of this, because I know how difficult it

was to pull it off, but my only suggestion is that I wish at the same time you had pointed out this other one.

The CHAIRMAN: To make sure there is no distinction between provinces.

Senator KINLEY: Have they stopped that sort of thing?

Mr. HENDERSON: I think this is the lone example that has come along thus far.

Senator SMITH (*Queens-Shelburne*): The Order in Council has been changed completely to exclude this kind of thing.

Senator KINLEY: There may be more. You want to be careful.

Mr. HENDERSON: Well, we will come back next year, if there are.

Senator KINLEY: I think the Auditor General said there must be an estimate before spending. I suppose that is an approved estimate?

Mr. HENDERSON: Yes,—

Senator KINLEY: An estimate passed by Parliament for spending?

Mr. HENDERSON: Yes, that is the vote that Parliament passes.

Senator KINLEY: And you cannot spend before that?

Mr. HENDERSON: No.

Senator KINLEY: Don't you think the Crown companies throw that out of gear?

Mr. HENDERSON: This year, of course, that is the case, but I think if you are going to approve the spending, the approval does not mean much if you do not give it before the money is spent. I can only say, as I think we observed earlier, it is unfortunate that has not been the case this year and we are doing it the other way around, but that is due to a variety of reasons I do not have to go into and with which I think everybody is fully familiar.

However, the present discussions now launched with respect to the 1966-67 estimates before these committees are laudable. If this functions properly you will have the whole thing working, I would hope, in its orderly sequence.

Senator KINLEY: Have you anything to do with statutory expenditures?

Mr. HENDERSON: Yes.

Senator KINLEY: You audit them too?

Mr. HENDERSON: Yes.

Senator KINLEY: Regarding the crown companies, I suppose you are not worried much with those that make a profit, but with the ones that do not make a profit?

Mr. HENDERSON: I am equally concerned with those that make a profit as with those that run a deficit, because in both cases, they deal with public money.

Senator KINLEY: But they do not have to get an estimate approved before they spend the money?

Mr. HENDERSON: They have to get their capital budgets approved, even the wealthy ones, even the ones which make money. But the ones which run a deficit have also, by and large, to estimate their deficit, what it is they are going to need, and take that to Treasury Board; but they all, I think without exception, have to have their capital budgets approved.

Senator KINLEY: Do Treasury Board have that authority?

Mr. HENDERSON: Yes, and usually the act requires that that budget be laid before Parliament by some particular date, depending on the legislation, I am the auditor of, not all but most of the crown companies.

Senator KINLEY: They all have auditing systems of their own, I suppose.

Mr. HENDERSON: They operate on commercial lines and we function as private auditors do.

Senator SMITH (*Queens-Shelburne*): Would you put on the record at this point those crown corporations you do not audit?

Mr. HENDERSON: Yes. Air Canada, the Bank of Canada, Canadian National Railways, Canadian National Railways Security Trust, Canadian Wheat Board, Central Mortgage and Housing Corporation, and the Industrial Development Bank.

I should mention in this connection that in its eighth report, 1964, the Public Accounts Committee recommended that the Auditor General be appointed the auditor or joint auditor of these corporations or instrumentalities. When the committee meets it will be inquiring as to what progress has been made toward implementing that recommendation.

Senator KINLEY: Does the Industrial Bank of Canada make a profit?

Mr. HENDERSON: The Bank of Canada?

Senator KINLEY: No, the Industrial Bank.

Senator SMITH (*Queens-Shelburne*): Yes, we have information on that.

Mr. HENDERSON: I believe it does make a profit, but I am only speaking from memory. I have seen their accounts. I do not think it is a very large one.

Senator KINLEY: It was not expected to be large in the original legislation.

Mr. HENDERSON: I think, that is right.

Senator KINLEY: It is supposed to be a service, even at a loss.

Mr. HENDERSON: Yes. I am sorry I do not have their accounts to hand, but my recollection is it is a profit, but not a large one—but I may be wrong on that.

Senator GROSART: Are you at the moment supplied with sufficient funds and staff to do your job?

Mr. HENDERSON: I am supplied with sufficient funds and sufficient establishment, but under the present arrangements I have I am unable to fill it and I am at the present time approximately 22 to 23 people short.

The CHAIRMAN: You cannot get the competent help you want to have?

Mr. HENDERSON: Conditions are much better than they were, and this is due to a combination of circumstances—a smoother relationship over the past couple of years on the recruitment side with the Civil Service Commission, and I also have had my office recognized for the first time by the Institute of Chartered Accountants of Quebec as an approved training ground for students. The Council of the Institute of Chartered Accountants for Ontario has agreed too, but before this is effective the membership have to change a by-law to permit me to have the same right in Ontario.

This gives me the right to hire articled students and have them work for their degree in the service of my office, and it puts me on a parity with the big national accounting firms in the staff market so far as juniors are concerned. I am very appreciative of the support I have received from the profession along these lines. So, by dint of perseverance, and what have you, we are trying to do our best to bring our staff up to the level that was approved in 1964, which is 220. I have an establishment of 220, and I think I have 198 on strength at the moment.

Senator GROSART: Is recruitment through the Civil Service Commission satisfactory?

Mr. HENDERSON: Reasonably so at the present time, Senator Grosart. I have some reservations about that, as perhaps you know, but the most important thing, I think, is that we must give top priority at all times to the auditing work. I would like to see a better recruitment arrangement. There is a

recommendation before the Public Accounts Committee to change it, and personally I think it should be done, but I am awaiting discussions on it.

The CHAIRMAN: Are there any other questions? I would like the Steering Committee to stay for a few minutes after we adjourn. If there are no other questions then I will thank Mr. Henderson on your behalf for being with us today, and for the very informative evidence and the great help he always gives. I thank also Mr. Gilhooly and Mr. Cross.

If there is nothing further before the committee I will entertain a motion to adjourn. The next meeting will probably be held on Thursday next, but is it agreed that that be left to the call of the Chair?

Hon. SENATORS: Agreed.

The committee adjourned.

APPENDIX "D"

LIST OF LARGER URBAN AREAS PARTICIPATING IN THE MUNICIPAL WINTER WORKS INCENTIVE PROGRAM

1965-1966

	No. of Projects Accepted	Estimated Number of man-days Work to be provided	Estimated Fed. Govt. Share of Payroll Cost
			$
Corner Brook, Nfld.	9	905	10,830
St. John's, Nfld.	15	21,054	180,174
Charlottetown, P.E.I.	2	15,475	96,420
Summerside, P.E.I.	10	13,710	99,720
Halifax, N.S.	12	14,624	69,153
Kentville, N.S.	3	1,960	12,960
Fredericton, N.B.	9	2,506	13,182
Moncton, N.B.	9	16,859	188,184
Montreal, P.Q.	97	109,361	1,246,441
Sherbrooke, P.Q.	9	11,246	113,687
Quebec, P.Q.	52	62,715	676,550
Toronto, Ont. (City & Metro)	42	222,262	2,637,912
Hamilton, Ont.	7	56,261	562,583
London, Ont.	25	65,598	778,751
Winnipeg, Man. (City & Metro)	23	55,509	496,119
Brandon, Man.	16	10,791	135,985
Regina, Sask.	12	19,194	169,790
Saskatoon, Sask.	31	57,279	655,508
Edmonton, Alta.	21	117,537	1,118,625
Calgary, Alta.	59	58,269	1,106,970
Vancouver, B.C.	37	76,190	902,400
Burnaby, B.C.	12	50,181	590,182

Special Services Branch,
Department of Labour,
February 25, 1965.

First Session—Twenty-seventh Parliament

1966

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING COMMITTEE ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

No. 4

Final Proceedings on The Estimates

laid before Parliament for the fiscal year ending 31st March, 1966.

THURSDAY, MARCH 10, 1966

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

APPENDIX "F"

LIST OF LARGER URBAN AREAS PARTICIPATING IN THE MUNICIPAL WINTER WORKS INCENTIVE PROGRAM

1968-1969

	No. of Projects Accepted	Estimated Number of man-days Work to be provided	Estimated Fed. Govt. Share of Payroll Cost
			$
Dieppe-Moncton, N.B.	3	2,905	10,830
St. John's, Nfld.	13	21,054	190,174
Charlottetown, P.E.I.	2	15,475	96,420
Summerside, P.E.I.	10	13,710	99,720
Halifax, N.S.	12	14,624	89,153
Kentville, N.S.	3	1,960	12,900
Fredericton, N.B.	9	2,896	13,182
Moncton, N.B.	9	18,859	189,184
Montreal, P.Q.	97	108,361	1,248,441
Shawinigan, P.Q.	9	11,248	113,667
Quebec, P.Q.	52	82,718	676,550
Toronto, Ont. (City & Metro)	42	227,240	2,637,912
Hamilton, Ont.	7	50,261	562,583
London, Ont.	25	42,599	773,751
Winnipeg, Man. (City & Metro)	23	93,000	496,119
Brandon, Man.	16	16,154	135,985
Regina, Sask.	12	29,194	189,790
Saskatoon, Sask.	31	67,879	655,506
Edmonton, Alta.	21	117,337	1,118,625
Calgary, Alta.	30	56,269	1,186,970
Vancouver, B.C.	37	76,189	903,400
Burnaby, B.C.	12	50,181	590,182

Special Services Branch,
Department of Labour,
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OTTAWA, 1966

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THE STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Burchill
Choquette
Connolly (*Halifax-North*)
Crerar
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
McCutcheon
McKeen
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Taylor
Thorvaldson
Vaillancourt
Vien
Welch
Woodrow
Yuzyk (50)

Ex Officio members: Brooks and Connolly (*Ottawa West*).

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, January 26, 1966:

"The Honourable Senator Bouffard moved, seconded by the Honourable Senator Hayden—

That the Standing Committee on Finance be authorized to examine and report upon the expenditures set out in the Estimates laid before Parliament for the fiscal year ending 31st March, 1966;

That the said Committee be empowered to send for persons, papers and records and to sit during sittings and adjournments of the Senate;

That the evidence received and taken at the preceding session be referred to the Committee; and

That the quorum of said Committee be reduced to seven members.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, March 10th, 1966.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators Leonard (*Chairman*), Aird, Aseltine, Burchill, Croll, Dupuis, Flynn, Gershaw, Haig, Hayden, Hnatyshyn, Isnor, Kinley, McCutcheon, Pearson, Phillips, Pouliot, Quart, Rattenbury, Savoie, Smith (*Queens-Shelburne*), Taylor and Welch.—(23).

After discussion the Committee agreed that the Estimates for the fiscal year ending March 31st, 1967 be referred to the Committee for consideration and study during the current Session.

The Steering Committee submitted a draft Report to the Committee which on Motion of the Honourable Senator McCutcheon was adopted, and is printed as part of the proceedings of this day.

At 10.25 a.m. the Committee adjourned to the call of the Chairman.

Attest.

Frank A. Jackson,
Clerk of the Committee.

REPORT OF THE COMMITTEE

THURSDAY, March 10th, 1966.

The Standing Committee on Finance to which was referred the Estimates for the fiscal year ending March 31st, 1966, has in obedience to the order of reference of January 26th, 1966, examined the said Estimates and now reports as follows:

1. On May 13th, 1965, your Committee was authorized by an order of reference adopted by the Senate to examine and report upon the expenditures proposed by the Estimates for the fiscal year ending March 31st, 1966. Your Committee held a number of meetings prior to the adjournment of the Senate on June 30th, 1965, but it was not able to conclude its consideration because of the dissolution of the 26th Parliament. Subsequently upon the convening of the 27th Parliament, the Senate on January 26th, 1966, by a further order of reference authorized the Committee to examine the said Estimates and directed that the evidence taken at the previous Session be referred to the Committee.

2. Your Committee has heard evidence with respect to the said Estimates from the Secretary of the Treasury Board, the Auditor General, the Minister of Citizenship and Immigration and senior officials from the Department of Northern Affairs and National Resources, the Department of External Affairs, the External Aid Office, the Department of Citizenship and Immigration and the Department of Labour.

3. Your Committee continued its consideration of the recommendations made by the "Royal Commission on Government Organization", in what is commonly called the Glassco Report, to which special attention was given in the Report of the Finance Committee dated November 25th, 1964. It is evident that progress is being made in the implementation of those recommendations, but much remains to be done. Perhaps the most significant recommendation in the Glassco Report was that departments and agencies be given the necessary financial authority and be held accountable for the effective management of the financial resources placed at their disposal. Essentially, this involves the delegation of a substantial amount of the central authority now vested in central agencies such as the Treasury Board and the Comptroller of the Treasury, to the operating departments under suitable and adequate financial control mechanisms. In seven departments of government, surveys are being conducted to examine the feasibility of implementing the Glassco Commission recommendations. To the extent that they are implemented, they will involve changes in the form and control of the Estimates presented to Parliament. It is too early as yet to know what form these changes will take but this is a development that should command the continued close attention of your Committee.

4. Your Committee has not attempted to make any detailed study of the Estimates, department by department. It has considered the Estimates as a whole, their total amount, their form and content and the method of presentation of expenditures. Also by questioning the officials that appeared before us, much useful information as to individual items of expenses was obtained and has been recorded in the printed proceedings of the meetings. However, your Committtee did give special attention to certain expenditures which appeared to members of the Committee to call for a closer examination. These related to

such matters as the operations of our National Parks, the contributions of Canada to the United Nations and its operations, the participation of Canada in assisting developing countries, and winter works programs designed to reduce unemployment in Canada during the winter months.

5. Evidence with respect to the Municipal winter works deserves special mention. This program is having its greatest effect in the Province of Quebec, due to the fact that the government of that province supplements the federal grant by an additional 40 per cent of payroll cost, so that a municipality in that province receives from 90 per cent to 100 per cent of the total payroll cost of an approved winter works project. On the other hand, provinces in the Atlantic area, which are known to have relatively high winter unemployment, receive comparatively little benefit from the federal winter works municipal program, presumably because it is not sufficiently assisted by the provinces and municipalities in the area. Your Committee therefore calls attention to this anomaly and suggests that the federal program might well be reconsidered, not with a view to changing its effectiveness in Quebec or other provinces where it is achieving its purpose, but rather to adapt it to assist unemployment in those provinces where it is not now making any substantial contribution to the relief of winter unemployment.

With respect to the winter house building employment program, the evidence adduced to us was to the effect that the federal contribution of $500 to assist in the construction of houses in the winter time was accomplishing its purpose of spreading house building employment throughout the whole calendar year.

6. The overall expenditures of the fiscal year ending March 31st, 1966, included in the Main and Supplementary Estimates totalled $7,825,903,333. This figure does not include Loans and Investments; nor does it include payments out of the Old Age Security Fund. The disbursements of that Fund during the current fiscal year are estimated to be $905,000,000 and the receipts by the Fund from the special sales and income taxes are well in excess of that amount. The figure of $7,825,903,333 is an increase over the previous fiscal year of $607,628,-781. In percentage, the increase over the 1964-65 expenses was 8.4 per cent. It is inevitable that a country's government expenditures will grow as its population and its wealth grow, but it is very important to measure the percentage of a country's production that is taken by governments as their share. In your Committee's report of November 25th, 1964, dealing with the 1964-65 Estimates, a comparison was made between the growth in federal expenditures and the increase in the Gross National Product of Canada. For that year, the expenses increased by a little more than 3 per cent over the preceding year, but the country's gross national production advanced by approximately 8 per cent. In the period now under review, the increase of federal government expenditures is 8.4 per cent over the preceding year while the gross national production in 1965 is estimated to be about 9 per cent above that of 1964. The deduction to be drawn is that the federal government's proportionate share of the country's total production is not increasing, and in this last year remained at about the same percentage as in the preceding year, namely 15.3 per cent. Historically, this is not a high percentage. In the Committee's last report there was also appended a table showing the Budgetary Expenditures since 1955 and their percentage increases from year to year, and this is brought up to date by a table attached to this Report.

7. In the Report in 1964 it was mentioned that in the United Kingdom 26 days before August 5th of each Session are given for the consideration of the Annual Estimates on Supply, thereby limiting the debate and setting a deadline for the final passing of supply. In Canada, supply for the current fiscal year did not

receive final approval until the twelfth month. This is due to a completely unsatisfactory and archaic procedure and your Committee notes with approval that new rules in the House of Commons provide that the Estimates for 1966-67 will be referred to a large number of Committees to enable the examination of them to be done more expeditiously.

8. In view of the constitutional responsibility of the Senate to participate in the enactment of the various appropriation acts authorizing government expenditures, your Committee is of the opinion that the annual Estimates should continue to be referred to the Finance Committee for examination. Limitations of time and professional personnel do not permit such an examination to deal with the Estimates in detail, department by department, but the Committee can continue to give the kind of scrutiny set out in this and its preceding Reports.

9. Your Committee has not in recent years examined the financial affairs of Crown companies or emanations of the Crown such as the Canada Council but is prepared to do so should the Senate see fit to grant the nessary authority.

10. Your Committee desires to thank the witnesses who have appeared before it for their courtesy and co-operation.

All which is respectfully submitted.

T. D'ARCY LEONARD,
Chairman.

Table of Percentage Increases of Federal Government Expenditures Over Preceding Year, Covering Period 1955-1966

Fiscal Year ending March 31	Budgetary Expenditures (in millions)	Increase between years %
1955	4275	
1956	4433	4
1957	4849	9
1958	5087	5
1959	5364	5
1960	5703	6
1961	5958	4
1962	6521	9
1963	6571	1
1964	6892	5
1965	7218	5
1966	7825 (est.)	8.4

First Session—Twenty-seventh Parliament
1966

THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
FINANCE

The Honourable T. D'Arcy Leonard, *Chairman*
The Honourable H. de M. Molson, *Deputy Chairman*

No. 5

Complete Proceedings on Supplementary Estimates (E),
laid before Parliament for the fiscal year ending 31st March, 1966.

WEDNESDAY, MARCH 30th, 1966

WITNESS:
TREASURY BOARD: **Dr. Geo. F. Davidson, Secretary.**

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

23697—1

THE STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Burchill
Choquette
Connolly (*Halifax North*)
Crerar
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
MacKenzie
McCutcheon
McKeen
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Taylor
Thorvaldson
Vaillancourt
Vien
Welch
Yuzyk (50)

Ex Officio members: Brooks and Connolly (*Ottawa West*).

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 24, 1966.

"With leave of the Senate,

The Honourable Senator Leonard, moved, seconded by the Honourable Senator Farris:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures set out in Supplementary Estimates (E) laid before Parliament for the fiscal year ending 31st March, 1966;

That the said Committee be empowered to send for persons, papers and records, and to sit during sittings and adjournments of the Senate.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

23697—1½

MINUTES OF PROCEEDINGS

WEDNESDAY, March 30, 1966.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.00 a.m.

Present: The Honourable Senators Leonard (*Chairman*), Baird, Brooks, Burchill, Connolly (*Ottawa West*), Flynn, Gelinas, Grosart, Haig, Hnatyshyn, Isnor, Kinley, Mackenzie, O'Leary (*Antigonish-Guysborough*), Pearson, Phillips, Pouliot, Rattenbury, Roebuck, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt and Welch.—(23)

On motion of the Honourable Senator Haig it was *Resolved* to report recommending that authority be granted for the printing of 800 copies in English and 300 copies in French of the proceedings of the Committee on Supplementary Estimates (E).

Supplementary Estimates (E) for the fiscal year ending 31st March, 1966, were read and examined.

The following witness was heard:

Treasury Board: Dr. Geo. F. Davidson, Secretary.

On Motion of the Honourable Senator Burchill it was *Resolved* to report that the Committee was satisfied with the explanations given to the Committee by the witness.

At 12 noon the committee adjourned to the call of the chairman.

Attest.

Frank A. Jackson,
Clerk of the Committee.

REPORT OF THE COMMITTEE

WEDNESDAY, March 30, 1966.

The Standing Committee on Finance to which was referred the Supplementary Estimates (E) laid before Parliament for the fiscal year ending March 31st, 1966, has in obedience to the order of reference of March 24th, 1966, examined the said Supplementary Estimates (E) and now reports as follows:

1. Pursuant to the said order of reference your Committee proceeded to examine the expenditures set out in the above-mentioned Supplementary Estimates (E) and called as witness, Dr. George F. Davidson, Secretary of the Treasury Board.

2. The expenditures contained in the said Supplementary Estimates (E) amounted to $173,701,576. These are the final estimates for the fiscal year ending March 31, 1966, and they bring the total of expenditures for one year as set out in the Main and all Supplementary Estimates to the total sum of $7,999,605,015. This figure does not include Loans, Investments and advances which amounted to $96,605,791 in Supplementary Estimates (E), bringing the total of such Loans, Investments and advances for the whole fiscal year to $425,040,892.

3. The expenditures of $7,999,605,015 are an increase over the previous year of $781,605,015 and by percentage they are 10.8 per cent more than the total for the year 1964-65. This compares with the estimated increase in the gross national production of approximately 8 per cent. These figures bring up to date and replace the comparable statistics in the Report which your Committee submitted to the Senate on March 10, 1966, and an *amended table* is attached to this report showing the Expenditures since 1955 and the percentage increases from year to year.

4. In his evidence before the Committee, the Secretary of the Treasury Board explained the various items of expenditures and answered all questions of the members of the Committee to their satisfaction.

All of which is respectfully submitted.

T. D'ARCY LEONARD,
Chairman.

Table of Percentage Increases of Federal Government Expenditures Over Preceding Year, Covering Period 1955-1966.

Fiscal Year ending March 31	Budgetary Expenditures (in millions)	Increase between years
1955	4,275	
1956	4,433	4%
1957	4,849	9%
1958	5,087	5%
1959	5,364	5%
1960	5,703	6%
1961	5,958	4%
1962	6,521	9%
1963	6,571	1%
1964	6,892	5%
1965	7,218	5%
1966	7,999 (est.)	10.8%

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Wednesday, March 30, 1966.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1966, met this day at 10 a.m.

Senator T. D'Arcy Leonard in the Chair.

The CHAIRMAN: Honourable senators, we have a quorum; may we come to order.

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

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

The CHAIRMAN: Our order of reference today is to examine into the expenditures set out in Supplementary Estimates (E) for the year ending March 31, 1966. I think copies of those Estimates are before you, and I think I probably should apologize to the committee because when we dealt with the main Estimates and the other supplementary Estimates I was under the impression that that would finish the Estimates for the year ending March 31, 1966. However, after the report was prepared and presented to the Senate, Supplementary Estimates (E) were filed and consequently, following upon the debate in the Senate on the other report, the Supplementary Estimates (E) were referred to the committee for consideration.

Dr. George F. Davidson is with us today, as he deals with the Estimates in general, and without further ado I think I might ask Dr. Davidson to proceed to explain to us the amounts and the important or pertinent figures in Supplementary Estimates (E). Is that satisfactory?

Some Hon. SENATORS: Agreed.

Dr. George F. Davidson, Secretary of the Treasury Board: Thank you, Mr. Chairman, ladies and gentlemen.

As the chairman has indicated, these are the final supplementary Estimates for the fiscal year 1965-66. I think honourable senators have before them the printed copy as it was presented, and discussion on this completed yesterday at 7.15 p.m. in the House of Commons.

The summary table on the front sheet indicates the amounts involved, department by department, as well as the total amount involved for these supplementary Estimates; perhaps I could just direct your attention to that for a moment.

You will notice at the bottom of the table on page 1 the figures showing that up until this point in time the main Estimates and the Supplementary Estimates (A), (B), (C) and (D) for the fiscal year 1965-66, as already approved, amount to $7,825,900,000. The amount that is requested in this final

supplementary—that is to say, Supplementary Estimates (E) which are now before you—is $173.7 million, which will bring the total authorized appropriations for the year, as and when they are approved, to just under $8 billion.

In addition to that, there is the further item of Loans, Investments and Advances. The previous main Estimates and the four previous Supplementary Estimates have authorized Loans, Investments and Advances totalling $328½ million; the further request in these Supplementary Estimates for $96½ million by way of Loans, Investments and Advances results in a total of $425 million. These are, of course, extra-budgetary.

Senator BROOKS: Then there is the $1 billion for Old Age Security.

Dr. DAVIDSON: That too is extra-budgetary. I am glad you mentioned that, Senator Brooks. Neither the revenue paid into the Old Age Security fund nor that paid out from the Old Age Security fund form part of the Estimates as they are presented to Parliament, because they are set out in an extra-budgetary account.

Senator BROOKS: Is part of the money collected from Canadian taxes?

Dr. DAVIDSON: Oh, yes.

Senator GROSART: Is that necessary, Dr. Davidson? Is it necessary that these be regarded as extra-budgetary from an accounting point of view?

Dr. DAVIDSON: This was a decision of Parliament.

Senator GROSART: Yes, but I still question the decision.

Dr. DAVIDSON: Yes. Well, Senator Grosart, it is your privilege to question that, but it is not mine.

Senator THORVALDSON: I do not think this is asking questions with respect to policy. Can you give me the main reasons, for my own information, why Parliament chose to make this an extra-budgetary matter?

Dr. DAVIDSON: The Old Age Security?

Senator THORVALDSON: Yes, the Old Age Security.

Dr. DAVIDSON: I had a fair amount to do in 1951 and 1952 with the development of the plan which led to the enactment of the universal Old Age Security Plan, and I think it was the desire of Parliament, supported by all parties at that time, to avoid creating the impression that the Old Age Security payments were simply a payout from the national treasury, or out of the revenues that accrued from taxation generally. I think it was the feeling of the members of Parliament at that time that there was something of psychological, if not of other importance, that justified and dictated, indeed, the establishment of a special old age security fund into which were to be paid the special contributions that were being earmarked for old age security purposes, and out of which would be paid the amounts that were authorized by way of Old Age Security payments.

It was an overly simplified approach to the concept of a payment that is derived from contributions, and that bears some relationship to the total amount of those contributions. The underlying assumption, I think, was that there would be maintained a rough balance between the special contributions which were being levied to provide the revenues for the fund and the amounts that were paid out of the fund. This is unlike the more orthodox insurance program which relates actuarially, or endeavours to relate actuarially, the individual payments that the individual person makes to the value of the payout that he receives.

The Old Age Security Fund was not intended to do that. It was intended rather to maintain an approximate balance between the current volume of contributions and the current volume of payout. I think this is the reason why it

was felt that Old Age Security revenues and expenditures should be segregated from the mainstream of the Government's accounts, in exactly the same way as the unemployment insurance revenues are segregated into a special fund.

Senator THORVALDSON: I think it is very useful to have a clear and concise statement like this on the record. Thank you very much.

Senator KINLEY: Mr. Chairman, may I ask a question? I am referring to Fisheries, to the payments, subject to such terms and conditions as the Governor in Council prescribes—

The CHAIRMAN: May I interrupt you for one minute, Senator Kinley. I think it would be better if Dr. Davidson made his general statement now. You will be first with your question when he has finished.

Senator KINLEY: Yes. I thought he had finished.

Dr. DAVIDSON: Mr. Chairman, I will give you an early opportunity to get back to the individual questions, but I might just summarize what is the nature of the requirement for $174 million additional by giving you six main headings which represent the principal extra financial requirements at this time.

First of all, under the heading of Agricultural Prices Support we have a requirement of something of the order of $42 million. Secondly, under the heading of Municipal Development and Loan Board we have an additional requirement of something of the order of $12 million. Then we have a number of usual year-end provisions for refunding to the Central Mortgage and Housing Corporation certain amounts of money in accordance with the pattern that has been established over the years, reimbursing it for certain payments it has made within the normal framework of its legislation in order to carry out certain responsibilities that Parliament from time to time has asked it to carry out as an eventual charge upon the Consolidated Revenue Fund. These payments to the Central Mortgage and Housing Corporation, which I shall come to later, total, in all some $20 million.

There is an item representing the deficict of the Canadian National Railways which amounts to $35 million, and an item covering a special rail subsidy arising out of the 1964 wage settlement, amounting to $25 million.

These five headings, Agricultural Prices Support, Municipal Development and Loan Board, Central Mortgage and Housing Corporation, the C.N.R. deficit and other railway payments account for $134 million of the total of $174 million. Other miscellaneous amounts requested by various departments for various purposes amount to something of the order of $40 million, making up the total of $174 million.

It might be useful if I were to run through, very briefly, the essential reasons for these main expenditure headings, and then throw the meeting open to questions, if there are any, that honourable senators wish to ask on any of these matters.

The CHAIRMAN: Yes.

Dr. DAVIDSON: First of all, the item in respect of Agricultural Prices Support, amounting to something of the order of $40.7 million, forms part of the first vote item on page 3. This is an item which always appears at the end of the year, and it represents the reimbursement to the Agricultural Commodity Stabilization Account to cover the net operating loss of the Agricultural Stabilization Board under a wide variety of programs as at the end of the year.

Honourable senators have on previous occasions asked very pertinent questions as to why supplementaries always come up through the year and at the end of the year. It is asked: Why cannot these things be forecast; why could this not be put in the main Estimates at the beginning of the year? I think that is a very good question, and the answer is that almost certainly we could predict at the beginning of a fiscal year, knowing the history of Agricultural

Commodities Stabilization, that there would be a payout, let us say, of at least $30 million, $35 million or $40 million. We could pick a safe figure that represents on a conservative basis the probable minimum payout for the year, and put that in the main Estimates. But, we would still have to come back to Parliament at the end of a year for the marginal amount that would represent the difference between what the actual payout was and what we guessed it might be at the beginning of the year.

Rightly or wrongly, the decision has been taken that with respect to this particular and relatively large item, instead of making an estimate at the beginning of the year—which would be a rather hazardous estimate in this particular connection because there are so many factors that enter into the decisions that the board has to make throughout the year as to what it will support in the way of prices and for what particular commodities—we will reserve until the final Estimates of the fiscal year, and ask that the complete requirement be approved by supplementary Estimates.

Senator BROOKS: I think it is the amount of the item that would interest most people. It is $40 million compared to a total of $155 million that was voted originally for the Agricultural Department. While you are on the subject you might give us some idea of just why it is so large, and of how it compares with former years.

Dr. DAVIDSON: I could give you a fairly lengthy breakdown, Senator Brooks, of the purposes for which these payments are made. The items include creamery butter, cheddar cheese, eggs, hogs, steers, lambs, wool, wheat, oats, barley, butter fat, manufacturing milk and cream, sugar beets, a wide variety of butter oils and solids, pork, ham, honey—you name it, we have it.

Senator BROOKS: Yes, but there is a very small amount for most of those items. In respect of butter fat or butter, I know that the farmers have been asking for an increase in the price of butter, and we did have an increase of two cents.

Dr. DAVIDSON: The two main items relate to butter fat content.

Senator BROOKS: What are they?

Dr. DAVIDSON: One is a deficiency payment based on the butter fat content of cream in the production year 1965-66. The total payout under that heading was $13.5 million. The second item relates to the butter fat content of whole milk, in respect of which there is a payout of approximately $12.5 million. If I recall correctly, it is the measurement of the butter fat content that is used as the basis for determining the level of these deficiency payments by the Agricultural Commodities Stabilization Board.

Senator THORVALDSON: Is the amount of $40-million odd, which Mr. Davidson referred to, the total amount required by the Agricultural Stabilization Board?

Dr. DAVIDSON: Yes.

Senator THORVALDSON: Is any of that included in the $155 million of the Estimates? Is this the total amount?

Dr. DAVIDSON: This is the total amount. There has been no appropriation in the main Estimates or in the previous supplementaries for 1965-6. The Agricultural Commodities Stabilization Account is a revolving account, and at the end of the year, when in fact we know and do not have to guess what the deficits amount to, we reimburse that account, and this is the amount involved.

Senator BROOKS: The Government buys up considerable quantities of butter. Is that included here?

Dr. DAVIDSON: This account would carry that. There is a purchase and sale program shown here, and under that program the amount is very small this year, probably not more than $1 million or $1½ million.

Senator THORVALDSON: You referred to a purchase and sale program. What about butter? Does this amount represent purchases, or is that the loss on the transaction?

Dr. DAVIDSON: There are two separate programs here, Senator Thorvaldson. One is the purchase and sale program, which involves what Senator Brooks referred to, the acquisition of stocks of butter at certain prices, and the release of those stocks at certain other prices. Then there are the deficiency payments, which really lie outside the purchase and sale program of the Agricultural Commodities Stabilization Account, and it is these deficiency payments that represent the bulk of the money paid out in this particular year.

Senator THORVALDSON: That answers my question.

Senator SMITH (*Queens-Shelburne*): On that point, where does the fund come from that the Stabilization Board uses to finance its operations during the year until this money is made available?

Dr. DAVIDSON: When the board was created, I think you will find that in the legislation there was provision for the establishment of a special account in the Consolidated Revenue Fund to be known as the Agricultural Commodities Stabilization Account, and that in effect is a revolving fund which was established at that time.

Senator SMITH(*Queens-Shelburne*): And that gives the board the authority?

Dr. DAVIDSON: On that basis it is always in funds to make the payments out during the year, but it has to come back to Parliament at the end of the year in order to show that the fund started off the year with a certain amount and needs to be reimbursed to bring it up to the normal level.

If I may continue, that is in essence the big item in the agricultural field. There are some small items we can come back to, if it is so desired.

I would next draw your attention to the item found on page 9—Vote 50e, being the Municipal Development and Loan Board, for an additional amount of $12 million. Probably honourable senators are familiar with this. It was the intention, and the legislation so provided, that the Municipal Development and Loan program authorized by the Municipal Development and Loan Act of 1963 should terminate on March 31, 1966. It was the intention that projects would have to be completed by that time and that the forgiveness of 25 per cent provided for by the legislation would only apply with respect to construction projects completed on or before March 31, 1966, or that portion of the project that was completed before that date.

However, the Minister of Finance, as you may remember, announced, I think on February 12 or thereabouts, that as a result of representations made by the provincial governments concerned, the deadline for the completion of these projects would be extended to September 30, 1966. This means that certain projects which could not have qualified for the full amount of forgiveness because they were not finished on March 31 will now qualify for the full amount of forgiveness because they will now be completed in this extended six months period. It also means that certain additional forgiveness payments will be possible in respect of certain projects which have been approved and for which the amounts have been authorized prior to March 31, 1966, but which will still not be completed by the final date, September 30, 1966.

Senator GROSART: Is this referring to winter works?

Dr. DAVIDSON: No. These are programs which the municipalities put forward where loans have been approved out of the federal Government's Municipal Development and Loan Fund. It is a feature of these loans that if the projects are completed within the time specified in the legislation the Government will forgive 25 per cent of the loan.

Senator HAIG: And you estimate that at $12 million?

Dr. DAVIDSON: We estimate the additional amount that is required for this extra six months extension at $12 million, but this is an additional item to the item that appeared in the main Estimates or in previous Estimates amounting to $70 million.

Senator BROOKS: In that connection, in September the act is to be suspended, as I understand it?

Dr. DAVIDSON: No; in September the act comes to an end.

Senator BROOKS: It has been in operation for how many years?

Dr. DAVIDSON: Since 1963.

Senator BROOKS: That is, after September 1st there will be no extension so far as this is concerned?

Dr. DAVIDSON: The date is September 30, not September 1.

I might also point out that this is a very good illustration of a supplementary estimate, which because of the circumstances clearly cannot be dealt with except as a supplementary Estimate; because here is a decision taken by the Government since the main and earlier Estimates have been presented, and consequently this is not a decision that could have been foreseen or provided for in Estimates presented earlier.

Senator BROOKS: Perhaps this is not a fair question, but could you give us any idea why it is not being continued after September of this year?

Dr. DAVIDSON: Mr. Chairman, I think that the announced purpose of the legislation when it was placed on the statute books in 1963 was to provide a particular stimulus to the development and creation of projects which would be useful and create employment, and to assist the municipalities which were not in a position to go out on to the market for the funds required to finance these useful projects. I think in the light of what the Minister of Finance had to say, in bringing down the budget last night, it would be possible to infer that there is not the same need today for the infusion of funds designed to increase the number of useful construction projects that there might have been in 1963.

Senator THORVALDSON: Probably a few of us will agree on that point. I think I asked a question in this same regard concerning the winter works program when we were dealing with this subject about a week ago. In substance my point was that many years ago conditions of employment were very much different from now. My thinking now is whether we should be continuing that program.

Senator SMITH (*Queens-Shelburne*): I do not know if that is intended to be a question, but it is particularly true of the Atlantic provinces.

Dr. DAVIDSON: We turn now to the Central Mortgage and Housing Corporation items, to be found on page 13. I would draw your attention to the note. These items are listed under "Post Office," because at the time the main Estimates were presented a year ago,—or rather at the time the main Estimates were printed—the Postmaster General was responsible for the Central Mortgage and Housing Corporation's votes. That responsibility has since been transferred to the Minister of Labour. In order that there be maintained a consistent pattern between the Main and Supplementary Estimates, we have continued to list the Central Mortgage and Housing Corporation items under the Post Office heading, even though, the present Postmaster General has nothing to do with Central Mortgage and Housing Corporation matters. You will notice at the bottom of page 13 and at the top of page 14 five separate votes which again are year-end items traditionally handled in the year-end Estimates.

From time to time C.M.H.C. are asked to act as agent of the Government in carrying out a number of special programs. They act as agent of the Government outside of their normal duties, you might say. They pay out certain moneys from their own funds to achieve those objectives that the Government has asked them to achieve. At the end of the year the C.M.H.C. go back to the Government and say, "These are the amounts we have paid out on your behalf, will you please reimburse us for them?"

These five special supplementary items are designed to effect that reimbursement.

The first is to reimburse C.M.H.C. for expenditures incurred in housing research and community planning—for grants and research support provided through C.M.H.C. funds, subject to reimbursement from the federal treasury.

On page 14, Vote 20e is to reimburse C.M.H.C. for net losses resulting from the sale of mortgages from its portfolio during the calendar year 1965.

Senator PHILLIPS: Could I have a little more explanation of the sale of mortgages where control is involved?

Dr. DAVIDSON: Yes, Senator Phillips. I think you are familiar with what this program involves. C.M.H.C. carries on its books a very heavy volume of mortgages; I have forgotten the total amount, but if I understand correctly it is several billion dollars.

Senator BAIRD: You are selling those mortgages?

Dr. DAVIDSON: They are put up for sale on an auction basis from time to time when the market conditions are favourable. These mortgages which are put up for auction are bought at a discount, usually, by purchasers interested in carrying them on their own account, and there may be a profit or loss on these transactions, according to the market. I am sorry I have not got the amount of the total volume of mortgages covered by this. There have been a number of auctions, sales to pension funds and so on, which account for this particular amount of loss shown here. In some cases there are premiums and in some cases there are discounts or losses from these transactions.

The CHAIRMAN: My recollection is that they generally put up about $25 million worth at an auction sale, at a time. Perhaps Senator Thorvaldson would know, but it is my recollection that it is a block of $25 million.

An Hon. SENATOR: Do you sometimes sell these—in total?

Dr. DAVIDSON: I could not answer that question.

The CHAIRMAN: I think it depends on whether or not they are bearing an interest rate which is lower or higher than the current rate. If they are carrying a rate at a time when the interest rates are lower.

An Hon. SENATOR: Interest rates are going up all the time.

The CHAIRMAN: C.M.H.C. has a fixed rate—for a certain period of time, at any rate—and naturally there would be a loss on any current sale of mortgages which were issued at a lower rate of interest.

Dr. DAVIDSON: This is one way C.M.H.C. puts itself again in funds which it can then relend for the purpose of supporting further housing activity.

My impression is, subject to correction, that for the time being, because of conditions in the money market, there has been a suspension of further operations as far as these auctions are concerned.

Senator THORVALDSON: I think it is what one can expect in present circumstances, as explained by the chairman.

Senator MACKENZIE: We have had a great deal of experience in this connection in our universities in providing residence accommodation for young

men and women. One of our major concerns has been to get the interest as low as possible. As you possibly know, the United States provides that kind of money at 3 per cent or less for university purposes. Under the C.M.H.C. a Canadian company has been providing it at the going rate or as close to it as they can get, to benefit the institutions in question. This would account for the lack of profit in all these transactions.

The CHAIRMAN: Thank you, Senator MacKenzie.

Dr. DAVIDSON: Vote 25e is to reimburse C.M.H.C. for losses sustained as a result of the operation of public housing projects where the National Housing Act, Part VI, operates and contemplates C.M.H.C. participation in public housing projects, and where it is recognized that this participation is not going to be self-supporting.

Vote 30e has to do with sewerage programs. The reimbursement to C.M.H.C. is considerable, to reimburse that corporation for the amounts loaned to a province, municipality or municipal sewerage corporation and where a portion of the loan is forgiven. Forgiveness is a feature in this legislation, and is comparable to the forgiveness feature I referred to a moment ago under the Municipal Development and Loan Act. My recollection is that the percentage of forgiveness in this is higher than in the Municipal Development and Loan Act.

Senator BROOKS: May I comment on that? I think this is one of the most important items we have in our Estimates. I would like to ask Dr. Davidson if it is being taken advantage of by the municipalities in a manner that would be satisfactory, would he say, to the department generally?

Dr. DAVIDSON: I think there is a continuing extensive use of this program being made by the municipalities across Canada.

Senator BROOKS: I think it is being continued, as we heard Mr. Sharp tell us last night.

Dr. DAVIDSON: It is being extended to 1970.

Senator BURCHILL: Is this sytem, using the post office as a channel, being changed?

Dr. DAVIDSON: Yes. As a matter of fact, C.M.H.C. affairs relate to the person of the minister, who is the minister responsible for C.M.H.C. legislation. The reason that this is left with the Post Office is that when the main Estimates were printed, Mr. Nicholson, the minister responsible for C.M.H.C., was the Postmaster General. He is now the Minister of Labour. In next year's Estimates the C.M.H.C. items will be listed with the Minister of Labour's Estimates but we did not want to change horses in mid-stream, so to speak.

The final item is the item for urban renewal, Vote 35e, reimbursement to C.M.H.C. for grants that are made in respect of urban renewal programs, for the preparation or implementation of such programs. $4.9 million.

Senator HAIG: Is it fair to say that these items, put in as supplementary items, $20 million, are the year-end result of losses known only at the end of the year?

Dr. DAVIDSON: Yes. That is correct. It is the same as in the case of the Agricultural Commodities stabilization account. They pay out the amounts, they carry them to the end of the year, and then they report to us that they have spent so much and ask for reimbursement.

Senator SMITH (*Queens-Shelburne*): How would Vote 35e compare with the same vote for last year's operations?

Dr. DAVIDSON: I will find that figure, perhaps we could come back to it.

Senator CONNOLLY (*Ottawa West*): I take it most of that money to be voted under 35e results from expropriations undertaken with respect to urban renewal?

Dr. DAVIDSON: I could not really answer that question, Senator Connolly. I will see if our notes carry any comment. I can give you the names of a variety of locations. In Ottawa, the Preston Street project is included in here, 16.7 acres and the amount involved here is explained under the heading of implementation.

This may be a nice way of saying expropriation in the amount of $652,000. There is a small amount for Moss Park, Toronto, 18.7 acres, and the amount involved this year is $27,000. Then there is Alexander Park, Toronto, for a total of half a million dollars. In Winnipeg there is the Lord Selkirk Park, 48.8 acres for half a million dollars. In Montreal, Dorchester Street, 17.6 acres for $635,000. These are illustrative and they may involve expropriation; I am not sure of that.

Senator CONNOLLY (*Ottawa West*): Obviously there is expropriation money involved here.

The CHAIRMAN: The Lord Alexander Park is a municipal expropriation.

Senator CONNOLLY (*Ottawa West*): Are there cases where land is sold to developers for certain purposes and there is a recovery?

Dr. DAVIDSON: I could not answer that. Going back to Senator Smith's question, so far as the urban renewal program last year was concerned, the amount in 1964-65 was $4.2 million and this year $4.9 million. Going back to the question raised about the continuance of the sewerage program the pay-out last year or the forgiveness last year was $7 million as against $10.5 million this year. This indicates increasing acceptance by municipalities of working under this program.

Going now to the Canadian National Railways' deficit of $35 million, I don't think it is necessary to explain what that is for. This comes under the Department of Transport and is to be found at page 20. It is Vote 27e. This is the annual amount paid on account of the C.N.R. operating deficit at the end of the year when the amount involved is known; the explanation of this as an item appearing annually in the final supplementary Estimates for the year is comparable to the explanation I gave for the Agricultural Prices Stabilization Board. While one could guess at the beginning of the year what the deficit of the Canadian National Railways might be, we are always born optimists, and we are always hoping that there will not be a deficit. We are not willing to recognize that there will be until the 31st of March 1966 and at that time we come to Parliament and ask for the amount of money which at that time is precisely known.

Senator THORVALDSON: While on this point in regard to the C.N.R. losses, is the figure based on ordinary accounting practices, that is on the basis of C.N.R. having applied ordinary accounting principles including depreciation, etc., in their accounts?

Dr. DAVIDSON: I would have to take a chance on answering that. My impression is that they do take depreciation into account, and that this figure is based on what you would describe as normal business accounting principles. All the charges are in here, and the interest they have to pay on their obligations is included here. You will no doubt also note there are some other payments made to C.N.R. and other railways. For example on page 19 you will find an item of $2 million which is a special payment made under special legislation with regard to the deficits that arise on the operation of car ferries in Newfoundland, Prince Edward Island, and on the Yarmouth-Bar Harbor service. These services

are provided by the C.N.R. under special arrangements which involve a separate undertaking by which the Government pays the deficits that arise from that particular operation. In a sense, those payments are made by the Canadian Government to the Canadian National Railways for services rendered. In the same way you will find Vote 25e which shows payments in respect to freight rates. This involves a separate and specific obligation. It is only after the payments made in accordance with these special undertakings are taken into account that the general deficit we are talking about now is calculated and the amount shown here is $34.7 million.

I would next draw to the attention of honourable senators the item at the bottom of the page which is a special item of $25 million voted not only to C.N.R. but to C.P.R. and a number of other railways. This represents an obligation of the Government of Canada assumed at the time of the last railway wage negotiations about two years ago. At that time there was a wage settlement which would normally have made it necessary for freight rates and other rail tariffs to be increased in order to carry the increased costs. Rather than do that the Government undertook to meet a calculated portion of the additional wage bill to the extent that increased improvement in performance and increased productivity ratios did not meet it and so enable the railways to absorb the extra costs. This is a calculation that represents some $8 million applicable to 1964 and $17 million applicable to 1965. This will be distributed on an appropriate formula as applied to the various railways affected.

Senator CONNOLLY (*Ottawa West*): That would be regardless of anything that the new railway legislation might do? This would be a continuing thing, I take it?

Dr. DAVIDSON: Not necessarily.

Senator BROOKS: Is that where the railway employees asked for a 17-cent increase per hour, and they were given something like 11 or 12 cents and the Government made up the difference?

Dr. DAVIDSON: This relates to two years ago. I would have to go back and check on the amounts for that. You may remember some time ago—well over two years ago—the Board of Transport Commissioners authorized a higher tariff on freight rates; at that point in order to maintain the rates at the then level, Parliament authorized a payment to be made that would bridge the gap between the new rates authorized by the Board and the rates frozen at that level. That is provided for in the main Estimates. This $70-million dollar item is Vote 84 in the main Estimates. And this present supplementary is an additional $25 million to that vote specifically for the wage settlement arrived at in 1964, which has resulted in our having an obligation to pay the railways an amount of $8 million in respect of the balance of 1964 and $18 million for 1965.

Senator THORVALDSON: I thought there had been two of these settlements in the last five or six years. I recall two years ago there was a threatened strike of railway employees, but I thought there had been a former similar compensation granted by Parliament to avoid a strike about five or six years ago and that the sum of $95 million was necessary for the purpose of taking care of both those settlements. I may be wrong, and if I am it does not matter.

Dr. DAVIDSON: I am quite certain this $25 million relates only to the extra obligations arising out of the 1964 settlement.

Senator CONNOLLY (*Ottawa West*): It runs through my mind that the original cost for this purpose was over $75 million, and it may be as a result of subsequent negotiations that it had to be added. I think those are the negotiations Senator Thorvaldson is mentioning.

Dr. DAVIDSON: This goes back a bit in history. To explain the original vote to which we are now adding $25 million, if you look at your 1965-66 Supple-

mentary Estimates (D) which you have already approved you will find an item of $70 million to which this a supplement. That item reads as follows:

> To provide payments to companies subject to Order Number 96300, dated November 17, 1958, of the Board of Transport Commissioners for Canada of an aggregate amount of $20,000,000 in respect of the period April 1, 1965 to March 31, 1966, to be paid in instalments at such times as may be determined by the said Board for the purpose of reimbursing the said companies for such diminution in their aggregate gross revenues during the said period as in the opinion of the said Board is attributable to such companies maintaining the rate level for freight traffic at an 8 per cent increase instead of 17 per cent as authorized by the said Order;—

That was the freeze.

> —and to provide payments to the said companies of an aggregate amount in respect of the calendar year 1965 of $50,000,000 to be paid in instalments at such times and in accordance with such methods of allocation as may be determined by the said Board for the maintenance by such companies of the rates of freight traffic at the said reduced level.

There are two items there, $20 million and $50 million, which really arise from that order which was put into effect in 1958; and this is a further amount, attributable solely to the wage settlement in 1964, which resulted in certain amounts having to be paid for the latter part of 1964 and the whole of 1965.

Senator CONNOLLY (*Ottawa West*): My guess was $75 million, but I guess the figure was 70 million, and now there are another 25 million required to fill the gap.

Dr. DAVIDSON: Mr. Chairman, that runs through the five large items that account for $134 million of the $174 million being asked for in these supplementary Estimates so far as our budgetary requirements are concerned. I do not propose to deal with the miscellaneous items totalling $40 million, but will be glad to answer questions on them. Nor do I propose to deal with the Loans, Investments and Advances items at the back of the brochure.

Senator SMITH (*Queens-Shelburne*): I wonder if Dr. Davidson, before he leaves his general statement, would just say a few words on the fact that a number of these are $1 items?

Dr. DAVIDSON: Could I just say there are really more than one kind of $1 items.

Senator SMITH (*Queens-Shelburne*): Yes.

Dr. DAVIDSON: Perhaps I could just describe three different types of $1 items which appear from time to time. Some of these, I think understandably, concern members of the Senate and House of Commons when they appear; others, with respect, do not seem to me to present the same objectionable characteristics as the ones I would describe as legitimate objects of concern.

To give you an illustration of what I am talking about, could I turn, first of all, to page 13, Northern Affairs and National Resources. That is Vote 45e which, on the face of it, looks like a $1 item. This is an item of the kind I think honourable senators should not be too much concerned about. We could perfectly well, if we wanted to, come to you and say that we need the authority to spend these sums of money shown here, totalling $81,000; we could stop there and ask you to appropriate an additional $81,598 we do not need for the purpose of authorizing these specific contributions which are not authorized in the main Estimates. This would not be a $1 item, and you would not raise any objection to it. The truth of the matter is that we do not need that sum because there is sufficient money in the main Estimates that we are not going to be able to use

for a variety of reasons and which we can apply to these particular projects if you will authorize us to apply it. So we come to you asking authority only to make the total of $81,599 available for these projects, and since we can find the money in the main Estimates already voted we deduct the sum of $81,598 reducing the amount required to $1, and this sticks out like a $1 item.

Senator BROOKS: That happens on many occasions.

Dr. DAVIDSON: Yes, that happens on many occasions, and this is really seeking authority to transfer funds for a specific purpose which is not contained in the original vote wording.

Senator GROSART: But you do not show from what vote these funds are being transferred?

Dr. DAVIDSON: They must come from the same vote.

Senator GROSART: You do not show the specific items in which the expenditures have been less.

Dr. DAVIDSON: We do not show specific sub-items. It may be an accumulation of funds from several sub-items; it may be that travelling expenses were less than was anticipated, or salary items were not fully spent; or it may be that a certain project has been slow in getting started, and instead of expending $500,000 on some particular building which was included in the main Estimates vote wording we only spent $250,000. When we present this $1 item in supplementaries we are saying there is a slack in Vote 45e and that there is at least enough money in that vote to cover these items; consequently if you will now authorize certain items now listed which were not included in the main Estimates you have already passed, we can expend the unspent sums in that way.

Senator GROSART: But my concern is, where is the control of the decision to underspend? The reason I say this is that otherwise we can assume there is a tendency for people to ask for more money than they need in the hope they will wind up with a departmental surplus which they can then transfer by a vote in the supplementary Estimates. Where is the control if the exact underspending item is not shown?

Dr. DAVIDSON: It will be shown through the requirement that exists in the Financial Administration Act for a department to come to the Treasury Board and ask for authority to transfer between allotments. This means that the Department of Northern Affairs and National Resources will have to come to the Treasury Board and ask for authority to transfer this $81,598 from certain items where there is going to be an underexpenditure. But we are talking about a vote, Senator Grosart, if I might say so, which runs to $27 million.

Senator CONNOLLY (*Ottawa West*): In the main Estimates.

Dr. DAVIDSON: Yes. It is out of that $27 million that the department is saying, "We can find $81,000 in different corners of that total vote, if you will give us authority to make these particular contributions."

Senator CONNOLLY (*Ottawa West*): If required.

The CHAIRMAN: The control is really still with Parliament to say whether these are proper items of expenditure, regardless of where the money comes from. I agree with Senator Grosart that you would like to see a specific credit, but the difficulty is it probably comes from a number of items in the expenditures.

Senator GROSART: But any of us in business would be very anxious to know where the saving was made.

The CHAIRMAN: We would put through a credit of some kind.

Dr. DAVIDSON: Yes, I think that is true, and the counterpart of business in this case, it seems to me, is the executive, the Government. I do not think in a business situation you would publish this in your report to the shareholders.

Senator THORVALDSON: I wonder, Mr. Chairman, if we have time enough to have Dr. Davidson refer to the bottom item on page 21.

Senator CONNOLLY (*Ottawa West*): Is this another item?

Senator THORVALDSON: It comes back to Transport.

Senator CONNOLLY (*Ottawa West*): Do you mind if I just put one question?

Senator THORVALDSON: I am sorry, I thought we were through with that.

Senator CONNOLLY (*Ottawa West*): Suppose this money is not spent, how is Parliament informed of the fact the money is not used—through the Auditor General's report?

Dr. DAVIDSON: No, through the Public Accounts, which is the big thick document which accompanies the Auditor General's report. That will give an accounting that would enable Senator Grosart to follow it through.

Senator CONNOLLY (*Ottawa West*): If he wondered next year what had happened, he would find the answer there?

Dr. DAVIDSON: Yes, he could identify it.

Senator BROOKS: You cannot transfer it from one department to another?

Dr. DAVIDSON: You cannot transfer, even within a department, from one vote to another. You cannot transfer funds from Vote 5 to Vote 10. You can only transfer funds within a vote.

Senator FLYNN: I do not think the Public Accounts show the amount of the Estimates together with the amount actually spent. You cannot tell from the Public Accounts whether you have overspent. To do so you would have to compare the Public Accounts with the Estimates.

Dr. DAVIDSON: Oh, yes. That is why I said it would be possible for Senator Grosart, if he was so disposed, to establish a relationship between the amount that was appropriated and the amount that was spent, but I agree that this would involve—

Senator BURCHILL: —hiring an auditor.

Senator FLYNN: Would it be possible to have the Public Accounts give this information?

Dr. DAVIDSON: The answer to that is that it would be possible. As you know, the Public Accounts Committee of the House of Commons has done a great deal of work on reconstructing the Public Accounts, and its main objective has been to clean out of the Public Accounts a tremendous amount of material which is detail, which although published for years the value of which is now being questioned. My own guess would be that if we were to begin the practice of inserting in the Public Accounts tables which would show a comparison between the Estimates and the actual expenditures we would be increasing substantially the size of the Public Accounts. I am not convinced that every member of the House of Commons and the Senate reads exhaustively the Public Accounts as they are issued now.

Senator CONNOLLY (*Ottawa West*): And if there is overspending I suppose the Auditor General would pick it up.

Dr. DAVIDSON: There cannot be an overspending of a vote. There could be a carry-over of unpaid bills to another year, and he is quick to report this.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I think we had reached the point when I asked my original question—

The CHAIRMAN: Yes, but Senator Thorvaldson asked a question, and he deferred to—

Senator THORVALDSON: Since we were dealing with the Department of Transport I just wanted to ask with respect to one item—

Dr. DAVIDSON: Could I finish answering the question with respect to the $1 items?

Senator THORVALDSON: Yes, certainly.

Dr. DAVIDSON: I have given you one example of a $1 item. The second example I am going to give you is on the very last page where you will find under Public Printing and Stationery Vote L65e a vote wording which amends a previous vote wording.

Now, this does not affect the statute law except to the extent that every vote wording is in the Appropriation Act. All that we are doing here is changing the extent of the authority that is contained in a previous vote contained in a previous set of estimates. Again, this, it seems to me, is within the framework of the Estimates legislation as presented to Parliament and is not objectionable, if I might use that term. in the sense that the third example I am going to give you is. All this does is to say, in effect, that a previous set of estimates contained a request for authority to spend a certain amount of money for a certain purpose, and it is now desired to extend that particular authority containedin the vote wording to permit the money to be spent for some additional purpose.

To illustrate this point let us say that we have funds in the Indian Affairs Branch which are intended to be spent for the education of Indian school children. There has arisen a question, as a result of the Auditor General's examination of vote wording authorities, of whether a child of a non-Indian school teacher living on the Reserve can attend the school with the other Indian children and have his education financed by the Indian Affairs vote. The Auditor General says that this money is voted for the purpose of educating Indians, and that to spend Indian Affairs educational funds on educating even one white school child in an Indian school is legally a misuse of the authority given by Parliament. This is cutting things pretty fine, but we then have to go back to Parliament to ask for a vote wording that will extend the authority that has already been given us by a previous vote wording, to make it clear that what we are doing is legal.

You may remember that on a previous occasion when I was before the committee I cited the example of the Mines and Technical Surveys hydrographic vessel that was spending some of the winter months on a training exercise in extra-territorial waters in the south. We asked for an extension of the vote wording authority there to make it clear that that was approved by Parliament through an extension of the vote wording.

All we are doing here is to amend a previous vote wording, but it has no legislative effect beyond that. It does not have the effect of amending the statute that is on the statute books, and referred to constantly by lawyers.

I would contend, with respect, that that is not the kind of $1 item that should be subject to too much criticism by the members of the Senate or of the House of Commons.

Then, we have the third kind where from time to time, for reasons which it considers necessary, but which members of the Senate or of the House of Commons may not consider justified, the Government resorts to a vote wording in the Estimates for the purpose, in effect, of amending a statute. These are the items for which we are always criticized. I can assure you that no representative of the Treasury Board willingly agrees to the insertion of these items in the Estimates, but there are situations which arise where, because of the urgency of the matter, the Government considers that it is really not practical to wait until

an amending bill can be introduced with no certainty as to when this legislation will emerge from Parliament. Resort is then had from time to time, because of these pressures, to an amended vote wording in the Estimates. Some of these turn up as $1 items. These are the ones that are most subject to criticism. I do not think I should point out one to you.

Senator BURCHILL: Thank you very much, Dr. Davidson, for that very clear explanation of the three kinds. I should like to refer you to page 10 where under Industry there is Vote 15e, $1. Under which category does that come?

Dr. DAVIDSON: The third category. There is no question about it.

Senator BURCHILL: You want to change a statute?

Dr. DAVIDSON: The effect of this, it is quite clear, Mr. Chairman, is to change the statute.

Senator SMITH (*Queens-Shelburne*): Just for one year? It does not have any permanent effect on the operation of that act?

Dr. DAVIDSON: I would have to say it does. Here you are really on the horns of a dilemma. The truth of the matter is that the Area Development Incentives Act will come to a grinding halt if this item does not get approval. The vote wording says:

> To provide that the amount appropriated by section 5(1) of the Area Development Incentives Act may be credited to the Area Development Account from time to time as required; notwithstanding section 5(3) of the Act, to authorize payments out of the Consolidated Revenue Fund up to the amounts credited to the Account; and to authorize total commitments in respect of development grants under the Act in the current and subsequent years not exceeding $100,000,000.

Senator GROSART: Dr. Davidson, would you not have to have a $1 item in the Estimates every year to maintain this amendment to the act?

Dr. DAVIDSON: No, sir.

The CHAIRMAN: It could be put in at $50 million in the succeeding year, but really the act should be amended.

Senator GROSART: That is what I am saying. We get a consolidation of an act once in a while. Would this amendment in the Estimates be included in the consolidation?

Dr. DAVIDSON: I asked that very question of our legal adviser. I can assure you that there was a great deal of discussion on this particular item. I asked: Do you regard this as legislation, or do you not? We argued about this for a while, and I finally put the question: When the statute revision comes up what are you going to do with this? Is this a legislative amendment approved by Parliament? Do you then incorporate the amendment in the statute revision? The answer was that the Statute Revision Commission would probably decide to incorporate this in the Revised Statutes.

Senator BURCHILL: It also results in confusion, does it not? What is the objection to an amendment to the act?

Dr. DAVIDSON: Senator Burchill, will you tell me when an amending act would be approved by Parliament? The fact is that no further commitments can be made under the Area Development Incentives Act beyond the months of March, April or May unless this item is passed. This is the position we find ourselves in.

I might just explain this. Section 5(1) of the Area Development Incentives Act reads:

> There shall be established in the Consolidated Revenue Fund a special account to be known as the Area Development Account, to which

shall be credited the amount of fifty million dollars and such other amounts as may be appropriated by Parliament for the purposes of this Act.

The intention when that wording was written, and the law passed, was to have that as an authority to provide amounts not exceeding in total $50 million from time to time as required. It was not the intention to charge the full amount referred to here,—$50 million—as a charge against 1965-66, when in fact the total actual expenditure for the program in 1965-66, if I understand correctly, will amount to only $300,000.

One of the purposes of this wording is to ensure that it is made clear that the $50 million authorized to be paid out of the Consolidated Revenue Fund into this account may be paid out from time to time as required, so that there will be an accurate reflection year by year in both the Public Accounts and in the Estimates presented to Parliament of the progress being made. Otherwise, if we pay out $50 million into this special account in 1965-66, there will be no further expenditure recorded, perhaps for four or five years, and that would be an inaccurate reflection of the work program as it is actually being carried out.

That is one reason for the wording which says:

To provide that the amount appropriated by section 5(1) of the Area Development Incentives Act may be credited to the Area Development Account from time to time as required;

Secondly, there is a provision in the Area Development Incentives Act, section 5.(3), which states:

No payment shall be made out of the Consolidated Revenue Fund under this section in excess of the uncommitted balance to the credit of the Area Development Account.

The effect of that is that you might put $50 million into the Area Development Account, but you can never spend more than $25 million, because you can never pay out of the fund more than the uncommitted balance. To illustrate, if you start with $50 million in the fund and begin to register commitments against that fund and you get up to the $25 million limit, you are then debarred from making any further payments out of that account, because you have already reached a point equal to the uncommitted balance to the credit of the account.

The purpose therefore of the second provision in the vote wording here is:

notwithstanding section 5(3) of the Act, to authorize payments out of the Consolidated Revenue Fund up to the amounts credited to the Account:

whether $50 million, as at present, or a different amount.

Finally, the Department of Industry reports that there has been very encouraging progress made in the way in which the local development areas have been taking advantage of the provisions of this legislation. They already have projects committed up to $25 million, which is the maximum limit to which they can go now. They estimate that by the middle of May they will have projects ready for approval up to the $50 million limit authorized by section 5(1). It is for this reason they want commitment authority—not expenditure authority, but commitment authority—to approve projects in local development areas up to a total commitment level of $100 million, which of course will involve expenditures stretching several years into the future.

I have been perfectly frank in giving honourable senators this information because I wanted to make clear the distinction between the three kinds of $1 items. There are items like this which I would have to say quite frankly do involve substantive changes in the statute law. It is only when in the judgment

of the Government the timing and other circumstances are such as to make it absolutely necessary that this be done by way of a vote wording in the Estimates.

Senator GROSART: Is there any reason for following this fictional device, if I may call it that, rather than to amend the act in the normal way at some future time?

Dr. DAVIDSON: I think that is one possibility, although I suspect the law officers would say that you really are passing the same law a second time.

The other suggestion, made by Mr. Bell in the debate in the other place was that the Government should consider incorporating these legislative changes into a statute law amendment act.

Senator CONNOLLY (*Ottawa West*): Just like the provinces do.

Dr. DAVIDSON: That would certainly be much more convenient for the legal profession, which might otherwise overlook this kind of provision, buried in an Appropriation Act.

Senator CONNOLLY (*Ottawa West*): How long has this practice been going on?

Dr. DAVIDSON: Oh, for ever. It is not getting any better. However, I assure the members of the committee that each one of these items is looked at with anguish and concern by the Treasury Board, and it is only with reluctance, when we recognize the pressures of the situation, and we really have been backed into a corner by the events and circumstances of the situation, that we agree to the inclusion of these items.

Senator CONNOLLY (*Ottawa West*): Mr. Chairman, not speaking on behalf of the Government, but speaking generally, I think the explanation that Dr. Davidson has given is valuable to the Senate. I also think that if the normal process had been followed and the explanation given, as he has given it to us, it would probably result in approval of the items of amendment. With the complications and the volume of work before Parliament, in spite of the fact that it may be difficult for the legal profession to follow this kind of legislative amendment, generally speaking, an explanation like this in a committee, is most valuable to the Senate. I think there is some satisfaction given to the committee members in what is being done. Probably deep down in their hearts they would say that if it came up in the normal way they would undoubtedly pass this provision, because it is going to be helpful. It simply shortens the process. I do not say it is a good practice to follow, but I think everybody can see reasons and justification for doing some of these things.

The CHAIRMAN: Senator Brooks?

Senator BROOKS: Mr. Chairman, there is another $1 item which I think all senators are interested in, appearing on page 11, that is, item 7e. May I say at the outset that I am entirely in agreement with this item passing, but my point is that the act which has to do with the retirement of senators certainly requires amendment, in cases such as this.

As all senators know, we have the right to retire at 75 years of age, if we wish to do so. If we do not retire at 75 we can continue during our lifetime, or we can also retire on account of illness. I believe those are the three choices. If a senator does not retire at 75 and decides to continue, but dies suddenly without receiving a gratuity, then either his widow does not receive a pension for the rest of her life, or an item such as item 7e is needed. I can see why this item was put in for that particular purpose, because I understand that the senator in question was entitled to a gratuity but had not received it. My point is that there are many senators who, when they reach the age of 75, may not wish to retire and being older men they may pass away very quickly. I do not think an

item such as that should have to be perpetuated through the Estimates in order that justice be done to senators who are appointed for life. That is the point I wish to make and I would like to hear Dr. Davidson's comment on whether they would anticipate that there might be cases like this arising.

Dr. DAVIDSON: Could I reverse the procedure and ask Senator Brooks—

Senator BROOKS: How old I am?

Dr. DAVIDSON: No, I know that. What would you do in a case like this?

Senator BROOKS: I think we should amend the act.

Dr. DAVIDSON: This may take many months. In the meantime, the simple fact is that, acting on the assumption that there is going to be an early remedy to this situation, we made financial provision under the Finance Contingencies vote—we have legal authority to do this—and we have authorized these payment to be made to the widow of the senator in question. We have done this on the understanding that at the earliest possible moment Parliament will be asked to approve, by a specific vote authority, this being done. I do not know if the senator knows the circumstances of this case.

Senator BROOKS: Of this particular case, of course.

Dr. DAVIDSON: This may signal the need for future legislative amendment that will cover the generality of cases. However, I think it would be generally accepted that, when a situation of this kind confronts you and you really have not time to convene Parliament and introduce, in due process of events, amending legislation, and have it passed by both houses and become law—I think it would be accepted generally that this is the sort of thing that from time to time has to be done by way of an item in the Estimates.

Senator BROOKS: Why not make the amendment when Parliament is convened? You do not have to wait for somebody to die. We are amending acts all the time. I can see where a very simple amendment would satisfy this situation. My argument is that, during some session of Parliament, and I think this is the session in which it should be done, this act should be amended, in justice to a great many senators.

Dr. DAVIDSON: Mr. Chairman, I would not want to question for a moment the desirability of the statement that Senator Brooks has made, with which I agree, that it would be desirable to cover this by way of an amendment at some session of Parliament. But you will forgive me for saying that, knowing what I know as to the speed with which Parliament produces legislative enactments, I wonder how long we would have to wait for this legislative enactment, in the ordinary course of events. Could I draw attention to another item of interest to honourable senators, on page 7?

Senator CONNOLLY (*Ottawa West*): There are two factors. There have been senators who have been entitled to retire and in one case where he did not retire and died suddenly and his wife was entitled to a gratuity. That is one case. The second factor is that this is a point of Government policy. Any amendment must be produced in the other house, because it involves financial commitment. I will undertake to have an extract made from the minutes of this meeting and place it before the Government for consideration.

Senator BROOKS: Thank you very much.

The CHAIRMAN: Thank you, Mr. Leader.

Senator GROSART: It raises the very point I mentioned earlier. I appreciate the assuranec that Senator Connolly has given, that some action will be taken to give some sort of permanence to the principle embodied in one of these $1 items, but we have no assurance here that the same thing will be done with the others. We have almost what you might call quasi-legislation here.

I object to this in principle because it is all very well to say that it was necessary, it was expedient, but this is the excuse that has been used from the beginning of time to upset valuable and viable institutions.

Senator CONNOLLY (*Ottawa West*): I do not know that this is purely a matter of expediency. It is beneficial.

Senator GROSART: I am not speaking of this particular case.

Senator CONNOLLY (*Ottawa West*): Senator Brooks has a point. The senator in question was entitled to the pension but he actually did not receive it. The wording of the section, as I remember it, says "who has retired and is in receipt of a pension". If he dies, then his widow is entitled. This particular senator was entitled, he had not received it, and it seems to be equitable and fair in this case. As Senator Brooks has pointed out, this is a very proper kind of item to go through.

Senator FLYNN: I would not discuss the facts but I would be prepared to discuss the legal interpretation of the act in the case which Senator Connolly has just discussed. I think some amendment should be made to cover a wider range than this specific case.

Senator CONNOLLY (*Ottawa West*): I am not suggesting that it should be confined to this case. I say that I will undertake to make this extract available to the Government for consideration.

The CHAIRMAN: To cover any future cases.

Senator GROSART: I want to clarify someting. I used the word "expediency". I want to make it clear that I used it in its original and proper sense and not with any derogatory suggestion which sometimes is attached to that word. Properly, "expediency" is a proper and good reason for action.

Dr. DAVIDSON: I might say to Senator Grosart what I should have said before when I referred to Mr. Bell's comment on statute law amendment. The Honourable Mr. Benson, Vice Chairman of the Treasury Board, who piloted these Supplementary Estimates through the House of Commons said, in reply to Mr. Bell, that the Government would give consideration to that suggestion.

Senator GROSART: I saw that.

The CHAIRMAN: Does that cover the $1 items?

Senator SMITH (*Queens-Shelburne*): Yes, Mr. Chairman, and we are thankful to Dr. Davidson for the way in which he has dealt with them.

Dr. DAVIDSON: May I now draw attention to page 7, Vote 11e, which may be of interest. Again this is a $1 item and we might as well complete our discussion of these now. This is for the purpose of remedying a situation which presently exists, that a senator retiring at age 75, if he resigns and retires from the Senate under the Retirement Act, is not entitled to maintain his membership in the group surgical medical plan. This makes it possible for him to do so.

The CHAIRMAN: I think this is again a case that does not mean indirect legislation?

Dr. DAVIDSON: I am sorry, it does, as far as I am concerned. I want to make it necessary—if I may use those words—for honourable senators to face up to some of these situations.

Senator CONNOLLY (*Ottawa West*): Would Dr. Davidson please repeat the last point.

Dr. DAVIDSON: A senator at the age of 75 opts to retire under the new legislation.

Senator RATTENBURY: Or before, under the other legislation.

Dr. DAVIDSON: I am not quite sure of that. Let me say what I am sure of. A senator who takes advantage of Part III of the act to make provision for retirement of members on the Senate ceases at that point to be a member of the

Senate. Since the group surgical medical plan is limited to members of the public service, as well as members of the House of Commons and Senate, the minute he retires from the Senate he loses his right to continue his membership in the group surgical medical plan. This was not considered desirable and this is put in specifically to remedy this situation.

Senator BAIRD: Who pays the premium?

Dr. DAVIDSON: You do, senator. That is why it is only a $1 item.

Senator FLYNN: Does the same problem arise for former employees of the public service?

Dr. DAVIDSON: For those who resign, coverage ends. For those who retire, authority already exists for them to continue under coverage.

Senator CONNOLLY (*Ottawa West*): Did this pass the House of Commons?

Dr. DAVIDSON: Yes.

Senator CONNOLLY (*Ottawa West*): I became aware of this while I was ill and I gave directions that an approach should be made to the Minister of Finance for the purpose of having this item put in. I think it is a fair claim. It is comparable to the position of a person who retires from the public service, and I think it is equitable.

The CHAIRMAN: Does that clear up the $1 items?

Senator FLYNN: I had a question. How would Dr. Davidson visualize the inclusion in the revised statutes of an amendment brought to an act in this fashion?

Senator CONNOLLY (*Ottawa West*): You asked that question and he answered it by saying he did not know.

Dr. DAVIDSON: That is a question you should put to the Department of Justice.

Senator CONNOLLY (*Ottawa West*): We will put you on the statutes revision committee.

The CHAIRMAN: Senator Kinley, you had a question?

Senator KINLEY: There is an important item on page 9. I want to know what is the regulation whereby there is a ceiling on the individual.

The CHAIRMAN: You are speaking now of item 15e, are you?

Senator KINLEY: Yes.

Dr. DAVIDSON: This is an item of $150,000. It says "payment, subject to such terms and conditions as the Governor in Council prescribes, of assistance to fishermen whose income from fishing in the calendar year 1965 was less than their income from fishing in 1964 due to circumstances beyond the control of such fishermen."

Senator KINLEY: My question is, is there a ceiling on the individual? If he earned $10,000 last year and he only earns $9,000 this year, will he come under that vote?

Dr. DAVIDSON: I think you can assume that the answer is no.

Senator KINLEY: There must be a regulation. If I could get the regulation it might help. This is a matter of discussion in the place I come from, as is the Income Tax Act and the unemployment benefit.

Dr. DAVIDSON: The answer is that there is, if I recall correctly, a ceiling on this.

Senator KINLEY: Take for instance a top fisherman who might do well one year by having good luck and earn a lot of money, and the following year would make hardly anything.

Senator SMITH (*Queens-Shelburne*): Does not this refer specifically to situations as on the eastern shore of Nova Scotia where due to storms and bad weather the fishermen were not given an opportunity to do any lobster fishing last season and therefore the opportunity of making a living was zero and this is an attempt to join with the provincial government in attempting to compensate for this?

Senator KINLEY: I don't care whether they live in Vancouver or in Nova Scotia. I am just asking if there is a ceiling on the individual under this item because it is being abused.

Dr. DAVIDSON: There is a ceiling, at least indirectly. The special assistance will be based upon records of the fishing income supplied by the Unemployment Insurance Commission, but actual payment will be made by the federal Department of Fisheries.

To be eligible for assistance a fisherman must have at least five weeks with fishing stamps in his book that were earned in 1965 and also he must have made application for unemployment insurance benefits prior to March 26, 1966.

Senator THORVALDSON: Would you refer to page 21, Vote 107e. This refers to the deficit in the operation of the Welland Canal for 1965. It is a large item, over $8 million. Has that been in this amount every year, or is this a higher amount than usual?

Dr. DAVIDSON: This, if I recall correctly, is only the second time that this deficit has appeared as an item in the Estimates. For a considerable number of years following the opening of the seaway this deficit was carried by the St. Lawrence Seaway Authority in anticipation of the possibility that the toll structure would be sufficient to carry the cost of the total canal-seaway operation. As you know events proved that this was not possible. The St. Lawrence Seaway Authority then made representations to the effect that they should not be expected to carry the deficit of a canal operation that had already been in existence as a free canal and was not a part of the toll structure applied at the time of the creation of the seaway. This was accepted by the Government, and a decision was taken to put an item in the Estimates to reimburse the seaway authority for covering the operating deficit. Last year we repaid them $27 million, covering the accumulated deficits over the period of years from 1959 to 1964. If my recollection is correct this does represent a somewhat higher amount than that represented by last year's actual calendar year deficit.

Senator BROOKS: Is the toll being increased?

Dr. DAVIDSON: There are negotiations under way between the St. Lawrence Seaway Authority and the appropriate authority in the United States. The tolls apply at present only to the St. Lawrence Seaway. The Welland Canal is not presently subject to tolls.

The CHAIRMAN: It is toll-free. Senator Burchill?

Senator BURCHILL: I want to refer to a small item on page 21 dealing with federal assistance towards the cost of icebreaking in the Miramichi.

Dr. DAVIDSON: I can tell you only this, that the Miramichi River is in the Province of New Brunswick.

Senator HAIG: On page 6, under External Affairs, we have "Taxes on Dipolmatic Properties in the Ottawa Area, $21,000". That is under Vote 1e, Administration, Operation and Maintenance—departmental administration. Why could not the department have found that out before and put this in the main Estimates?

Dr. DAVIDSON: It did, but there are additional embassies being opened from time to time and different properties being purchased. For instance when the

Austrian Embassy purchased the Southam property in Rockcliffe this ceased to be a taxable property held by a Canadian citizen and so falls within this category.

Senator GROSART: I want to direct a question to Dr. Davidson regarding Vote 15e on page 14, which deals with supplementary Estimates to defray the costs of royal commissions. My question is: What prior spending authority is required by a royal commission?

Dr. DAVIDSON: I don't quite understand your question, Senator Grosart.

Senator GROSART: What authority is required prior to spending of money by a royal commission?

Dr. DAVIDSON: The executive authority of the cabinet decides to establish a royal commission. It has that authority under, I think, the Public Inquiries Act. On the establishment of a royal commission provision is made, if this is at a time when Parliament is not meeting, out of the contingencies fund. This is the contingencies fund of the Finance department which is a fund established to deal with contingencies that arise in the course of the year.

Senator GROSART: Mr. Chairman, there is so much noise I cannot hear what Dr. Davidson is saying.

The CHAIRMAN: I am sorry.

Senator GROSART: I am sorry, I have just learned what the discussion was about.

Dr. DAVIDSON: This is operated to provide funds to meet unforeseen contingencies, but specific provision for the contingencies must be included at the earliest opportunity in a supplementary estimate. Funds are provided out of the contingencies fund to finance the immediate costs of the royal commission, but any funds that are advanced from that vote and on that basis require a supplementary estimate to be placed before Parliament and when Parliament approves the appropriation of the supplementary estimate, that estimate is used to reimburse the contingencies fund.

Senator GROSART: That does not quite answer my question. Who decides a particular royal commission can spend $4 million, as we are told one has recently done?

Dr. DAVIDSON: Parliament.

Senator GROSART: Prior to the spending?

Dr. DAVIDSON: Not entirely, in all cases.

Senator GROSART: So that a royal commission can incur expenditures at will?

Dr. DAVIDSON: No.

Senator GROSART: Subject only to the subsequent approval by Parliament?

Dr. DAVIDSON: No.

Senator GROSART: Then I come back to my original question: What prior authority is required before a royal commission can spend money?

Dr. DAVIDSON: Can I make a distinction between what I would call the start of expenditures and subsequent ones? If a royal commission is announced tomorrow it does not have to wait until an estimate has been approved by Parliament before it can make expenditures. It is provided with funds, maybe only $50,000 or $100,000, by the device of the contingencies vote out of Finance. It is then necessary to put an item in the supplementary Estimates, and that item is going to be sufficient to carry the cost of that royal commisssion for the balance of the fiscal year and to reimburse, in the process, the contingencies vote for whatever amount of money was advanced as the starting cost. But the royal commission, like any other tiem for which funds are required, can only be financed on the basis of parliamentary appropriations.

Senator HAIG: You have a debtor-creditor relationship. The debtor is the royal commission so, therefore, he takes money from this contingencies fund to pay his operating expenses, and you put a supplementary in to reimburse the contingencies fund.

Dr. DAVIDSON: Right. I am sure that what Senator Grosart is thinking about relates to the contingency vote, and that is really a very small element of the picture. It may be enough to pay the initial expenses of a few weeks, but the main financial requirements of royal commissions are provided for in the main Estimates, as they were in 1965-66, as they were in 1964-65.

Senator LEONARD: For example, in the Royal Commission on Bilingualism and Biculturalism, in the main Estimates there is an item of $2,485,000 for this current fiscal year, and also an item in the previous year of $1,971,000.

Senator GROSART: A blank cheque, in other words?

The CHAIRMAN: To the extent of $2,485,000 which Parliament has approved.

Senator CONNOLLY (*Ottawa West*): How long has this practice been in existence?

Dr. DAVIDSON: I do not know what Senator Grosart means by "blank cheque." This is an item that is voted by Parliament in the same way as other items are authorized, and the royal commission does not, on the basis of that authority, simply get a cheque issued to it for that amount of money and then feel completely free to spend it on anything it requires.

Each royal commission is required to submit a budget to the Treasury Board at Estimates time, and the detail of that budget is examined by Treasury Board. The board makes an adjustment in the amount of money it considers proper to ask Parliament to appropriate in the ensuing year. While the special status of Royal Commissions has to be recognized and Treasury Board cannot put itself in the position of riding herd on royal commissions to the same extent they do with an ordinary department of Government, nevertheless the Board does maintain a degree of supervision over the expenditure of that budget through the year. I can say to honourable senators that the amount of money that is in the Main Estimates for 1966-7 for the Royal Commission on Bilingualism and Biculturalism is not the amount of money the royal commission asked for. There was a reduction made as a result of discussions which took place between the Treasury Board staff and the royal commission staff.

Senator HAIG: Do royal commissions always come under the Privy Council?

Dr. DAVIDSON: They are listed for the Estimates purposes under the Privy Council.

Senator GROSART: So the basic responsibility for the validity of the total expenditures made by a royal commission rests with Treasury Board?

Dr. DAVIDSON: I think the Treasury Board and Government have to take the responsibility for asking Parliament to appropriate this sum of money, as they do for any other sum of money. Just as in the case of the C.B.C., where a budget of $100 million is requested, there is no detail given in the Estimates because this is a crown corporation. I think it is recognized that the status of a crown corporation in terms of the Government's responsibility for continuous day-to-day supervision is somewhat different from the status of an ordinary department of Government. Nevertheless, the Government has to take the responsibility, after examining the C.B.C. budget and after it has negotiated with them, for deciding what the financial requirement of the next year is. The Government has to take the responsibility for saying to Parliament, "We recommend that Parliament appropriate these funds for this purpose." The same applies, I would submit, in the case of each of the royal commissions.

The CHAIRMAN: Honourable senators, are there any further questions?

Senator O'LEARY (*Antigonish-Guysborough*): In the three important votes we have covered here—

Senator CONNOLLY (*Ottawa West*): The page number, please?

Senator O'LEARY (*Antigonish-Guysborough*): Well, I will phrase my question another way. Can any one municipality proceed at the same time under the Municipal Development Loan Fund program, the urban development program and the sewerage program?

Dr. DAVIDSON: Yes. The answer is, "yes."

Senator O'LEARY (*Antigonish-Guysborough*): In addition to that, they can also participate in the municipal winter works program as far as labour costs are concerned?

Dr. DAVIDSON: Yes.

The CHAIRMAN: Are there any other questions? If there are none, on behalf of the committee I thank Dr. Davidson for his extremely helpful contribution on this occasion, as on others.

The committee adjourned.

First Session—Twenty-seventh Parliament

1966

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING COMMITTEE ON

FINANCE

The Honourable T. D'Arcy Leonard, *Chairman*
The Honourable H. de M. Molson, *Deputy Chairman*

No. 6

First Proceedings on The Estimates

laid before Parliament for the fiscal year ending 31st March, 1967.

THURSDAY, MAY 5th, 1966

WITNESS:

Treasury Board: Dr. Geo. F. Davidson, Secretary.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

23699—1

THE STANDING COMMITTEE ON FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Burchill
Choquette
Connolly (*Halifax North*)
Crerar
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
MacKenzie
McCutcheon
McKeen
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Taylor
Thorvaldson
Vaillancourt
Vien
Welch
Yuzyk—(50)

Ex Officio members: Brooks and Connolly (*Ottawa West*).

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 24, 1966.

"The Honourable Senator Leonard moved, seconded by the Honourable Senator Farris:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, in advance of the Bills based on the said Estimates reaching the Senate; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

23699—1½

MINUTES OF PROCEEDINGS

THURSDAY, May 5th, 1966.

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

Present: The Honourable Senators Leonard (*Chairman*), Aird, Aseltine, Burchill, Connolly (*Halifax North*), Crerar, Deschatelets, Flynn, Gershaw, Grosart, Haig, Hays, Hnatyshyn, Isnor, Kinley, MacKenzie, McKeen, Méthot, Molson, O'Leary (*Antigonish-Guysborough*), Rattenbury, Smith (*Queens-Shelburne*), Taylor, Thorvaldson, Welch and Yuzyk. (26)

On Motion of the Honourable Senator Taylor it was RESOLVED to report recommending that authority be granted for the printing of 800 copies in English and 300 copies in French of the proceedings of the Committee on the Estimates for the fiscal year ending March 31st, 1967.

The Estimates laid before Parliament for the fiscal year ending March 31st, 1967 were considered.

The following witness was heard:

Treasury Board:

Dr. Geo. F. Davidson, Secretary.

On the suggestion of the Honourable Senator Smith (*Queens-Shelburne*) it was Agreed to examine the Estimates of the Department of Industry with particular regard to the item of $10 million for development of employment opportunities in designated areas and a summary of the activities of the Atlantic Development Board.

At 12.45 p.m. the Committee adjourned until Thursday, May 12th at 10.00 a.m.

Attest.

Frank A. Jackson,
Clerk of the Committee.

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Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Thursday, May 5, 1966.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, met this day at 11.30 a.m.

Senator T. D'Arcy Leonard in the Chair.

The CHAIRMAN: Honourable senators, the time has arrived for the proceedings of this meeting to commence. Our witness today is Dr. George Davidson, Secretary of the Treasury Board.

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

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

The CHAIRMAN: Before calling on Dr. Davidson, I might say this is the first meeting to deal with the 1966-67 Estimates which were referred to us by order of the Senate before the Easter recess. It may be that before we hear Dr. Davidson some members of the committee have some questions or views they want to put forward with respect to those Estimates and, if so, this would be a proper occasion for them to do so.

Senator DESCHATELETS: Mr. Chairman, is there any order in which the departments are to be considered by us?

The CHAIRMAN: That is a good question. Of course, in the House of Commons the Estimates are dealt with department by department, but that has not been the practice or procedure in the Senate. We have considered the Estimates, first of all, in general as to total amount, as to their form and content, as to changes being made in connection with them and as to the character of expenditures, but not department by department. However, we have taken certain aspects of departmental expenditures from time to time and have had the minister or officials of that particular department appear before us, not in any particular order, but having in mind some subject the members of the committee felt they would like to discuss. Last year we had the minister and representatives from Northern Affairs. We also had External Affairs, both with respect to certain aspects of their work but not as to the detail of expenditures. Unless there is a desire on the part of the committee to change the procedure, I think this is the way we would normally carry on.

I have under consideration—and the steering committee has not had a chance to deal with it yet—our plans with respect to the forthcoming meetings. One suggestion I throw out is that we might have Dr. Deutsch appear before us to deal with the question of the overall Government expenditures, federal, provincial and municipal, with relation to the work of the Economic Council,

the aspect that the expenditures bear to his work in general, if Dr. Deutsch feels this is something he would like to do. He is always an excellent witness, and his work is so important I think it would be a good thing for us to have him appear before us.

It has been suggested that we consider the bill dealing with the Science Council that is being set up, and the expenditure of some $350 million, which I think was the figure given yesterday. This might be an opportune occasion for this committee to go into the question of those expenditures, having in mind the provisions of the bill itself. Are there any other questions or comments?

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, would it be considered appropriate for us to make some examination of a new federal setup that is now becoming organized, the effects of which are already becoming apparent but about which the Estimates are quite sketchy in the information they provide, there being no details given. I am referring, of course, to the Estimates of the Department of Industry, and in particular to the item on page 181, the statutory amount of $10 million which is to provide incentives for the development of industrial employment opportunities in designated areas in Canada. It strikes me that it would be worth while for us to examine this, and to have the Commissioner who looks after the area development agency in at some time to expose to us what the policies are and what progress is being made, and to subject himself to examination.

This is a new departure in Government operations, and I think that this is the time that some kind of an examination should be made of it so that the public will be aware of the possible benefits, and so that we as a committee can be made aware of the use of expenditures that are statutory in nature.

While I am on this subject I might mention that I do not recall having read any particularly worthwhile summary of the activities of the Atlanitc Development Board. This is also a new kind of operation. Although the legislation itself goes back some years, the Board's operations did not commence until the last few years, and it has made some very large expenditures. The operations of the Atlantic Development Board should be examined in some detail so that those of us who have a particular interest in them will have information on which to base a judgment as to whether they are proceeding in the right direction. Both these subjects should be examined so that we may report with respect to them to the Senate.

The CHAIRMAN: Thank you, Senator Smith. It is this kind of suggestion that is very helpful. If any other senator has a suggestion along the same line perhaps he could make it known, and we shall try to obtain the evidence and information that is desired. If there is no other comment on Senator Smith's suggestion I take it that it is in order for us to proceed to carry it out, and arrange for the witnesses.

Senator ISNOR: I think it is a very good suggestion.

The CHAIRMAN: Thank you. Of course, any other such suggestion can be brought up at any time.

Dr. Davidson is now with us. We are very pleased to have you back, Dr. Davidson, and are looking forward to your helping us as you have in the past. I will ask you to proceed in your own manner and time. You know, of course, that the Estimates have been referred to us, and in the past you have been our first witness and have given us a general picture of the Estimates under consideration. Would you mind carrying on?

Dr. George F. Davidson, Secretary of the Treasury Board: Thank you, Mr. Chairman. I offer my apologies to the committee for, through circumstances beyond my control, keeping it waiting. I was called down to the other end of the hall on a certain matter just at the time I was supposed to be taking my seat before you.

As the chairman has said, this is really the first opportunity that has been afforded Members of Parliament in either house to look at the Estimates that have been tabled for 1966-67. These estimates were tabled on February 18 last, and they have been subjected so far to two supply motions in the other place which have resulted in the referral of the Estimates of a significant number of departments to the special committees of the house which have this year for the first time begun to function in the examination of departmental estimates. There are still some departments whose estimates have not yet got into supply in the other house.

The procedure of the Senate, as I understand it, is to refer the Estimates when they are received to the Standing Committee on Finance of the Senate, and to receive from me initially a general presentation, after which the members of the committee are free to call upon what I might refer to as departmental witnesses to give the detailed information that the committee wishes to have on specific matters not contained in the Estimates.

I should like to make it quite clear—and this is not an excess of modesty on my part—that I am not in a position to answer detailed questions about individual departments and their requirements as set out in the main Estimates. Even if I were in a position to carry all that information around I do not think it would be proper for me to put myself in the position of defending estimates that are in fact estimates of individual departments. The committee can obtain a far better explanation from the deputy ministers of the departments concerned, or from the appropriate officials, than I could ever hope to give. Consequently, my purpose this morning is to give you an overall picture of the size and shape of the Estimates and expenditures proposed for 1966-67, and to mention a number of significant features of the Estimates as a whole, as I see them

Following your suggestion to me on the telephone, Mr. Chairman, I would also say, in the time available, a few additional words on what has been done with respect to the implementation of the recommendations of the Glassco Commission in the interval since I last appeared before the committee.

Members of the committee have all received printed copies of the Estimates. To summarize briefly the position that is outlined in these estimates, there are requests from the various departments and agencies of government for appropriations covering the year 1966-67 totalling almost $8 billion. For the record, the exact total is $7,950,459,478. This compares with amounts that were appropriated in 1965-66 of $7,999,500,000 in round figures.

On the face of it we are asking in the main Estimates this year for some $50 million less than was appropriated by Parliament for all purposes last year. But, to suggest that those two figures represent a valid statement of the position would be going much too far, because the total appropriations last year included not only the main Estimates for 1965-66 but also Supplementary Estimates (B), (C), (D) and (E) which were presented for parliamentary approval from time to time, and which brought the total up to $7,999,500,000. It is to be anticipated that there will be supplementary estimates this year to be added to the $7,950,000,000-odd that is being requested. In order to obtain a true comparison one would have to include in addition to the amount set out in the main Estimates some provision for what will be the requirements of supplementary estimates in the year just beginning. In fact, we are at the moment, Mr. Chairman, in the process of calling on departments to present their first

supplementary Estimates requirements for 1966-67, and will expect to present to the two Houses of Parliament in the course of the month of June our first set of supplementary Estimates.

Senator CRERAR: May I ask a question, Mr. Chairman.

The CHAIRMAN: Yes.

Senator CRERAR: I think the original conception of the supplementary Estimates was that they were to cover expenditures that could not be foreseen when the main Estimates were presented to Parliament at the beginning of the session. That was made a strict rule, and only things that could be justified as being unable to be foreseen should be in the supplementary Estimates.

As I recall, Estimates went into the Treasury Board by November, and Treasury Board would cut them down, and a habit developed in some departments of drafting their Estimates in the expectation that a cut would follow.

I recall a row which I had at one time with the Minister of Finance, and when my estimates were presented they had to be cut down by "X" dollars. I pointed out that we had cut ours to the bone, and that I did not intend to cut them any further.

I do not know whether it is the practice to submit Estimates in such a way as that, that it is known that they will be cut down; but what I want to point out at the moment is that supplementary Estimates are intended to cover, or were intended to cover, only items that could not be foreseen.

The supplementary Estimates submitted for 1965—I believe there were three or four batches of them—totalled more than the total Estimates of 30 years ago. The interesting question to me is how is this happening? I hope, Mr. Chairman, you will forgive the interruption.

The CHAIRMAN: Yes. I think Dr. Davidson has an answer.

Dr. DAVIDSON: Mr. Chairman, may I say to Senator Crerar in response to his question that the same thing does happen today regularly. Senator Hays, and Senator Deschatelets, and anyone who has ever held a Cabinet portfolio can tell you that they have a speech that they have recorded which has a striking resemblance to the one Senator Crerar has given; and that without exception ministers come to the Treasury Board and state that they have cut their Estimates to the absolute bone; and each minister says invariably that while it may be possible for other departments to make cuts, it is not possible in his department.

Due weight is given to the assertions of ministers by the Treasury Board, but they are not all accepted with the same degree of unreserved credulity.

You asked the question, Senator Crerar, if the supplementary Estimates are not supposed to be limited to those items which were unforeseen at the time the main Estimates were presented. I think my answer to that, sir, would be that while that is basically the purpose of the supplementary Estimates, it is not their only purpose. There are two other kinds of items that I think can with some logic be argued as being properly in the supplementary Estimates. For example, our main Estimates have to be closed off at some point in time, and this comes around November and December. The processes of Government being continuous, one cannot assume that all of the decisions in respect to the next year and a half that have to be made will be made by the date when those Estimates have to be closed.

Treasury Board has always followed the policy that they will not include an item in next year's Estimates, that is, in the printed next year's Estimates, that may be in the process of being decided by the Government—even where the

handwriting is on the wall, where anybody with the ability to foresee probabilities knows perfectly well that the decision is likely to be that the Government will go ahead with the program that is being proposed. Even under these circumstances Treasury Board as a matter of principle will not include in the main Estimates for the year ahead anything where a firm and final decision has not been taken by the Government prior to the date that those Estimates must be closed. There are a great many items that the departments bring to the Treasury Board and say, "we would like to include this in the main Estimates," even though the final policy decisions may not yet have been taken by Cabinet. The Treasury Board takes the position that if an item has not been given final approval by Cabinet it cannot be included in the Estimates presented to Parliament.

Senator CRERAR: May I make an observation there. The fault in that case lies with the Cabinet. The Cabinet should know before the end of the year what its new proposals may be. Conditions have not changed so much that they are not able to do that. After all, Mr. Chairman, human nature has not changed so much since Moses enacted the laws on Mount Sinai a few thousand years ago.

A good illustration is Canadian National Railways. That is not included in the main Estimates, but the Canadian National should be required to make an estimate of what it is expected its deficit will be.

Dr. DAVIDSON: I was coming to that, Mr. Chairman. I was going to go on to say that there is another kind of item which appears traditionally in the supplementary Estimates. Those are items which it cannot be said are unforeseeable, because the Canadian National Railways deficit is foreseeable. Nor could anyone say that the amounts required at the year end for reimbursement of expenditures made under Agricultural Support Board programs are not foreseeable, because in fact history has shown that we can expect annually to reimburse, for example, the C.N.R., the C.M.H.C. and Government departments, for certain programs they carry out.

The answer here I think is that governments are reluctant to anticipate a C.N.R. deficit each year, the exact amount of which they cannot predict with accuracy. They are always hoping that a year will come, let us say, in which there will be no requirement of a supplementary amount. We have our choice here. It seems to me that we can do one of two things. We can either calculate an amount which we put in the main Estimates and say we expect that the Agricultural Prices Support Board, for example, will require at a minimum $35 million before the year is out and therefore we will put this in the main estimates and do the same with the C.N.R. deficit, and this will reduce, Senator Crerar, the numbers of dollars that one has to come back and ask Parliament for in the supplementary Estimates. But it certainly will not reduce the requirement to come back to Parliament at the end of the year for the precise amount of dollars that in fact the C.N.R. requires to balance its books for their fiscal year just closed. We will never be able to guess with complete accuracy the exact amount that will be required.

For my part, I think it would make reasonably good sense to put the main requirement of the Agricultural Prices Support Board, as we anticipate it to be, in the main Estimates, and then come along at the end of the year, when we know the precise amount, and ask for three or four million dollars, whatever the exact amount of money may be, that the Agricultural Prices Support Board may still require, in addition to what was in the main Estimates.

My point is that this is not going to do away with supplementary Estimates; it is only going to shift a larger number of dollars into the main Estimates, and reserve for the supplementary Estimates what you might call the residual amounts involved in these items.

The Minister of Finance in his budget statement each year, does make an expenditure forecast. He presents to the house, at the time of presenting his budget, a forecast of what he thinks it is likely that the Government will in fact spend in the course of the fiscal year ahead. It may be of interest to you to know that in Mr. Sharp's budget speech on March 29 he forecast an expenditure, including all supplementary items that can be foreseen for the year ahead, of $8,450,000,000 for 1966-67.

Senator CRERAR: That is exclusive of Old Age Security?

Dr. DAVIDSON: These figures are all exclusive of Old Age Security. I am talking of budgetary expenditure. Old Age Security is non-budgetary expenditure. Mr. Sharp's figure of $8,450,000,000 is an estimate of the actual expenditures that are likely to be made, including the expenditures which will have to be covered by the supplementary Estimates which have not yet been placed before Parliament. That figure is $500 million, Mr. Chairman, more than the total of the Estimates that we are now considering in this committee.

Senator MOLSON: May I ask what the total of the supplementary Estimates was last year? I have forgotten the figure.

Dr. DAVIDSON: The total last year was almost exactly $600 million, senator Molson. The main Estimates last year were presented at a figure of $7,399.7 million, and we had almost exactly $600 million in the course of the year in supplementary Estimates.

The CHAIRMAN: Dr. Davidson, it seems to me that when the same point arose last year, you made some reference to the percentage figures that the supplementaries bore to the main Estimates. Do you recall whether they have gone up or whether they remain about the same percentage.

Dr. DAVIDSON: My recollection, Mr. Chairman, is that I asserted that the percentage remains reasonably constant through the years. This is borne out by the fact that the table I have in front of me here, for example, shows that in 1963-64 the main Estimates were $6.3 billion and the final total of mains and supplementaires was $6,860 billion. In 1964-65, the main Estimates were $6.7 billion and the final total was $7.170 billion. In 1965-66 the main Estimates were $7.399 billion and the final was $7.999 billion.

We have, therefore, a pattern which shows that between 5 per cent and 10 per cent of the Estimates presented originally as main Estimates—an amount equivalent to 5 to 10 per cent of that amount, is usually required to finance the supplementary requirements of the Government through the balance of the year.

Senator ISNOR: This year, the Minister of Finance is estimating 3 per cent less for supplementaries than last year. He estimated 8 per cent last year and 5 per cent this year.

Dr. DAVIDSON: I do not want to complicate life for you, Senator Isnor, but the figure I gave of $8,450,000,000 is the expenditure forecast. This is the Minister of Finance's estimate as to the number of dollars that will actually be spent. I have to add that the total of the supplementary Estimates that Parliament will be asked to vote will of course be larger than that, because each one of these votes may lapse a certain amount, and the total of main and supplementary Estimates is usually in fact $100 million or $150 million higher than the amount of dollars actually spent, because of what is called lapsing, non-expenditure.

Senator ISNOR: You gave us a figure of $8,450,000,000 estimated.

Dr. DAVIDSON: I spoke of the difference between the main Estimates as presented now and the expenditure forecast. Do you see the difference?

Senator ISNOR: Dr. Davidson, do you keep an account of each department's Estimates plus the supplementary Estimates, showing which department is the soundest, perhaps, in its business administration?

Dr. DAVIDSON: We have records that show this, yes. I am not sure that it invariably follows that because a department does not require supplementary Estimates it is necessarily the soundest in its business administration. You may have a department that has a program that it budgets for and that it has found in the course of the year that it is incapable of carrying out; therefore you may have lapses from the original amount requested, which really arises from the inefficiency of the department and its inability to carry out the plans that it has asked to have approved and that it has had approved. Therefore, I would caution a little against the proposition that the departments which ask for supplementary Estimates are necessarily the bad managers and that the departments which live within their Estimates are necessarily the good managers.

Senator ISNOR: Yes. I was thinking about something expressed by Senator Crerar in regard to some of the departments; the officials use the term "padding their accounts" with a view to showing a surplus at the end of the year, instead of bringing forward supplementaries?

Dr. DAVIDSON: I could not seriously contend that that was a characteristic of any one department more than any other, Mr. Chairman. This changes with individuals. It changes with individual ministers, it changes with individual deputies. There are also within each department wide variations between those who really are very scrupulous in their attempts to estimate accurately, and those who are not as careful. It varies also in accordance with the nature of the program. It is no virtue, for example, for me to be able to say that, when I was in the Department of Health and Welfare I could estimate very accurately indeed the amount of money I actually required for family allowances, Old Age Security, Old Age Assistance, Blind Pensions and so on. There was a clear record of experience there, and it is possible by reference to known birth rates, age distribution of population, and so on, to arrive at an extremely high degree of accuracy in making calculations of that kind.

On the other hand, if you are embarking on a brand new program and no one knows what its dimensions or implications are going to be—and you do not always know that when governments decide to embark on the program—then it is next to impossible for the most conscientious person to estimate what the requirement really is.

In many of those programs, too, the rate of expenditure is dependent on forces and agencies outside of the Government of Canada.

I instance the Municipal Development and Loan Fund, where the real pace of the expenditure here is dependent on what the municipalities do. We have consistently overestimated in the case of the Municipal Development Board what our payout would be, because we assumed that projects would be developed by the municipalities and submitted to us, and that the loan amounts would be drawn down and forgiveness obtained on the 25 per cent, at a much faster pace than in fact turned out to be the case.

There are also programs like the one developed last year for assistance to the industries and the groups of employees who were dislocated because of the automotive agreement with the U.S.A. Certain amounts were asked of Parliament to provide assurance that industries which suffered, and groups of

employees who suffered, would be protected. There has been far less in the way of utilization of that, than the Estimates a year ago contemplated. I would have to say that I do not think that the department which made these estimates under these circumstances should be criticized for having made an estimate which was far in excess of what was, in fact, required.

Senator AIRD: I would like to refer to your point, Senator Crerar, and ask the witness why we have got away from the true meaning of the word "estimate" in its original sense. It seems to me that the Minister of Finance is able to forecast his figure and that there is a discrepancy in thinking if we cannot come up with an equivalent estimate under various departments in the overall total. I notice that you said that for your part you would prefer this course. Who decides that we should move away from truly estimating what this country is going to spend in the forthcoming year? I don't really understand why there should be an element of surprise in supplementary Estimates. At the present time the Minister of Finance says this is to be the total expenditure. Well, why not include that in the main Estimates and have the supplementary Estimates come along later in their true nature.

Dr. DAVIDSON: What I said was that so far as I was concerned I would have no objection, in fact I would like to see in the case of the C.N.R. deficit, for example, or the Agricultural Prices Support Board item, an attempt made to provide for most of that item in the main Estimates and pick up the remainder at the tag end of the year when we know what it really amounts to. However, when you say that we have got away from the original concept or the correct concept of the main Estimates, I don't think, with respect, that that is quite a correct statement. What these amounts of money represent are the sums of money that the Government is asking Parliament to appropriate for specific purposes, and each one of them is a package in itself. It is one thing to make such provision, package by package, in 265 or 365 separate items which cannot be interchanged and to ask Parliament to vote money piecemeal for all these different items represented by votes in the book of Estimates. But it is quite another thing for the officials of the Department of Finance to assess, in the light of past experience and history, and the known plusses and minusses and the law of probabilities, what is likely to be the total expenditure before the year is out. This last is a much easier thing to estimate in fact, but the individual votes we are considering now require individual estimates.

If you look at the experience of the last two years you will find that the Minister of Finance (Mr. Gordon), was able to estimate in 1964-65,—at the beginning of the year, April 1964—that the total expenditure of the Government for the year ahead would be $7,155 million. In fact it turned out to be $7,217 million. He was within less than one per cent of the mark, which is pretty good estimating, in my opinion. The same happened this last year. Mr. Gordon at the beginning of the year, in April 1965, forecast an expenditure of $7,650 million, and in the event he came within—we don't know yet what the final figure is, but the estimated expenditure for the whole year as stated in Mr. Sharp's budget speech on March 29 was within $34 million of that. That is again less than one-half of one per cent off the mark. But that kind of a global forecast is much easier than to estimate accurately the amount required for each of these several hundred votes, because in each of these votes it is inevitable that some allowance must be made for the fact that there may be some variation. It is inevitable therefore that the total of the individual votes each one of which has to be estimated separately will be greater than the total amount you will be able to spend in the course of the year.

Now if Parliament were prepared to vote a lump sum of $8,450 million, which is the figure mentioned by the Minister of Finance that is going to be

spent next year, and if that money is to be put in one huge vote so that all requirements of all departments could be taken out of that, then I assure you this would be a very convenient way of operating from the point of view of the departments. We could, in fact, ask for less money than the total of the main and supplementary Estimates will amount to. But Parliament in its wisdom, and I think rightly, says, "No, we must exercise a closer measure of control than that," and refuses to give a blank cheque through a single lump sum vote in the Estimates, they insist rather that they are going to give specific amounts for specific purposes and control the patterns of expenditure in that way.

Senator AIRD: Thank you for the answer. I appreciated it. I did not mean to suggest that there should be a blank cheque. My point is I think you could probably get closer to the expenditure you really think is going to occur.

Dr. DAVIDSON: Yes, but remember this—at the risk of entering into an argument with Senator Aird I would like to ask you to remember this—the Minister of Finance did not say what was in that $8,450 million estimate of his. The Minister of Finance in making that calculation included certain items of expenditure which he anticipates will occur and on which he and his colleagues will be deciding in the course of the year ahead, but on which Government policy was not at the stage where it could be announced specifically. In the months of November and December when the Estimates go to print we are asked to commit ourselves in detail as to what the Government policy is on each of these items, where we know what the amounts will be—with the exception of the CNR deficit and a few others which I have already commented on. But there are many items where Government policy at that time is not known and where the Government makes a decision which can only be included in the supplementary Estimates sometime through the year, or alternatively postponed for an entire year.

Senator ISNOR: What would be wrong with the minister announcing that where, for example, the total is expected to be $8,500 million, the total expenditures would be in the region of $8,900 million—what would be wrong with that?

Dr. DAVIDSON: Can I mention the correct figures first? The main Estimates are $7,950 million. Add $500 million to that and the Minister of Finance's expenditure forecast—$8,450 million. You ask what is wrong with the Minister of Finance announcing that. The answer is that nothing is wrong with it. That is, in fact, exactly what the Minister of Finance did on March 29th in his budget speech. But the minister when making a budget speech is not asking Parliament to appropriate $8,450 million. He is merely giving the Members of Parliament his forecast of what he thinks will be required in dollars so that he can set out opposite to that his forecast of what will be required in revenue tax income, it is on the basis of these two estimates that he presents his budget. It would be wholly unrealistic for the Minister of Finance to get up in his place and present a Budget speech in which, while knowing that inevitably in the course of the year $500 million is going to be required in addition to the main Estimates, he were to accept the figure in the main Estimates for the purpose of establishing the full year's balance between revenues and expenditures.

Certainly I think it is correct to state that so far as it is possible to anticipate the firm requirements of the Government of Canada for the year ahead in the month of November of the preceding year—so far as it is possible to anticipate do so, they should, as a matter of principle, appear in the main Estimates. On the basis of this logic, one should, I agree, include a figure in the main Estimates to provide for what is a conservative estimate of, for example, the CNR deficit or a conservative estimate of the deficit of the Agricultural

Prices Support Board and anything else that is foreseeable. However, it would be wrong, I suggest, for the Government to ask Parliament in the Main Estimates to appropriate money for things that it had not yet made up its mind about, or to put Parliament in a position where it was being asked to authorize $20 million to be spent on a "maybe" program where the Government could come and say, "We have not decided whether we will do this or not, but we want you to vote this money in case in the course of the year we come to a conclusion on it." I think all members of the committee agree this would be an incorrect course of action.

Senator CRERAR: On that point, Dr. Davidson, would not it be a good idea to say to a department, "Well, you have not made up your mind whether you want this expenditure or not. We will put it over until next year."?

Dr. DAVIDSON: Well, sir, this depends on your view of how Government operates. If Government is thought of as a "start and stop" exercise, and that there is only one time in the year when the Government makes up its mind on anything, and if it is not done then it has to wait for a year from now, I can assure you that from the point of view of Treasury Board this would be a wonderful arrangement; but Government is a much more dynamic process than that, I suggest. Out of every cabinet meeting come policy decisions, and in the course of the year those policy decisions either have to be implemented or put on the shelf. I am not saying this about emergency situations only, which have clearly to be provided for by supplementaries, it applies equally in my view to basic policy decisions where legislation may be planned but one does not know what the timetable on legislation will be. These are requirements which, I suggest, it is not possible or proper to anticipate and include in the main Estimates because at the time the main Estimates have to be closed the basic decision has not been made. It would be equally wrong, I suggest, to take the arbitrary position that because Government has not decided on a program up until, let us say, the 30th day of November, no new policy requiring the expenditure of money can be considered until a year later.

Senator CRERAR: I will give you an illustration. For instance, we have had the danger of flooding in the Red River Valley in Winnipeg. There was a large expenditure incurred building dykes and removing them, and various other expenses. The first thing Mr. Roblin does is to come to Ottawa and say, "Now, what part of this expense are you prepared to carry?" I think they have given us some understanding the federal Government would pay 75 per cent. I think that is a proposal that should have waited until the accurate estimates were finally secured. But everyone gets this comfortable idea that Ottawa is a very rich place, and, of course, I am bound to say—

Dr. DAVIDSON: It is!

Senator CRERAR: —developments rather encourage that expectation. All I am trying to point out, Mr. Chairman, is that this appear to me to be a pretty sloppy way of spending the taxpayers' money.

One other observation. We are under the influence a good deal today in public finance of what are known as the Keynesian theories of public finance. One of the theories of John Maynard Keynes was this: in good times budget for surpluses, when your economy is buoyant, build up surpluses; when times swing back, then we are prepared to incur deficits, if necessary, in order to keep your economy going. We have reached this ridiculous application of these theories that we have never had a period in our history when the economy was so buoyant as it has been in the last three of four years and every year we are running a deficit.

I raise this question not for you, Dr. Davidson, because I am not asking you to pass an opinion on this, but I am raising it for the consideration of the Chairman of the committee. If this goes on, what happens? We run into a depression, and we then have to budget for real deficits, and where in the end is this going to land us? These are matters I think, Mr. Chairman, if I can modestly suggest it, should receive the consideration of the committee.

The CHAIRMAN: This is not a question for Dr. Davidson, but this is the kind of question I had in mind we might discuss with Dr. Deutsch when we have him appear before the committee.

Senator CRERAR: One other question I was going to ask you. We appropriated last year in all categories of expenditure something over $9 billion —supplementaries and Main Estimates, including Old Age Security. This idea that is collected by a different tax is merely a fiction. I have not been paying much attention to this thing, but since I arrived here a few days ago I have been looking into it. What is the total amount required this year for Old Age Security? The previous year's is not in that; at least, I could not find it. There are many others, but the Old Age Security is not included in this.

Dr. DAVIDSON: On the table, the general summary table shown at the front of the Blue Book of Estimates, Mr. Chairman, on page 5, there is a total shown of $1,035,000,000 for Old Age Security.

Senator CRERAR: May I offer this suggestion, Dr. Davidson? Would it not have been useful for members if that item of $1,035,000,000—that is the figure?

Dr. DAVIDSON: Yes.

Senator CRERAR: —had been a notation on the bottom of the summary of expenditures of that amount?

Dr. DAVIDSON: That is exactly where it is.

Senator CRERAR: Yes, but this sheet is a very useful sheet; this summary on the back of the Estimate books is a very useful summary, but I notice this year that the amount required for Old Age Security is not included—at least, I could not find it on the summary.

Dr. DAVIDSON: No, I do not think it is on that sheet; and, with respect, sir, I would have to say that this table at the back is there for a very specific purpose, and I think it would get us into some difficulty if we began to load on to this table a lot of things which, in my judgment, at least, with respect, do not belong there.

The purpose of this table is to take the amount of money that Parliament is being asked to vote in the Main Estimates under different headings and to break it down by the standard objects of expenditure which apply to each of the items to be voted.

It would certainly distort the purposes for which this table was prepared if we were to begin to introduce into this table non-budgetary items, in the first place; and, secondly, items which cannot be broken down on the basis of standard objects of expenditure because those do not apply to such items as Old Age Security expenditures.

This is why, frankly, it does not seem to me it makes too much difference where the information is presented. There is at the front of the Blue Book of Estimates every year—and this has been going on, I believe, ever since 1952, when Old Age Security was first introduced—a general summary table which summarizes, department by department, the amount to be voted each year, the

amount authorized by statute, the total for 1966-67 compared to the total for 1965-66, the increase or the decrease for each department. At the bottom of the table we invariably show the estimated expenditure from the Old Age Security Fund which is not included above, because it is not a budgetary item and it is not required to be voted by Parliament.

Senator CRERAR: I get your point. What page is that?

Dr. DAVIDSON: It is on pages 4 and 5.

Senator CRERAR: Why not put this on this summary of expenditures? I do not agree with your argument. The whole purpose of that was to enable Members of Parliament to have in capsule form the whole expenditures.

Dr. DAVIDSON: The budgetary expenditures.

Senator CRERAR: Were those not included last year?

Dr. DAVIDSON: No, sir.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, may I say something at this point? Is not Senator Crerar's criticism really directed to the fact that in the Estimates of the Department of National Health and Welfare there is a number of statutory items such as family allowance and old age security payments. I think that that perhaps is what the senator is looking for.

Dr. DAVIDSON: Mr. Chairman, I have to say that this arises from a decision of Parliament, which is not for me to question. Parliament decided, for example, that family and youth allowance payments would be a charge on the consolidated revenue fund, but Parliament also decided that the old age security program would be financed through a special set of taxes and out of a special fund, and that it was to be handled as a non-budgetary item of expenditure. If Parliament had decided that it should be budgeted for on a statutory basis we would certainly include it as a statutory item in the Estimates, and we would be showing it on this table. But, this is something quite different. If we were to include the old age security payments in this table we would have to include all other non-budgetary expenditures. While this might be a good thing, if you could get a sheet big enough on which to do it, it would distort the purpose for which this table was originally created, namely, to show a breakdown of the estimates which Parliament is being asked to vote, by standard objects of expenditure. The notation under the heading on this summary sheet at the back of the Blue Book is:

> This is a broad classification by classes of expenditure which are grouped into what have been adopted as Standard Objects of Expenditure and Special Categories. The Standard Objects include types of expenditure which are in many instances shown in the details of the Estimates under more informative titles.

This is a supplement to the information that is included in the Estimates themselves, and I think for us to begin to introduce into this summary items which are not part of the main Estimates would certainly change its nature and purpose.

The CHAIRMAN: I might say, Senator Crerar, that in our report we do pick up such things as the old age pension payments, and give a total of the overall expenditures which include such payments as well as the Estimates themselves.

Senator CRERAR: The total amount exclusive of old age security payments you said would be $8 billion-odd?

Dr. DAVIDSON: $7.950 billion in the main Estimates, plus some amount still to be determined for the supplementary Estimates.

Senator CRERAR: Then, to get a picture of the total amount of spending you have to add in the old age security payments?

Dr. DAVIDSON: And the unemployment insurance payments and other non-budgetary payments—you could go on and on. You are concerned with one item, Senator Crerar. I think my point is that I see no more and no less justification for including on the summary sheet that particular item than I do for including the unemployment insurance payments.

Senator CRERAR: Are there any other items excluded from the budgetary expenditures than the old age pension payments?

Dr. DAVIDSON: Yes, there are other non-budgetary expenditures.

Senator CRERAR: Answer me another question. Last year we voted X dollars—I have forgotten what the figure was—in the main Estimates exclusive of the old age security payments, which are climbing up every year. Was that amount underspent? Did the departments spend all the money that was voted for them?

Dr. DAVIDSON: Oh, no.

Senator CRERAR: How much was saved?

Dr. DAVIDSON: I would have to get that figure for you, but there is always under-expenditure in certain individual votes.

Senator CRERAR: I know that in my day I frequently found in the department I was responsible for that when we came close to the end of the fiscal year and there were some appropriations left they tried to find ways of spending the money so that it would not affect their estimates for the following year. You have run across that too?

Dr. DAVIDSON: Senator, all the devices you invented while you were a minister are still being practised.

Senator KINLEY: Mr. Chairman, may I ask a question? What is the function of the Treasury Board in regard to the estimates? Does the Treasury Board have any authority over the estimates?

Dr. DAVIDSON: The Treasury Board is the committee of cabinet that reviews the requests of the different departments.

Senator KINLEY: The estimates or the expenditures?

Dr. DAVIDSON: The estimates.

Senator KINLEY: Have you any authority over them?

Dr. DAVIDSON: Over the estimates?

Senator KINLEY: Yes.

Dr. DAVIDSON: Yes.

Senator KINLEY: You cannot stop an estimate, can you?

Dr. DAVIDSON: Yes, the Treasury Board can refuse—

Senator KINLEY: What about expenditures?

Dr. DAVIDSON: The Treasury Board can refuse to include in the printed estimates an item, or part of an item, that a department says it would like to have.

Senator KINLEY: That is good. I am pleased to hear that.

Dr. DAVIDSON: And we do it. We do it regularly.

Senator KINLEY: And have you the last word?

Dr. DAVIDSON: Yes, unless the minister chooses to take the decision of the board to cabinet, and cabinet overrules the board.

Senator KINLEY: The cabinet can overrule the Treasury Board?

Dr. DAVIDSON: Yes, under the Financial Administration Act every decision of the Treasury Board is subject to cabinet reversal.

Senator KINLEY: And your main function is to prevent expenditures that you do not think are justified?

Dr. DAVIDSON: That is correct. May I make it clear, Senator Kinley, that when I talk of the Treasury Board I am not talking of myself and other civil servants. I am talking about the ministers who form the committee of the Queen's Privy Council which is given this responsibility.

Senator KINLEY: Then, you said there was competition between ministers in respect of estimates in cases where there is to be some reduction. Therefore, your committee is a committee that can help correct that situation?

Dr. DAVIDSON: Yes.

Senator KINLEY: The Treasury Board is a safeguard.

Dr. DAVIDSON: Yes, we hope it is.

The CHAIRMAN: Honourable senators, it is apparent that we shall have to adjourn at this time, and it is also apparent that we shall have to call upon Dr. Davidson's kindness again, and ask him to come back to us on some future occasion, because there are other aspects of the Estimates in general in respect to which he would be the proper witness. I know he is not going to be available for a little while, at any rate, so for the time being we shall adjourn, thanking him for what he has told us today.

I suggest that our next meeting be held next Thursday morning, depending upon who is available to deal with the matters before us. Notice of the meeting will be sent, of course, to all members. If there is nothing further to be said on this occasion, the meeting is adjourned.

The committee adjourned.

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THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

The Honourable T. D'Arcy Leonard, *Chairman*
The Honourable H. de M. Molson, *Deputy Chairman*

No. 7

Second Proceedings on the Estimates,
laid before Parliament for the fiscal year ending 31st March, 1967.

Complete Proceedings on Bill C-149,
intituled: "An Act to provide for the establishment of a Science Council of Canada".

First Proceedings on Bill C-150,
intituled: "An Act to amend the Research Council Act".

THURSDAY, MAY 12th, 1966

WITNESSES:

National Research Council: Dr. B. G. Ballard, President; F. R. Charles, General Counsel; *Privy Council Office:* F. A. Milligan, Assistant Secretary to the Cabinet; Dr. F. A. Forward, Director, Science Secretariat.

REPORT OF THE COMMITTEE
on Bill C-149

APPENDIX:

"A" Letter from the Secretary of the Treasury Board.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

23896—1

THE STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Burchill
Choquette
Connolly (*Halifax North*)
Crerar
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
MacKenzie
McCutcheon
McKeen
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Taylor
Thorvaldson
Vaillancourt
Vien
Welch
Yuzyk (50)

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

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 24, 1966:

"The Honourable Senator Leonard moved, seconded by the Honourable Senator Farris:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, in advance of the Bills based on the said Estimates reaching the Senate; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative."

Extract from the Minutes of the Proceedings of the Senate, Thursday, May 5, 1966:

"Pursuant to the Order of the day, the Senate resumed the debate on the motion of the Honourable Senator Hugessen, seconded by the Honourable Senator Leonard, for the second reading of the Bill C-149, intituled: "An Act to provide for the establishment of a Science Council of Canada".

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

The Bill was then read the second time.

The Honourable Senator Hugessen moved, seconded by the Honourable Senator Leonard, that the Bill be referred to the Standing Committee on Finance.

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

Extract from the Minutes of the Proceedings of the Senate, Monday, May 9, 1966:

"Pursuant to the Order of the Day, the Honourable Senator Hugessen moved, seconded by the Honourable Senator Roebuck, that the Bill C-150, intituled: "An Act to amend the Research Council Act", be read the second time.

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

The Bill was then read the second time.

The Honourable Senator Hugessen moved, seconded by the Honourable Senator Roebuck, that the Bill be referred to the Standing Committee on Finance.

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

J. F. MacNEILL,
Clerk of the Senate.

23896—1½

MINUTES OF PROCEEDINGS

THURSDAY, May 12, 1966.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.00 a.m.

Present: The Honourable Senators Leonard (*Chairman*), Aird, Aseltine, Beaubien (*Bedford*), Crerar, Deschatelets, Flynn, Gershaw, Grosart, Haig, Hnatyshyn, Isnor, Kinley, McKeen, Methot, O'Leary (*Antigonish-Guysborough*), Pouliot, Smith (*Queens-Shelburne*), Taylor, Thorvaldson and Yuzyk. (21)

In attendance: R. J. Batt, Assistant Law Clerk and Parliamentary Counsel and Chief, Senate Committees Branch.

The Estimates laid before Parliament for the fiscal year ending March 31, 1967, were further examined with particular reference to Bills C-149 and C-150.

Bill C-150, "An Act to amend the Research Council Act", was read and examined, clause by clause.

The following witnesses were heard:

NATIONAL RESEARCH COUNCIL:

Dr. B. G. Ballard, President.
F. R. Charles, General Counsel.

PRIVY COUNCIL OFFICE:

F. A. Milligan, Assistant Secretary to the cabinet.

After discussion, all clauses of the said Bill were *Carried* with the exception of clauses 3, 4, 9, 10 and 11.

It was Agreed that the proceedings on Bill C-150 be printed.

Bill C-149, "An Act to provide for the establishment of a Science Council of Canada", was read and examined.

The following witnesses were heard:

PRIVY COUNCIL OFFICE:

Dr. F. A. Forward, Director, Science Secretariat.

NATIONAL RESEARCH COUNCIL:

Dr. B. G. Ballard, President.

It was Agreed that the proceedings on Bill C-149 be printed.

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

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

Attest.

Frank A. Jackson,
Clerk of the Committee.

REPORT OF THE COMMITTEE

THURSDAY, 12th May, 1966.

The Standing Committee on Finance to which was referred the Bill C-149, intituled: "An Act to provide for the establishment of a Science Council of Canada", has in obedience to the order of reference of 5th May, 1966, examined the said Bill and now reports the same without any amendment.

All which is respectfully submitted.

T. D'ARCY LEONARD,
Chairman.

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Thursday, May 12, 1966.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, and to which was referred Bill C-149, to provide for the establishment of a Science Council of Canada, and Bill C-150, to amend the Research Council Act, met this day at 10 a.m. to give consideration to this legislation.

Senator T. D'Arcy Leonard in the Chair.

The CHAIRMAN: Honourable senators, I call the meeting to order. There are a few preliminary remarks I should like to make. You may recall that when Dr. Davidson was before us last week he was asked by Senator Crerar about a statement with respect to the Old Age Security payments appearing on the sheet that goes into the back of the Estimates. In reply to Senator Crerar's question, Dr. Davidson said that this table had not at any time since the inauguration of the Old Age Security program in 1952 contained a footnoted reference to the Old Age Security payments.

Upon returning to his office Dr. Davidson found that this was not correct, and he wrote me a letter stating that it had been footnoted up until 1962-63, when it was decided to remove that reference from the footnotes to the table, but the general summary book at page 5 still continues to carry the reference.

Dr. Davidson has written a letter to that effect. He has sent a copy to Senator Crerar. Perhaps, with this explanation, we might agree to have this letter added as an appendix to today's proceedings so that the record will be clear on the point. Is that agreeable?

Hon. SENATORS: Agreed.

(For text of letter see Appendix "A").

The CHAIRMAN: We have before us today two bills. One is Bill C-150, to amend the Research Council Act, and the other is Bill C-149, to establish the Science Council of Canada.

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

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

The CHAIRMAN: We still have before us for consideration the Estimates for 1966-67. Therefore, in addition to the consideration of the bills themselves, this is an appropriate occasion for us, in our capacity of dealing with the Estimates, to ask our witnesses with respect to their operations in so far as they reflect items in the Estimates for the coming year.

The procedure I suggest is that we consider Bill C-150 first. This is the bill amending the Research Council Act. As our witnesses in respect of that bill we have Dr. B. G. Ballard, President of the National Research Council; Mr. F. R. Charles, general counsel of the National Research Council, and Mr. Frank Milligan of the Privy Council office. I suggest we might have a general

statement from them on the bill, and then the questions of senators can relate to either the bill or the operations of the National Research Council. I understand amendments emanating from the Government and from the Council itself are to be proposed to the bill. We will discuss those amendments, and then consider the bill clause by clause.

We can then proceed to consider Bill C-149, with respect to which Dr. F. A. Forward is here. He is Director of the Science Secretariat of the Privy Council. In the case of that bill we will deal with it, first of all, by hearing a statement as to its intention from Dr. Forward, who will then answer any questions dealing with the bill or the Estimates. Is that satisfactory?

Senator GROSART: That is satisfactory.

The CHAIRMAN: This is going to make for a fairly full agenda, and I would suggest that we let the witnesses finish their statements before any questions are asked. When senators decide they wish to ask a question perhaps they would signal to me, and I will keep a list. I ask for the co-operation of all senators so that the questioning will not be unduly prolonged on one point. I ask this in fairness to other senators. Perhaps members of the committee will not mind if I interrupt when I consider another senator is entitled to go ahead with some other question. Everybody must be given a chance. Dr. Ballard, will you commence?

Dr. B. G. Ballard, President, National Research Council of Canada: Mr. Chairman and honourable senators, the major purpose of the bill is to take care of the fact that the Science Council will now be dealing mainly with matters of policy, which was a responsibility of the National Research Council. This is the major purpose of the bill. Having made that change, or hoping to make that change, we then take advantage of the opportunity to readjust a number of items which we think are appropriate. I might say that I am at a disadvantage this morning because I did not learn until late last night that there were to be any modifications to the bill, and I have not yet had an opportunity of discussing these with the chairman of the Privy Council Committee on Scientific and Industrial Research, so I do not know what his views are. I take it, Mr. Chairman, that you would like me to review briefly what we have endeavoured to do?

The CHAIRMAN: Yes.

Dr. BALLARD: Very broadly, the initial purpose of the National Research Council was to promote science in Canada, and I think you are all aware of the circumstances under which it was formed. During World War I Great Britain in particular felt that the enemy countries were further advanced in science than the allies, and she asked the Commonwealth countries to consider providing a science service. Canada undertook this immediately, and, as you know, we are this year celebrating our fiftieth anniversary.

The initial undertaking was to set up a system of scholarships and grants to encourage young Canadians to embark on a career in science. In addition to that the then Council set up a number of associate committees to study problems which they felt were foremost in Canada at the time, and in which science would be involved. That associate committee structure has continued to this day. We have some 40 associate committees studying various problems with which Canada is confronted. But, for the first several years, aside from that activity, our main undertaking was to promote science in universities through grants-in-aid to research, and through scholarships to bright young Canadian students.

In the late twenties we embarked on the laboratory system, and this emerged almost at about the same time as the depression of the thirties, so we were restrained, may I say, for the first few years. But, by the time World War II broke out we had a well-established laboratory system, and we were then charged with the responsibility of providing science service to the armed services. We did then what the Defence Research Board does now for the armed services.

We, of course, were preoccupied with defence and war problems throughout the war years. In the meantime we had undertaken research in the atomic energy field, but by the end of the war we ourselves felt that these undertakings had become too broad, and we suggested that the defence research aspect should be split from NRC and taken over by another body. As a result of that the Defence Research Board came into being. Still later we felt that atomic energy was becoming a very major undertaking, and that it would operate somehat better if it were a separate organization. As a consequence, Atomic Energy of Canada Limited came into being.

Since that time we have continued with the initial objectives. Our support of university science has grown very rapidly; not as rapidly as some of the universities would like to have it grow, but nevertheless, I think, we can take some satisfaction from the way this has developed in Canadian universities.

In the meantime we have enlarged our laboratories. I might say that university science is growing much more rapidly than that in our own laboratories, and this is quite proper. But, I have endeavoured to present in the document distributed a few of the highlights of the work that thas been undertaken by our laboratories.

Perhaps I might mention one other aspect of our work which is not always generally known, and that is that we have a subsidiary, Canadian Patents and Development Limited, which undertakes to promote and patent ideas which emerge not only from our laboratories, but from those of other Government departments and agencies, and also from the universities if they care to take advantage of the facilities we offer.

I think that is a very general resume, Mr. Chairman.

The CHAIRMAN: Perhaps you would go through this document, Dr. Ballard, which is entitled 'Resume of Work at NRC 1916-66". You do not need to read every word, unless you wish to do so.

Senator MACKENZIE: Mr. Chairman, could we take this as read. We all have a copy of it before us.

The CHAIRMAN: Has everybody had an opportunity of reading the memorandum, so that it can be taken as read?

Senator SMITH (*Queens-Shelburne*): I suggest that this document becomes part of our record. This should be published.

The CHAIRMAN: It can be inserted into the record at this point as being Dr. Ballard's statment to the committee. Is that agreeable?

Senator HNATYSHYN: Yes, that is a good idea.

Dr. BALLARD: It is as follows:

NRC began in 1916, by establishing scholarships for graduate students and grants in aid of research for professors, to ensure a flow of scientifically-trained people to deal with Canada's emerging technical and industrial problems. At the same time, NRC began a system of associate committees to deal with national problems as they arose, to make the best use of available knowledge.

Laboratory work began in 1925, to assist, for instance, the magnesite industry, which as a result became an exporter of new products; and to assist with such problems as the Trail Smelter Smoke investigations.

In 1932, Dr. L. M. Pidgeon, then a chemist at NRC, developed a process for extracting magnesium metal from calcined dolomite, and ended Canada's dependence on foreign sources of magnesium.

In World War II, NRC mobilized all of the scientific and technological agencies in Canada into the scientific arm of the country, out of which came design and development studies on radar and atomic energy, and scientific backing as military and economic advisers to the three services in, for instance, aviation medicine. The NRC assisted in setting up Research Enterprises Limited for rapid production of gun-sights, opticals, and about $300 million worth of radar sets designed at NRC.

In 1947, research in support of Canada's military forces was transferred from NRC to the newly organized Defence Research Board. The largest wartime undertaking was the Atomic Energy Project but, by 1952, its size and commercial importance justified the establishment of a separate Crown Corporation, Atomic Energy of Canada Limited.

Since 1948, NRC has evolved a program of post-doctorate fellowships that attracts young scientists from around the world, thus maintaining a pool of exceptionally able young people in Canada.

The Council has built up an extensive system of wind tunnels to serve the Canadian aircraft industry. In the past 20 years, the capital cost of the low-speed tunnels, in constant dollars, amounts to 1% of the total value of the aircraft sales, exported from Canada, which were designed on the basis of information provided by these tunnels.

The NRC provides a technical information srvice for Canadian industry which answers about 17,000 enquiries a year.

Through the NRC's Industrial Assistance Program, an overall industrial research effort has been initiated, amounting to $50 million shared between government and industrial funding, which has created about 800 industrial research positions. Some very promising developments have emerged from this program.

Developments of Industrial Interest at NRC Over the Past Few Years

1. Developed equipment to cool the brain and permit brain surgery by this method to be extended from some 10 minutes to an hour.

2. Developed a crash position indicator for the location of lost aircraft. Now being installed on aircraft in Canada and the United States. It is also being tested for use on supersonic aircraft. Exports from Canada now amount to $3 million annually.

3. Developed various types of pacers to stimulate damaged hearts. Work is now in progress on a pacer that will not require batteries but will be operated by electricity produced by the human body.

4. Built a unique colorimeter to answer many basic questions of industrial color-control problems.

5. Developed a method to extend the storage life of fresh vegetables without appreciable loss of quality or wight. The NRC method for immersion freezing of poultry has been adopted in Canada and is rapidly spreading throughout the world.

6. Built an electronic clock which can establish time and frequency to within an accuracy of three parts in one hundred billion.

7. Designed a breakwater complex to make Dingwall Harbour, Nova Scotia, useable by fishing boats. The harbor, which had become clogged with sand and was closed in 1957, is now in full use.

8. Developed several new electrocardiographs, including one to detect the heartbeat of unborn children; and a vascular suturing instrument that greatly assists organ transplants and has saved a number of people in Ottawa.

9. Developed a lobster-splitting machine for this industry.

10. The NRC has developed a whole series of very precise measuring instruments for measuring various forms of energy, such as the Dauphinee potentiometer.

11. Developed the special type of breakwater built at Baie Comeau, Que. This design dissipates wave energy by a seaward vertical wall that is perforated with large-diameter holes, and backed by a wave chamber. The chamber reduces the wave action, thus providing a quiet harbor.

12. Developed a series of special instruments for blind persons, and maintains facilities for studying a wide range of electronic aids to navigation.

13. Developed a rain repellent for use on aircraft windshields. This prevents a pilot's vision from being distorted by rain on the windshield.

14. Conducts a large number of model studies of harbors and rivers, including the St. Lawrence, on which the Port of Montreal completely depends, and on the Welland Canal, which will cost about $1 billion to replace.

15. Produces the National Building Code, now being used by the majority of Canadian municipalities.

16. NRC helped to develop rapeseed as a cash crop, now more than $50 Million annually.

17. The Helava Plotter—a revolutionary instrument which ushered in a new era in map-making, surveying, and satellite photography—substitutes mathematical projection for the mechanical projection on which all other plotters rely.

18. The physical standards used by NRC are among the best in the world.

19. Assistance to the building industry, including fire research.

20. Assistance to the paper industry. NRC ear defenders developed for this industry can also be seen in airports around the world, wherever jet aircraft are used.

21. Design of ships—from fishing boats to war vessels—is studied continually with NRC's facilities for testing ship models.

22. Canadian Patents and Development Ltd. is a wholly-owned subsidiary of NRC. This company not only patents and licences the inventions made at NRC but also those of several universities and several government departments.

23. Eight journals of research are published by NRC.

24. Helped develop the seaweed industry on the east coast.

25. The National Science Library, built up by NRC, is one of the best in the world.

26. NRC set up the National Science Film Library.

27. The Medical Research Council of Canada is an outgrowth of NRC.

28. The STEM antennae invented at NRC are now installed on many U.S. satellites.

29. A number of useful ideas have come from totally unrelated studies, for instance, the inclined settling device and the agglomeration process may well become important in treatment of waste waters, in water pollution, and in treatment of ores.

30. Work is now going forward on the elimination of damage to railway shipments, involving an annual loss of $9 Million in Canada and about $150 Million on the continent. About $1 Billion worth of rolling stock will be affected.

Work on diesel and gas turbine locomotives will affect an additional $1 Billion worth of rolling stock.

31. Work is now going forward on Vertical Take-Off Aircraft, involving about $800 Million of production.

32. The NRC is deeply involved in the copper refining process and in high quality electric furnace steel.

The CHAIRMAN: I take it that you are ready for the questions the members of the committee wish to direct to you, Dr. Ballard. I shall put one myself to start the ball rolling. A number of senators have been interested in the operation known as HARP, with which no doubt you are familiar. That is the operation by McGill University in conjunction with the United States in respect of a large gun. I would like to know whether this comes within the sphere of the National Research Council, and whether you have any comment to make on the operation which, I understand, comes from a Government decision.

Dr. BALLARD: Our connection with this, I should say, is largely indirect. The HARP program was undertaken a few years ago by McGill, and we were not involved in the initial undertaking. The university had not approached us, but later they did ask for a relatively large sum of money. The precise year escapes me, but it was shortly before our March meeting of Council at which we allocate the funds available to us for support to the universities. It came well after the deadline we set, and, in point of fact, it was not possible to do anything about it at that time. I believe they obtained money from other sources, and since that time we have had no real connection with it, except that we have followed the work rather carefully.

Recently a question arose as to the continuation of support from the Government—not from the National Research Council. We were called in to express our views on the subject.

We are quite satisfied that HARP is an ingenious proposal to place instrumentation into the upper atmosphere. There are other means of doing this, and we in the Research Council are employing other means at the Churchill rocket range. We are content that in the main this is a more satisfactory method for our purposes than the use of guns. If I may, I will state very briefly my reason for saying that.

Guns must accelerate what we call the payload within the length of the gun barrel, which means the acceleration is very high indeed. The instrumentation must be designed to withstand that very high rate of acceleration; whereas on the rockets the acceleration is extended over a much longer period of time and the instrumentation is subjected to much less rigorous punishment.

It has been argued that instrumentation can be developed to withstand such a high acceleration, and there is no doubt that at least some of it can—we are sure of that. Some we are not certain of. Some of the more sophisticated electronic gear does not now withstand high acceleration, and frankly we do not know at the moment how to redesign it so that it will withstand the resulting forces. For that reason the HARP project has one weakness, and it is a relatively important one.

The other problem is that there is some dispute about the economics of it. We have always felt that it was more economical to put our payloads into the upper atmosphere by rockets rather than by guns. I know that McGill will dispute some of these arguments. But there is some theoretical logic for the economy of the rockets as against shell from a gun. In the case of rockets you accelerate the projectile over a long period of time and a relatively large portion of the acceleration takes place in a rarefied atmosphere where the resistance losses are considerably lower, whereas in the case of a gun it is all done at normal atmospheric pressure on the earth's surface.

On the other hand, McGill has made excellent progress in this matter. So far we have used the McGill facilities for some of our work in the Barbados, but for the sort of work we are interested in over the Canadian area, we are still satisfied that the rocket is the most satisfactory device.

The CHAIRMAN: Thank you, Dr. Ballard. I notice in the Estimates for 1966-67 that the expenses of the Research Council are some $86,068,000, which is an increase of approximately $15 million over a year ago, and it falls under

only about four headings. This includes the Medical Research Council, and I know some of the members are interested in that. Dr. Sullivan may like to ask some questions on the Medical Research Council.

Senator SULLIVAN: I should like to ask Dr. Ballard, an old patient of mine on whom I performed an operation, if he will comment on that first. Is the Medical Research Council affiliated?

Dr. BALLARD: The Medical Research Council was initially a division of the National Research Council. It had the form of a committee which operated the award system, and Medical Research Council finally came into being as a subsidiary of the NRC.

Senator SULLIVAN: It is still a subsidiary, is it not?

Dr. BALLARD: It is still a subsidiary. However, I believe there is legislation in the mill to make it a separate body. The Medical Research Council has no laboratory system of its own.

Senator SULLIVAN: That is what I wanted to bring out, Mr. Chairman.

The CHAIRMAN: Have you any further questions on that, Dr. Sullivan?

Senator SULLIVAN: No.

The CHAIRMAN: Senator Smith?

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I should like to ask Dr. Ballard what proportion of the budget of the National Research Council is for the purpose of supporting the research that is done at the university level? Do you make grants directly to universities for certain purposes of research?

Dr. BALLARD: I am sorry, I am not quite clear on the precise question.

Senator SMITH (*Queens-Shelburne*): Does the National Research Council make grants towards research being done at the university level?

Dr. BALLARD: Yes. The Medical Research Council also does that.

Senator SMITH (*Queens-Shelburne*): Does it form an important part of the budget?

Dr. BALLARD: It is the most important part at the moment, and I should say that over the last few years the support of science in universities has increased very rapidly, for various reasons. The number of universities has grown rather startlingly and very satisfactorily. The number of scientists in universities has grown rapidly, and science itself has increased; and of course science is becoming more and more sophisticated and requires more expensive instrumentation. This is true in medical research and research all across the board.

For this year—I have not the Medical Research Council figures here, but our university support program costs about $33 million or $34 million, and our laboratory operation about $31 million. Those are rough figures.

Senator SMITH (*Queens-Shelburne*): That is a different picture than I thought, and I am very glad to know that.

Dr. BALLARD: I may say we anticipate that the ratio is going to diverge rapidly if we are successful in having our estimates approved, but certainly the university science is growing much more rapidly than the laboratory system, and I think that is proper.

Senator SMITH (*Queens-Shelburne*): Have you other centres in which the work is being carried on, apart from the Ottawa set up and the one I know of in Halifax? Do you have any research board elsewhere?

Dr. BALLARD: Yes, we have a similar unit to the Halifax unit in Saskatoon on the campus of the University of Saskatchewan. Of course, in addition, we have a number of stations located over the country where we can make field studies. Among these is the rocket range at Churchill. We have stations in

northern Canada studying permafrost and studying various aspects of the upper atmosphere at different centres.

Senator SMITH (*Queens-Shelburne*): May I ask what kinds of projects they are working on at the Saskatoon institution?

Dr. BALLARD: Mainly on the commercial application of agricultural products. We have, I believe, a very happy working relationship with the Department of Agriculture. They confine themselves largely to the problem of growing foodstuffs. We concern ourselves more with the processing of farm products and the converting of them into some useful commodity; for example, we have done some work on flaxseed.

Senator SMITH (*Queens-Shelburne*): What connection is there, if any, with the Defence Research Board activities?

Dr. BALLARD: It is really a liaison. I sit on the board of the Defence Research Board, so that I have a very close contact with all work that is going on. We have a working arrangement with the board to allocate our university support money. We endeavour to make certain that no one applies to the wrong institution and is left out in the cold. I am talking about university support at the moment. As you know, the Defence Research Board insists on supporting only that work which has some defence significance.

The views of the university staff members may not coincide with those of the Defence Research Board on what is significant in a defence way, but we maintain a close interchange, shifting applications if necessary to the other body. This is a two-way transfer. However, I think the relationship is very close indeed. We are quite familiar with what is going on in the Defence Research Board, and I am sure they are very familiar with all that is going on in the Research Council.

The CHAIRMAN: Senator MacKenzie has a question to ask.

Senator THORVALDSON: Mr. Chairman, I have a question which is right on this point. Dr. Ballard, in regard to your work with the universities across Canada generally, does the National Research Council own its own facilities and laboratory equipment, buildings, and so on, or do you use university facilities generally?

Dr. BALLARD: Where we have our own institution and our own laboratory on the university campus, then this is all our equipment. It is used interchangeably. I may say that we encourage the universities to use that equipment. Indeed, in Dalhousie, for example, our senior staff members are honorary members of the university staff, so that there is a very close liaison there. But when we make grants to the university staff members—and we only make grants to people, not to institutions; even when we are supporting an institution, we make the grant to the director of the institution—but where we make grants to university staff members, we pay for their equipment and the necessary assistants they require, whether it be graduate students, post-doctoral fellows or even technicians necessary for the work. But the equipment then belongs to the university, not to the research council.

Senator THORVALDSON: Just one question following that, Dr. Ballard. I refer to the Ross Research Laboratory on the campus of the University of Manitoba. Is that owned by NRC, the university, or the federal Department of Agriculture?

Dr. BALLARD: I am afraid I am not familiar about that particular relationship, but in those cases where we have laboratories on the university campus, we own the laboratories.

The CHAIRMAN: Senator MacKenzie?

Senator MACKENZIE: Mr. Chairman, I would first like to pay tribute to the institution that Dr. Ballard is head of, for I think it has contributed more to research, by supporting young scientists in the universities of Canada, than any other single element in Canadian life.

The question I want to ask is a rather mixed one and is directed at both Dr. Ballard and my old friend and colleague Dr. Forward. It may be too soon to answer this question, which has been of interest to me ever since Dr. Forward left the University of British Columbia, but what is the effect of the establishment of the new body on the National Research Council and on research generally and on the support of work in universities and the like.

Will the National Research Council in a sense tend to concentrate its work on technical research in its own laboratories? Will it continue its support of scientists in universities as such, and is the new body really one for bringing together all the research agencies in Canada to achieve better co-operation and greater integration of effort?

Dr. BALLARD: May I answer that?

Senator MACKENZIE: Please.

The CHAIRMAN: I was just thinking myself of the fact that the question really divides into two. One part relates to this bill and one part relates to the other bill, and I was not sure whether the answers to both sides should be given right now, or whether Dr. Ballard should deal only with his aspect of it on this bill and let Dr. Forward deal with the other aspect on the other bill.

Senator MACKENZIE: I would be inclined to leave it to the gentlemen here.

The CHAIRMAN: Fine; we will keep it as orderly as we can.

Dr. BALLARD: I hope what I say will be agreeable to Dr. Forward, but I look upon the Science Council as a body which will endeavour to lay down broad guidelines for science. I do not anticipate—and I think Dr. Forward will agree—that they would at any time suggest to us we support this or that piece of research. I think that decision will still be one for the National Research Council.

But they will be dealing with much broader areas: how much money should the Government be spending in space research and how much should we be spending on, for example, some of the other activities like nuclear research? These are two of the more expensive undertakings at the moment.

I would expect that we would be guided by these recommendations on the part of the Science Council, but I do not anticipate that individual applications will be referred to them. I would say they would certainly not be referred to them, and I still anticipate that we will have a very great deal of freedom in our operation.

Senator MACKENZIE: Do you still expect to be the major source of support for the universities and the personnel in the universities?

Dr. BALLARD: Oh, yes, certainly. The Science Council is not going to be in that field at all. We will still be the major support for science in the universities.

The CHAIRMAN: Dr. Forward, I know you will give a general statement later, and if you would prefer to deal with this in connection with your general statement that would be in order, but if you would like to add anything now feel free to do so.

Dr. FORWARD: Mr. Chairman, I think Dr. Ballard has put it very fairly, but I would like to deal with it later on in my statement.

The CHAIRMAN: Fine. Senator Isnor is next.

Senator ISNOR: Mr. Chairman, I hesitate to get away from this higher level, but I was going to refer Dr. Ballard to his brief on page 4, section 14, and ask him if he would be good enough to deal with the large amount of money

involved, namely $1 billion and to enlarge on just what is taking place with respect to the port of Montreal on the St. Lawrence, and on the Welland Canal.

Dr. BALLARD: We have in our organization a model of the St. Lawrence River—although our work is not confined to the St. Lawrence—and we have made studies there on such problems as the water levels in the Montreal Harbour. This has been a serious matter. We co-operated in developing the design of the St. Lawrence Seaway, because it was important that this be used both as a thoroughfare and as a power development source.

Now, there were two bodies working with models on this, and there were no cross-purposes. Ontario Hydro had a model with which they concerned themselves on the matter of power development, whereas we were more concerned with navigation. We can adjust our model to simulate almost any part of the St. Lawrence River, or, as a matter of fact, any waterway you want to think about. We have already done this in various harbours.

Senator SMITH (*Queens-Shelburne*): Port aux Basques.

Dr. BALLARD: Yes, Port aux Basques. I am not sure if I have answered your question.

Senator ISNOR: To a degree. I was just wondering how far you had advanced in regard to the further development of the St. Lawrence in so far as winter traffic is concerned.

The CHAIRMAN: Perhaps I should tell you, Dr. Ballard, that Senator Isnor is from Halifax.

Dr. BALLARD: Well, in the case of these waterways, we do not initiate many of the studies ourselves. We are really acting as a service there, and the Department of Transport very often poses the problems.

We have not done any significant work on the wintertime use of the St. Lawrence waterway. I think this is the only way I can answer your question.

Senator ISNOR: Thank you very much.

The CHAIRMAN: Senator Deschatelets?

Senator DESCHATELETS: On this point, Mr. Chairman, I understand that the National Research Council is well equipped with all kinds of facilities to have these model studies of harbours and rivers made. What I do not understand is that it has often happened that certain departments, for example, the Department of Public Works, when carrying on certain projects, ask a private consultant firm to make these studies. In other words, some of our Government departments do not ask the council, which is well equipped, and I think it would actually cost much less money for the council to do the work.

Dr. BALLARD: Talking about the Department of Public Works again, I should explain that we have a very close relationship in this respect with both the Department of Public Works and the Department of Transport. We are reluctant to become too deeply involved in an operation which is competing with private enterprise, so to speak. Lasalle Laboratories, for example, has an extensive system.

Senator DESCHATELETS: This is what I had in mind.

Dr. BALLARD: And we have encouraged Public Works to make more use of those laboratories. If we do not, we have got to expand our facilities to take care of the increasing demands for this sort of study, and besides, while it has a very high research content, nevertheless it is more of a service than a research operation.

Senator DESCHATELETS: But you understand, by the same token, that the studies you are making might be very useful. I think we are duplicating these studies in many cases. I think you have on hand all the studies you have made

on the St. Lawrence, for example. You must have all the data. Do you not think that we can save a lot of money, in some cases, in not referring specific studies to private concerns such as Lasalle Laboratory, for example?

Dr. BALLARD: We certainly are not suggesting any shifting that is going to cost more money. When we build a model of a system, it is an expensive one. It is usually made of concrete and it has to be contoured very precisely. If we are going to embark on a study of a new area, that expense has to be repeated entirely. If I understand your question correctly, we are certainly not shifting work uneconomically. We are not asking anyone to do something that we have already done. Indeed we will make freely available to any organization the data that we have collected and the information we have compiled.

Senator GROSART: Can you tell us how Canada's total expenditure on research at Government level compares with that of other countries, in gross national product or other terms?

Dr. BALLARD: I am sorry, it is certainly low compared with the other advanced countries—Great Britain and particularly the United States. It is substantially lower than that of the United States.

Senator GROSART: On a percentage basis?

Dr. BALLARD: On a percentage of the GNP.

Senator GROSART: Are there any areas in which we are comparatively well up and any areas in which we are noticeably lagging behind?

Dr. BALLARD: This is a difficult question to answer, because it depends largely on the development of our industry. Of course, one has to decide whether the egg comes before the chicken or not. So much of our industry is subsidiary, and it does not rely on Canadian research. There are other areas in which we are quite self sufficient and doing very well. I think anything I tell you now would be purely a personal opinion and I am sure many people would take exception to it, but I think that in the power industry, as distinct from atomic energy, we are not as far advanced as we should be. Certainly in some rather sophisticated areas, we are doing remarkably well, considering the money we are putting into science.

Some Hon. SENATORS: Hear, hear.

Dr. BALLARD: But our over-all expenditure is low.

Senator GROSART: You gave us a comparison with the United States and Britain. Could you give some other countries—Japan, France, Belgium?

Dr. BALLARD: I cannot give you the figure for Japan.

Senator GROSART: Are we behind? How many countries are we behind? Where are we in the list?

Dr. BALLARD: I would say we are certainly behind Britain, Germany, France, the United States and, I believe we are behind Sweden. Perhaps Dr. Forward can add something to this as he has been making some studies and has some figures.

Dr. F. A. FORWARD: I have some figures which I intended to read later on.

The CHAIRMAN: As there are some amendments coming forward and as we are in the process of making these amendments ready for the Senate this afternoon, I suggest that we deal with the bill clause by clause now, considering the amendments as we go through the bill, and report the bill, if it is agreeable, and then revert to any other questions which are raised.

Hon. SENATORS: Agreed.

The CHAIRMAN: Clause 1. There is no amendment suggested to clause 1. Clause 1 changes the title.

Dr. BALLARD: The old title was the Honorary Advisory Council for Scientific and Industrial Research. Very few people in Canada, except ourselves, knew that the title existed. We have never been called that by anybody outside. I think it would be very appropriate to make our well-known name the official one.

The CHAIRMAN: Shall clause 1 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: It is carried. Clause 2. There is no amendment suggested. Is there anything further to be said on it? Shall clause 2 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: It is carried. Clause 3. There is an amendment. Perhaps Mr. Charles or Dr. Ballard would explain the section as it appears in the printed bill, and the amendment which is suggested now.

Senator THORVALDSON: Where do these proposed amendments emanate from?

The CHAIRMAN: We might ask Dr. Ballard or Mr. Charles to answer that question. Who is suggesting this amendment? Does it come from the Government? This bill is introduced and passed in the House of Commons. I think the minister in charge is Mr. Drury. I believe it is the Prime Minister's, and a Privy Council bill. We just wish to know who proposes this amendment.

Mr. Frank Milligan, Privy Council: Honourable senators, these amendments emanate in the Privy Council office. They were omitted from the bill by an oversight. They were considered perhaps really in connection with the development of the Science Council bill and they follow as a consequence of the creation of the Science Council.

The problem we ran into was ministerial responsibility for the Science Council and the National Research Council and other councils generally. It is a matter of bringing these into consonance and trying in this bill to effect the same kind of revision in regard to ministerial responsibility as was put in the Science Council bill.

The point of the changes, set out in the mimeographed amendment circulated, is really to be found in this provision relating to section 3 of the Research Council Act. It is the insertion here of a new definition, "Minister". Under the old Research Council Act, such council reported through—I think that is the appropriate word, rather than "to"—the chairman of the Research Council Committee.

With the creation of the Science Council, it was felt that, if not immediately, at some future time, it would be more appropriate for the Science Council, as a body which now assumes the general duty of advising the Government on science policy, to report to the chairman of the Privy Council committee—as had been recommended by the Glassco Commission and by Dr. Mackenzie in his report to the Prime Minister—that the minister to whom the Science Council reports should be free of responsibility for the direction or supervision or direction of any Government agencies concerned with specific areas of research, such as the National Research Council, atomic energy, agriculture, and so on.

This was to provide more flexibility, to provide that any minister—as you will see when we come to a later part of the amendment—shall remain a member of the Privy Council committee, but any member of the Privy Council committee can be designated as a minister through whom the National Research Council reports, rather than be tied to one specific minister.

Senator CRERAR: What is the object of doing that?

Mr. MILLIGAN: The object was to provide more flexibility. If it were decided that the chairman of the Privy Council committee should be the minister designated under the Science Council bill, which you will be dealing with later, then you would be placed in the position, under the existing terms of the existing Research Council Act, that the same minister would also have to be responsible for the Research Council. It was felt that the Government should place itself in a position where a distinction could be made, where the chairman of the Privy Council committee could be answerable for the Science Council, but not required to assume the same responsibility for the Research Council.

Senator CRERAR: That is on the assumption that the minister reporting is merely a vehicle for conveying the opinions of the Research Council to the Cabinet. Who is the minister now to whom the Research Council reports?

Mr. MILLIGAN: Mr. Drury, the Minister of Industry, has been designated as Chairman of the Privy Council committee, and as such the National Research Council reports to him.

The CHAIRMAN: I think Dr. Ballard would like to add something.

Dr. BALLARD: When I first came here this morning I mentioned I was embarrassed because this is a development I had not known about until late last night, and I have not had the opportunity to discuss it with my minister, Mr. Drury. I would have hoped we would have more time to consider this and to discuss it with Mr. Drury, but I must say my own preference is to continue to report to the Chairman of the Privy Council committee.

The CHAIRMAN: Have you any knowledge as to whether Mr. Drury is aware of this?

Mr. MILLIGAN: Yes, it has been discussed with Mr. Drury, but this does not preclude continuation in the present circumstances. The Council could continue to report to Mr. Drury, but it provides that if a change were felt desirable by the Government in the future it could be made. As matters now stand, the National Research Council is in fact locked into the Chairman. This may suit present circumstances, but to provide more flexibility in the future it was felt the new provision should be inserted, which does follow the pattern being adopted in other bills like the Science Council bill itself.

Senator HUGESSEN: In other words, it rather envisages what Senator Grattan O'Leary foresaw in his statement in the Senate, a Minister of Science?

Mr. MILLIGAN: There could be a Minister of Science or a Minister for Science who at that time, presumably, would become Chairman of the Privy Council Committee.

Senator ISNOR: Mr. Chairman, in view of the observations made, I would move adoption of the amendment.

Senator MACKENZIE: It could make for some confusion, in the sense you have a minister responsible for the overall policy and another minister representing the views of a body primarily concerned with scientific research. Knowing a little about the way these things work, they tend to work through their department and organization for funds and the like. I think you could easily achieve a situation in which there were both competition and confusion, unless there is some degree of centralization of overall responsibility.

The CHAIRMAN: I wonder if this is the intention, that you have a number of spending bodies which are represented by certain ministers in their departments on research and science. Whereas the Science Council is supposed to be, shall we say, independent—or, perhaps to put it the other way, it would be advisable not to have the minister responsible for the Science Council one of the ministers of the spending bodies.

Dr. Forward, have you anything to add?

Dr. FORWARD: Very little, Mr. Chairman. I think we have expressed our position at the present time. The National Research Council reports to the Chairman of the Privy Council Committee, and the ministers of other departments—Mines, Agriculture, and so on—are members of the Privy Council Committee.

I would think the chairman is in a rather difficult position, being the minister through whom one of the bodies reports and, at the same time, chairman of the committee. I think this was the intention of the amendment. As Mr. Milligan said, there should be some elbow room and some freedom and flexibility.

The CHAIRMAN: We should not let time or urgency interfere with doing the right thing, but, at the same time, if we are to report this bill this afternoon and deal with it, it will have to go back to the House of Commons for consideration of the amendments we are making here, in any event. By that time I imagine the point will have been cleared up definitely, and if the explanations that have been given to you enable you to come to a conclusion, I think we should put the motion.

Senator GROSART: Mr. Chairman, in view of the fact he has indicated this has caused some reason for hesitation on his part, I would like to ask Dr. Ballard whether he would prefer that more time be given to the consideration of this before we pass the clause here.

With due respect, Mr. Chairman, I do not think we should rely on this other process, that we pass it and hope that if we are wrong the Commons will change it.

The CHAIRMAN: I was suggesting that we pass it on the basis we think it is right, regardless of what the House of Commons says.

Senator GROSART: I accept your admonition, but I would still like to know if Dr. Ballard is satisfied that we are not doing this in too precipitate a fashion.

I personally would like to protest at this time, as I have done in the past, about this type of procedure, where somebody from the Privy Council office decides at the last minute there is going to be a change without discussing it, except late last night, with Dr. Ballard who is the head of the National Research Council. This is not a good way to do business. We are the chamber of sober second thought. Maybe this is a good time for second thought—and sober also! I am directing my question, if I may, through you, Mr. Chairman, to Dr. Ballard.

Dr. BALLARD: I am very reluctant to delay its ratification, but I would prefer to have the matter receive further consideration. I would like to have an opportunity to discuss it with the Chairman of the Privy Council Committee.

Senator CRERAR: It appears to me, on the principle of the thing, that the National Research Council should have one minister as its liaison with the Cabinet. As I understand it, the proposal now is that different ministers may be designated to deal with the Research Council on matters that particularly affect their scope of operations. I doubt the wisdom of that. That change would be made by the Cabinet.

Mr. MILLIGAN: I may have misled Senator Crerar on this. The thought is that there would be a minister—as will be seen when you deal with the Science Council bill—to whom the said Science Council would report. This body now assumes the general duty of advising the Government. Logically, I think it is felt, this minister would be Chairman of the Privy Council Committee; and the responsibility for the direction or supervision of any of the specific operating agencies of the Government—whether they be the National Research Council, Atomic Energy, the Department of Agriculture or the Department of Mines and Technical Surveys—each of the latter would have its own minister. There would be only one minister to whom the National Research Council would report

initially. They may continue the present situation in which they report to the Chairman of the Privy Council Committee. But it may be desirable in the future to have them report to another minister who would remain a member of the Privy Council Committee but would not be the chairman. There would be only one minister concerned with the operation of the National Research Council, as such.

Senator CRERAR: At whose option would the change be made?

Mr. MILLIGAN: This would be made by the Governor in Council.

Senator SMITH (*Queens-Shelburne*): I have been thinking about the urgency of proceeding with the amendment at this time, and from a practical point of view I do not see that there is any urgency at all. We all have respect for Dr. Ballard and his work, and I think we should postpone consideration of this amendment.

The CHAIRMAN: Is it your pleasure that clause 3 stand?

Hon. SENATORS: Agreed.

The CHAIRMAN: Clause 4. Is there an amendment to clause 4? Will you explain this, Mr. Milligan?

Mr. MILLIGAN: Clause 4 is an amendment consequential upon the other amendment.

The CHAIRMAN: Shall clause 4 stand?

Hon. SENATORS: Agreed.

The CHAIRMAN: Clause 5. There is no amendment suggested to that. Have you any explanation, Dr. Ballard?

Dr. BALLARD: This is dealing with the term of appointment of our members of the Council. Heretofore it has been fixed at three years, and if a member resigned or died it meant we had to accept a firmly fixed term of office for the new appointee. We like to be able to renew a certain percentage of our Council every year. If we can make this period up to three years we can fill the remainder of the term with a new Council member.

The CHAIRMAN: Is that explanation satisfactory?

Senator CRERAR: I have one question there. This section states that these officers shall be appointed to hold office for a term of not more than three years. Could they be reappointed?

Dr. BALLARD: Yes, there is nothing in the act that prevents reappointments, and, in fact, we have done this very frequently.

Senator CRERAR: And would that mean that if some chap on the committee was inclined to make a little trouble you would have a chance of getting rid of him? Is that the idea?

Mr. CHARLES: May I say a word, senator? The trouble we ran into was caused by the act being specific as to the term of three years. We tried to find a member to fill in the term of a deceased member, but the Department of Justice pointed out that we could not; that we could appoint only for a definite term of three years. It was then suggested that this be made a term up to three years in order to allow us to do that.

Senator CRERAR: It would be possible to reappoint?

Mr. CHARLES: Yes, under subsection (3) of the act, which is not affected, a retiring member is eligible for reappointment. That is in the Research Council Act right now.

Senator CRERAR: I would think that if a person has served for three years he would be of more value than a newcomer who has to learn the ropes.

Dr. BALLARD: It is quite true that we do reappoint people for three years, but it does not alter the fact that once a member leaves office we can not

appoint a successor to complete his term. We would like to be able to retire a percentage of our Council every year—roughly a third but this does not preclude having people remain on for two terms.

Senator CRERAR: Can you give us the reason for that? Why do you want to be able to make these changes?

The CHAIRMAN: To have a one-third change every election? Is that your point, Senator Crerar?

Senator CRERAR: Yes. These gentlemen are appointed for a period of not more than three years. It does appear to me as a commonsense matter that a person who has served for three years has acquired a certain amount of information and knowledge as to how the institution should operate, and if you drop him then you have got to get someone else who has also got to acquire this knowledge.

The CHAIRMAN: I do not think that is the point of it, Senator Crerar. It is just as though a director of a company died in the middle of the calendar year and a new director is appointed for the rest of the period of time up until the next election. If you had a by-law which said he had to be appointed for a year or two years, then his term would be out of step with the terms of all the other directors. This is to enable an appointment to be made for a period of less than three years, so that the termination of the term of the new appointee would coincide with the termination of the terms of all the other members. Is that correct, doctor?

Dr. BALLARD: That is correct.

The CHAIRMAN: That is the only purpose of the amendment.

Senator GROSART: Mr. Chairman, may I ask the reason for the change in the wording from, as in the present act, "a period" to "a term"?

Dr. BALLARD: I am afraid I cannot answer that.

Mr. CHARLES: That was the wording of the Department of Justice.

Senator GROSART: So was the other. Is there any significance in it?

The CHAIRMAN: Are there any legal opinions from around the table?

Mr. HOPKINS: There is no difference.

The CHAIRMAN: Our legal counsel says that there is no difference.

Senator GROSART: That must be why they made the change.

The CHAIRMAN: Shall clause 5 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: I think clause 6 is really the nub of the bill, is it not? Would you like to explain that, Dr. Ballard? This is the main purpose, I think—the dropping of the duties.

Dr. BALLARD: This has been amended to take care of the transfer of duties that the Research Council originally discharged, to the Science Council of Canada. It really transfers the advisory function— section 7 at present provides:

> The Council . . . also has the duty of advising the Committee on questions of scientific and technological methods affecting the expansion of Canadian industries or the utilization of the natural resources of Canada.

The CHAIRMAN: And this will now be the duty of the Science Council?

Dr. BALLARD: That is right.

The CHAIRMAN: So it is dropped from the duties of the National Research Council. Does clause 6 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Clause 7, which repeals subsection (2) of section 8 of the act.

Dr. BALLARD: That becomes unnecessary.

The CHAIRMAN: That becomes unnecessary by reason of the other amendment?

Dr. BALLARD: Yes, that is right.

The CHAIRMAN: Shall clause 7 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Clause 8, remuneration.

Dr. BALLARD: We frequently have committees, and we engage mainly people from universities to sit on those committees. Normally, we pay an honorarium for this service. Our Act now prevents us from paying such an honorarium to any member of our Council, although we frequently ask members of Council to sit on such committees entirely aside from their regular duties as members of Council. It does seem to be unfair if we cannot give the same consideration to Councillors that we extend to other university staff members. There is no suggestion that we would reimburse Council members for their normal Council duties. It is really for the extra duties that we ask them to discharge. This is so that we can pay them a per diem allowance in the same manner we pay other members of the committees.

The CHAIRMAN: Is there any discussion?

Hon. SENATORS: Carried.

The CHAIRMAN: Clause 8 is carried. Clause 9; here again is an amendment.

Mr. MILLIGAN: The amendment here is to change one word in subclause (2). The committee may want to look at the substance of clause 9, and simply defer its decision on the amendment as proposed in subclause (2).

The CHAIRMAN: It should be deferred because—

Mr. MILLIGAN: Yes, there is a consequential change in subclause (2), but I would not like to hold up discussion on the substance of the entire change.

The CHAIRMAN: On subclause (2) we will have Dr. Ballard's explanation as it appears in the printed form, and then we shall see whether it should stand by reason of the amendment proposed or not. Would you like to explain clause 9?

Dr. BALLARD: Well, in the way it stands now we place our appointments before the Chairman of the Privy Council Committee for approval. We do not fall within the purview of the Civil Service Commission, so our appointments are made directly. They are made under the policy set down by our own Council. Of course, our so-called selection committee meets only periodically during the year, and sometimes it is necessary to make an emergency appointment in between those meetings. What we are endeavouring to do here is to extend the authority of the President of the Council to make an appointment for a limited period of time, which appointment will be subject then ultimately to the approval of our Selection Committee.

The CHAIRMAN: That section deals also with this matter of gifts.

Dr. BALLARD: Yes, as has been mentioned, we are unable to accept gifts without this change in our legislation. This has been very discouraging because we have had gifts offered to us which we have had to decline. We are trying to set up the machinery whereby we can accept them legally.

The CHAIRMAN: And the library? Is there any explanation needed about the library?

Dr. BALLARD: We just want to legalize our authority to establish a library.

The CHAIRMAN: I notice, Mr. Milligan, in this amendment you are suggesting—

Mr. MILLIGAN: The amendment substitutes the word "Minister" for the word "Chairman".

The CHAIRMAN: That is the same question that we had before. So clause 9 stands. Is that correct?

Hon. SENATORS: Stand.

The CHAIRMAN: It must stand because we are standing the other clauses. Clause 10?

Mr. MILLIGAN: The same applies to clauses 10 and 11; where the word "Chairman" now appears the word "Minister" is inserted.

The CHAIRMAN: Clause 10 stands?

Hon. SENATORS: Stand.

The CHAIRMAN: Clause 11 stands?

Hon. SENATORS: Stand.

The CHAIRMAN: Clause 12. This is the same question; the matter of the name. Shall clause 12 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Clause 13 is another consequential amendment. Shall clause 13 carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Honourable senators, we have dealt with the bill in so far as we can deal with it today. We still have Bill C-149 to consider.

Senator ISNOR: Mr. Chairman, I am not satisfied with clause 8.

The CHAIRMAN: Clause 8 of the bill?

Senator ISNOR: I would like to hear something more in regard to this special remuneration of members who are already receiving a salary, or who are otherwise paid for their services. Does this mean that when they are serving on a special committee their regular salary or remuneration is supplemented by another amount?

Dr. BALLARD: There is no salary for people serving on Council, except the paid staff.

Senator ISNOR: Yes. Does this apply to the paid staff?

Dr. BALLARD: The act says specifically that they cannot be remunerated. We are not proposing we change this matter of remuneration for serving on Council. However, it does seem unfair if they cannot serve on a committee and receive the same sort of remuneration that other university staff members receive.

Senator ISNOR: When you say "they," to whom do you refer?

Dr. BALLARD: Our appointed members. We are not asking for remuneration for their service at Council meetings, but we often have groups serving on special committees, and when they do, we pay remuneration of course to the committee members; but we cannot do it for the members of Council who may be sitting on that committee.

Senator ISNOR: I think it would be just as well to have that on record, Mr. Chairman.

The CHAIRMAN: Yes, it should be on the record, but I think it should be made perfectly clear that this refers only to the members of the council other than the president and the vice-president. They do not receive any remuneration for their ordinary duties as members of the council, except travelling expenses; and if they are asked to do any other special work in connection with the committee on which there are other members who are also being paid, they should be paid in the same way as the other members of the committee. Is that

explanation satisfactory? If so, the clause is already carried, and that will conclude our deliberations on this bill.

The CHAIRMAN: We have before us Bill C-149, to provide for the establishment of the Science Council of Canada. This bill was explained by Senator Hugessen. There was a good debate on it. I think we can ask Dr. F. A. Forward, who is now Director of the Science Secretariat of the Privy Council to give us a statement in explanation of the bill, and we will withhold our questioning until he has finished his explanation. Then if senators will let me know by signal who wishes to ask questions. I will list them.

Dr. F. A. Forward (Director, Science Secretariat of the Privy Council: Mr. Chairman, and honourable senators: This Science Council bill is presented to you as the result of studies that were made by the Glassco Commission, and by Dr. C. J. Mackenzie. Both the report of the commission and the report of Dr. Mackenzie found there was a lack of a group that would be able to look at science in broad terms rather than in the perhaps relatively more restricted terms commonly applied or used by the agencies of government.

This follows a pattern that has developed in other countries in the last few years.

Mention has been made of the United States, Great Britain, France, Belgium, Sweden and Japan. In each of these countries there is an organization concerned with the overall view of science and the effect science might have on the development of the economy within these countries.

Before saying anything further, I wish to pay tribute to Dr. Ballard and the National Research Council for the excellent leadership that they have given in this area in the years past, and which I am sure they will continue to give in future.

When the Prime Minister announced the formation of the Science Secretariat about two years ago, it was suggested that one of its duties would be to resolve the differences which might exist between the National Research Council and the proposed Science Council, which Dr. Mackenzie called the National Committee for Science Policy. He suggested that this should follow studies by the Science Secretariat in consultation with the National Research Council. This was done. Dr. Ballard and his associates, and many other people in other departments and agencies of government, were extremely helpful in developing the principles to be incorporated in the bill which was drawn up.

The purpose of the Science Council is stated in the first few lines of the bill. It is of a very broad general nature, and I know that a great deal of thought was given to the preparation of this statement. Clause 11 of the bill says, in part:

> It shall be the duty of the Council to assess in a comprehensive manner Canada's scientific and technological resources, requirements and potentialities . . .

This covers a very wide field, and we hope it will make a contribution to the development and growth of science in Canada by considering the broad aspects rather than the specific aspects of scientific research itself.

One cannot possibly think of science in modern times without keeping in mind its effect on people and its relationship to the economy. It is these basic things that the Council will be looking at. It will be looking at the future, trying to develop information on which patterns of the future can be established, looking five to ten years ahead, and saying, "Where are we now, and where should we be going?" I think this is the simplest explanation that I can give of the basis for the Science Council bill.

The duties are described in the bill, and perhaps it might be more useful if when the individual clauses are being taken up I could expand on the items in clause 11 of the bill.

Would you prefer that I speak to that now, Mr. Chairman?

The CHAIRMAN: I think you might conclude your statement first because we may not deal with this bill clause by clause.

Dr. FORWARD: Clause 11 indicates the kind of things that the Science Council will be concerned with in Canada.

Dr. Ballard has already mentioned the fact that in Canada we do not carry out as much research and do not spend as much of our national income on research as do many other countries.

I have some comparisons that might be of interest. These are some figures relating only to the United States, because there are not many countries in the world from which you can get the information as fully developed as it has been in the United States. This does not include development, but is purely applied research in the United States. In developing these figures I have utilized the national budget as the basis for comparison rather than the gross national product. Things that go to make up the gross national product are different in different countries, but the national budget is the amount of money people are prepared to spend to operate their country, and consequently reflects the proportion of that budget that the people of the country are prepared to spend on research and development.

In the United States a year or so ago the national budget was $100 billion. Of that amount, they spent $5 billion on what is termed pure and applied research. In Canada in the same year, when we had a national budget of something over $7 billion, we spent $222 million for pure and applied research.

In 1964-65 the United States spent about $16 billion on research and development and scientific services whereas we in Canada spent $333 million for similar services. On a proportional basis our spending was about one-third of that in the United States.

The figures for Britain on a comparable basis we cannot develop precisely, but in Britain the proportion is approaching that in the United States. The same is true of Japan and France. The figure commonly used is three per cent of gross national product. Whether three per cent is the right amount, or what should be spent, it does appear that in many countries as expenditures on research and development approach three per cent of the GNP, which of course has some relationship to budget, the amount of spending tapers off. We are far from that point in Canada.

Senator YUZYK: Have you any figures at all for the Soviet Union?

Dr. FORWARD: I have no recent figures on the Soviet Union. I have some that are many years old, but I think theirs is proportionately the same as the United States. One would have to guess at it. It is not far different.

Now, the second matter is the priorities which should be assigned in Canada to specific areas of research. This is an extremely difficult thing to determine. All countries in the world are spending a great deal of effort in an attempt to determine for themselves what they should spend money on.

I think our friends across the line have found, as their research development has grown, that there has been a tendency for priorities to be assigned to certain things. A very high percentage of what they spend of this $16 billion comes from two or three government departments, Defense, Space Administration and Atomic Energy. A relatively small proportion comes from, for example, Health and Welfare and all the other departments.

They have found that their expenditures are centred on things like missiles, aircraft, electrical equipment and electrical machinery. A very high percentage

goes into these areas and not necessarily so much into other areas of science and technology.

They have found also in the United States that a very high percentage of the $16 billion is spent in two geographical areas: the "northeast corridor" and California.

I like to think of research as growing in the same manner as a person, a plant or a country. You have a growth curve which is standard for people. One grows rather slowly in infancy, very rapidly in adolescence and then, if you consider weight, one hopes that one's weight stops increasing sometimes. This is a normal biological growth curve. Now, because research is a human enterprise, it follows the growth curve too.

They are finding in the United States now that they are approaching the point where this is levelling off. But we in this country are still in the early stages of this growth. We have the opportunity to look at the areas in which we might grow and in which we think we should grow in the next 10 years or so. The next 10 years in Canada are likely to be very much as the last 10 or 15 years have been in the United States.

We would not like, I think, in this country to find ourselves at the end of 10 years from now with the somewhat unbalanced distribution of funds, of government support for research, that is the case in the United States.

Thus, to determine what these priorities are is a major problem, and, one of the main functions of the Science Council is to attempt to do this in consultation with all of the government agencies, with industry, and with the universities, to try to get a broad picture of what this should be.

I think the third one is in the development of scientific and technological manpower and I need not elaborate on that. Without adequate manpower we would not be able to do many of the things we would like to do in science and technology.

Some economists are changing the emphasis on the classical terms in economics: labour and capital. They are thinking in modern terms. For labour one substitutes education and for capital one substitutes research and development. Many of the economists, and I am sure our people who are responsible for that sort of thing in Canada, believe that one of the major forces in the development of the economy is research and development.

It has even been suggested by some people that research and development is itself what might be called a tertiary industry. In other words, there are primary industries, secondary industries and research is a tertiary industry.

At one time in the United States there were communities which used to attempt to get people to establish textile plants, or new plants of some kind; but now you will find them scrambling all over the place trying to get somebody to put research laboratories in their towns or cities. So, research is what might now be called a tertiary industry.

I have said that education is the modern substitute for labour; this means that there will have to be a very substantial support of education in science, engineering and technology.

Long term planning is the next one, I think, and it is obvious. I said that it was the function of the council to try to develop guidelines in respect of what we may be looking for in the future, where we should be going, and it is difficult to envisage what may be in store for us 10 years from now. But we have to sit down and try, and this is our purpose.

Again, so that we can avoid some of the difficulties that other people have experienced, we must look to long term planning.

Item (e), the factors involved in Canada's participation in international scientific or technological affairs: This too is obvious. Canada has a part to play in the international community of science and technology, and the council certainly will be concerned with this.

I suppose one might at this point interject another little item—the general effect of the development of the philosophy of science: What is required in this country is a level of awareness, which means talking about the percentage of our resources that we are directing to science and technology.

When I say "we" I mean what the country is spending. A company is in the same position. Unless a company or a country has within its own organization enough people to realize what is going on in other countries, other areas and other parts of the world, their chance for advancement and growth in a science-based industry or science-based economy is less than it should be.

In this context one has to consider the possibility that no country is going to be able to invent everything. In Canada we are going to have, let's say, an expenditure of 5 per cent of the total amount of money that will be spent in the world for scientific research and technological development. Suppose that we are spending 5 per cent of that total amount. We can only hope to develop on the average 5 per cent of the new things. The other 95 per cent is spent in the rest of the world; so that we can only count on ourselves for 5 per cent of the new things, but we must have people here who will know what is going on in the other places and be able to adapt foreign innovations to our peculiar conditions in Canada.

This is what is known as "level of awareness." Now, there are not enough people doing this; there are not enough people who know what is going on elsewhere. This is one aspect of international concern in respect of the growth and development of science.

There are other things that one might mention; one in particular which Dr. Ballard has mentioned, is the Churchill project where Canada is in a unique situation in the world today in that Churchill or the Churchill range is situated in the aurora belt and we have the opportunity there to make observations for a thousand miles in every direction. No other country is so situated. Therefore, Canada has to make this specific contribution to world science.

When you look at science in general, the percentage of people working in research and development who spend their time on pure science is rather small. It works out to about 10 per cent. I am referring to the people who would be working on pure science or on very basic research. The things that they find and develop and come up with as new ideas are published internationally and everybody in the world knows about them. It is our gift to the rest of the world. I think this work at Churchill, for example, is in that category.

On the other hand, the people who are working in applied science are working for us, trying to turn to the use of society the things that are already known, and it is these that will have perhaps more immediate value to us than will the developments in pure science. But in pure science we have to find more scientists. There are very, very few people who are really competent, high grade, intelligent, brilliant scientists. We have to do everything we can to find these people and bring them along, support them from the very beginning and give them the best education we can. We must give them every opportunity and support them to the hilt in everything they want to do.

This does not require a very high percentage of the total money that our country will expect to spend on science and technology. As regards item (f), the responsibilities of departments and agencies of the Government of Canada in relation to those of universities and private companies, we are not assuming that something is done only in Government laboratories or university or industry. This is a co-operative process which we find for example in the United States. When we talk about the responsibilities we have a rather interesting situation in Canada.

As to the money spent by the United States on research and development: of the federal budget of $100 billion, they spend $16 billion on research and

development. Of that, they spend in the Government laboratories, $3.25 billion, which is about 20 per cent.

Of the total amount of $16 billion spent by the United States Government on research and development, about $1.8 billion—which is 10 or 11 per cent—was spent in universities; $3.25 billion—or 20 per cent—was spent in government laboratories. The balance—nearly 70 per cent—was spent in industry. We do not have that kind of distribution in Canada yet.

If you want to take figures based on the United States federal budget, 3.3 per cent of the federal budget was spent on research and development in government laboratories as compared with 3.7 per cent in Canada.

Certainly our position is different from that in the United States. The reason that in Canada we have developed a substantial position in science, is that we have spent this money in government laboratories in the National Research Council, in the Department of Agriculture, in the Department of Mines and Technical Surveys and others.

Senator ISNOR: These figures—that is the federal Government expenditure?

Dr. FORWARD: The federal Government.

Senator ISNOR: Have you any figures for expenditure by industry?

Dr. FORWARD: We do not have any present day figures. The figures on industry are three or four years old. The federal Government expenditure in the year just past was approaching $400 million. This is on research and on scientific activities by the federal Government, including support of research in universities and industry as well as the geological survey and other scientific services which the federal Government must provide for the people of Canada. It was approaching $400 million in the last year. I do not have any precise figures. They are not available. We have to go back three or four years, for figures on industry. There are figures showing that industry is spending about $200 million—I do not know how accurate that figure is but that is the order of magnitude.

One of the points about statistical information is that when one attempts to make predictions and plans for the future, one of the first things we find is that we do not have sufficient information on what is being done now. If you are going to jump across a stream you need to know what the springboard or platform is like, how high it is, and so on. We lack such information, in considerable measure.

One of the first things we have to do is to deal with that problem. This has been the experience in other science councils or similar bodies in other countries. We must get an inventory, we must find out where we stand now, we must develop the means of providing the information upon which predictions and trends can be determined.

Finally there must be the means of developing and maintaining co-operation and exchange of information between the council and other public or private organizations, in economic and social areas. Neither in this country nor in any other can science be divorced from the community, from the economy, from the growth, the interests and the desires of the people. Consequently it is essential that the Science Council, in making any of its plans must communicate with and get advice from other organizations, such as the Canada Council or people engaged in social work on the Economic Council.

The Council must make a determined effort to find what the effect would be of any proposal on the growth and development on the whole social fabric of a country. It is the intention to do this.

The CHAIRMAN: Thank you, Dr. Forward. Now, Senator Thorvaldson.

Senator THORVALDSON: In regard to assistance given to business, administered by the Government, does that come out of the NRC budget or out of other Government resources?

Dr. FORWARD: Some of the funds provided by the federal Government are for assistance for research in industry. The NRC has about $4.5 million for industrial research. The Defence Research Board has $3.5 million or $4 million for similar purposes. The Department of Industry has a considerable budget for assisting industry on development programs. Atomic Energy of Canada have money which is allocated for research and development: they spend some $5 million or $6 million a year in development contracts with companies in industry, but that is included in the total of $400 million.

Senator THORVALDSON: I think I heard a reference to the NRC budget being $86 million—but on top of that, we spend $400 million?

Dr. FORWARD: No. The $400 million includes the amount allocated to NRC. The latest year for which we have facts is the year 1964-65. In that year the federal Government provided $333 million for all scientific activities. As I mentioned, it includes Mines and Technical Surveys—not the regulation, but scientific activity. This information has been provided by the Dominion Bureau of Statistics. There are four or five large groups or agencies that spend this money: Agriculture, of the order of $33 million; the Atomic Energy, $55 million; Forestry $12.7 million; medical research $7 million; Mines and Technical Surveys, $41 million; the NRC $55 million. These figures represent what was spent about two years ago.

Senator THORVALDSON: My other question relates to one put by Senator Grosart about liaison between the NRC and similar organizations in the United States and Great Britain. Referring to a memorandum by the NRC, at the top of page 7, I wish to pinpoint my question by referring to one paragraph in regard to work going forward on vertical take-off aircraft to the extent of $800 million of production.

My question is this. As to the main manufacturers of aircraft, Douglas and Boeing in the United States, and other companies in England, how do you decide that we in Canada should be involved in a problem of, say, vertical take-off? In other words, what kind of co-operation is there, or liaison, between yourselves and various other similar bodies and companies which do a tremendous amount of research in the United States, for example?

Dr. FORWARD: Perhaps Dr. Ballard will answer that.

Dr. BALLARD: I think it is not generally understood that Canada is the largest exporter of service aircraft in the world. To define service aircraft, I am not talking of airliners or military aircraft, but of the sort of thing that operates in the north—the Beaver and the Otter. Therefore, Canada has a very live aircraft industry, except that it simply cannot compete in the airliner field or the military field.

These firms are developing craft for the Canadian scene and very often they turn out to be useful in other countries. Certainly, you will find the Beaver all over the world. The consequence is that we have got to have research facilities to assist those companies. That is true of both De Havilland and Canadair, and of some of the supply companies as well. Actually, in the control of aircraft we have a Canadian firm that has a world-wide market in this field.

We are endeavouring to provide research facilities for this industry which cannot afford to have individual and separate facilities. When it comes to short take-off and vertical take-off aircraft, Canada has a very special need, but so have many other countries. We have reason to believe that the Canadian attack on this is at least as far advanced as that elsewhere. Of course, already some of our operating craft have a very short take-off compared to many foreign craft.

We are trying to capitalize on that and improve it still further. There is a need not only for short take-off but vertical take-off aircraft. These things are very expensive. It will depend how economically they can be manufactured on the market they will attain.

I do not know whether I have answered your question.

Senator THORVALDSON: You have answered it perfectly, Dr. Ballard. I think it sets out something I did not know and I do not think other senators knew, the reason why you were in the particular field.

Senator MACKENZIE: I am very much in favour of this bill; I think it is first rate. Again, I would like to ask Dr. Forward a question particularly with reference to clause 11(f)—the responsibilities of departments and agencies of the Government in relation to the universities and such. I pose my question in a practical way: Will the new council, for instance, have any influence on the assignment of research funds in agriculture? I have in mind that there is a very real difference of opinion in that area as between some of those in the universities and some of those in the Department of Agriculture as to where the money should be spent and how it should be spent. Will your new council be able to assist in advising on this kind of question, or are you staying out of the more or less in-fighting that goes on with respect to such matters?

Dr. FORWARD: I think, Senator MacKenzie, the Council would stay out of the in-fighting. The Council has the purpose of trying to develop guidelines.

Senator MACKENZIE: You would not advise any department or agency on the division of its research funds as between one area and another?

Dr. FORWARD: This is so in respect of the Council itself. It will simply set down guidelines and try to develop ideas that may affect the amount that is spent on agriculture, for instance, in the long run, but not where it is to be spent. The Council may indeed look at the distribution, as I have already mentioned here, the rather different balance of distribution of Government funds we have in this country at the present time. There is a very high percentage being spent in Government laboratories and a relatively low percentage being spent in the universities and industry. I think the percentage of Government funds being spent in Government laboratories is higher in this country than in any other country in the world. Of course, there is an historical reason for this. The Council itself would look at that in those terms and not attempt to define how much should go through the National Research Council and how much through, say, the Department of Agriculture. This is not a specific function of the council, by any means. Its function is to try to provide Government with a basis in deciding for themselves how this should be done.

Senator KINLEY: Dr. Ballard and Dr. Forward have mentioned the comparative effort in Canada on research and science as compared to other countries. Dr. Forward is a distinguished metallurgist and being that he is close to the activities of industry. I think that he has great technical knowledge. Does he know how much the individual industry is spending on research in Canada?

Dr. FORWARD: I have not the information up to date. There is a survey—I am afraid I did not bring it with me—made in 1960, 1961 or 1962, about five years ago, by the Dominion Bureau of Statistics on the amount spent by industries. It is divided up into specific industries.

Senator KINLEY: I think the Income Tax Department give recognition and make an allowance for the research of private companies in Canada. It is very liberal. If we could get that information from the Income Tax Department it would be enlightening.

With regard to the American control of a large part of industry in Canada, I suppose that you, as a scientific man, would say that they bring their know-how with them to Canada and that is their advantage.

Dr. FORWARD: Yes.

Senator KINLEY: When they come to Canada and bring their know-how with them, that is their advantage—they know how to do things technically. Would you say that is natural?

Dr. FORWARD: Yes. As I mentioned a little while ago, we can only expect to invent a certain number of things here. We have to depend on what other people do, just as they have to depend on us.

Senator KINLEY: Do you not think it is a factor that when they come here and hire people in Canada they educate our men, and our men learn the know-how from the Amreicans, and is not this a forward effort in industry in Canada? I know we have to get many men, technically trained men, from the continent. We get them from England in order to get superior knowledge in technical sciences. This invasion of Americans is because they have the know-how and they have the money behind them to do it. That should be appraised when we are considering whether it is an advantage or disadvantage to have them here.

I know that especially in the field of metallurgy, with alloys today it is becoming quite a problem, and what we learn from the Americans is very good. Private industries are sending men over there to find out what they know. We have been taught that this knowledge is international, and the knowledge of science between us and the United States is international.

I went with the parliamentary delegation to Omaha, Colorado Springs and North Bay, looking over the defence projects which are almost fantastic. You cannot say much about them; you can just look at them and praise them for their mystery and the wonderful things they do. But we have one at North Bay which is considered to be about as good as any of them. Of course, I think that is because it came later and they had the advantage of the scientific knowledge that came from the Americans. When we were down there we were briefed by officers of the United States Army and Air Force. To a great extent they proved to us they have the know-how with regard to this and we had better support them, and that it was for our protection. I think they were right.

I am interested in industry, but I must have men to do things as well as to know things. I remember that in his fine speech Senator Grattan O'Leary made a statement that I think came from an old philosopher. I cannot quote it, but in substance it was to this effect: Beware of the nation where everybody is trained and nobody educated. But, of course, the reverse is true.

The CHAIRMAN: Senator Kinley, we agreed at the outset that everybody would have a chance to speak and that I would have the co-operation of the members of the committee.

Senator KINLEY: This is the first time I have spoken. I have been stopped twice, and I do not want to be stopped again.

The CHAIRMAN: I am only calling your attention to the committee's decision.

Senator KINLEY: The big trouble in industry, as I know it, is that we do not have the trained men to do things. Technical education should not be neglected in the interest of academic education. I know this because I have highly trained men from the best institutions in the United States. I place great value on technical education, and I want to impress upon our scientific men that that is very important. Thank you, Mr. Chairman.

The CHAIRMAN: Thank you, Senator Kinley. Senator Isnor?

Senator ISNOR: I was thinking somewhat along the same lines that Senator Kinley was. Of course, I do not know the background as well as he does in respect to the relating of figures as between the United States and Canada, but we must not overlook the fact that the United States has a population of 200 million as against our 20 million, and when you make a comparison in dollars and cents it is not a fair comparison. We want the percentage basis, but I am not going to enlarge on that. I would ask Dr. Forward to look at subparagraph (g) of clause 11. I am wondering if there is any conflict or overlapping between the work you would be doing, as covered by that particular section, and the work carried out by the DBS?

Dr. FORWARD: Very definitely not. You see, the council itself will have no staff, and no funds to spend. The only money it will have to spend will be that for the payment of expenses of council members.

Senator ISNOR: You are gathering information of that kind.

Dr. FORWARD: This will be done in general by the Science Secretariat which is in the Privy Council office, and which has other functions to perform. The Science Secretariat is very small too; it does not have a big staff, and it calls on the DBS and other departments and agencies, and, indeed, universities and industry. There will be no conflict at all between them. One of the jobs of the Science Council is to indicate the kind of information that the DBS can then set up the machinery to collect. There is no conflict whatever.

Senator ISNOR: Thank you.

The CHAIRMAN: Senator Grosart?

Senator GROSART: I have two questions, Mr. Chairman. I wonder, Dr. Forward, if you would tell us what form the recommendations to the minister referred to in clause 11 will take, and to what extent these recommendations will be made available to the public?

Dr. FORWARD: It is the intention that this will be in the form of reports which will be public reports. It is certainly the intention of the Science Council to publish its reports. It will not have the million dollar budget that the Economic Council has, but it will make interim reports and annual reports, and they will be available to the public. The intention there is not simply to advise the Government, but to develop and discover information useful not only to the Government but to companies and individuals in their own planning.

Senator GROSART: And to create public recognition of the need?

Dr. FORWARD: Yes.

Senator GROSART: My second question refers to this figure of 3 per cent of the GNP which I understood you to say was that of certain advanced countries. I think you said that they spend 3 per cent of their GNP at the Government level on science development.

Dr. FORWARD: Yes.

Senator GROSART: I also understood you to say that the comparable figure for Canada is about $400 million.

Dr. FORWARD: Yes.

Senator GROSART: Does this mean that we are under one per cent?

The CHAIRMAN: Of our GNP?

Senator GROSART: Yes.

Dr. FORWARD: Assuming our GNP. is in the order of $50 billion at the present time, it will be something less than one per cent.

Senator GROSART: We are a long way behind the level of the leading nations?

Dr. FORWARD: If you include what other nations do in respect of industrial expenditure on research then you can add $200 million to that figure in Canada, so we are in the one per cent area now.

Senator GROSART: So you would have to spend another $800 million a year in order to be at the 3 per cent level?

Dr. FORWARD: That is right.

The CHAIRMAN: Senator Deschatelets?

Senator DESCHATELETS: Referring to the question by Dr. MacKenzie, which I think is important, in reference to the research made by Government departments such as the Department of Agriculture, for example, am I right in assuming that under subparagraph (*b*) of clause 11 the council will have the right at a certain time to assess the priorities in respect to where research should be directed by a certain department, and then make recommendations to the minister? I imagine it would be up to the minister in a case like this to decide where the research effort should be directed. Am I right in assuming this?

Dr. FORWARD: Partially so, but I think we must also look at subparagraph (*d*) which says:

> long term planning *for* scientific and technological research and development in Canada.

That is a very different thing from long term planning *in* scientific and technological research. It is the people in the research fields who are going to decide, within their own fields, what they are going to do. I think the Science Council in this respect will be very similar to the Economic Council. Dr. Deutsch has said many times that the Economic Council has to make the study and produce the information, but the Government does not necessarily have to take it. The Science Council will be in the same position. After they produce the information it will be up to the Government and its agencies to decide what they want to do.

Senator DESCHATELETS: I saw somewhere—and I cannot find it now—in the bill something to the effect that your council would not be considered an agent of the Government.

Dr. FORWARD: Yes.

Senator DESCHATELETS: What would be your exact status in relation to the Government?

Dr. FORWARD: The reason it is not considered to be an agency of Government is simply a legal one. It does not have the money to spend on the hiring of staff and making grants, and so on, and it is not able to sue and be sued.

Dr. MACKENZIE: Would you be something similar to the Canada Council in this respect?

Dr. FORWARD: I am not sure of the terms of the Canada Council Act.

Dr. MACKENZIE: It is not a Government agency.

Dr. FORWARD: Any person who is the chairman of this council will receive an emolument from the Government, but he will not be a Government servant. Many of the statements in this bill are comparable, or were drawn from, the Canada Council Act and others.

The CHAIRMAN: Are there any further questions?

Senator YUZYK: May I put a similar question? I will direct this to Dr. Ballard, if I may. In view of the fact that this is the fiftieth anniversary of the National Research Council, and the take-off year of the Science Council of Canada, and the fact that we have been discussing the matter of having the public made aware of the work that has been done in the field of science, has

the National Research Council made any plans for the celebration of its fiftieth anniversary which will bring it to the attention of the public?

Dr. BALLARD: Mr. Chairman, we are making rather extensive plans. We are holding a major science "festival" in Ottawa, and we shall be bringing some outstanding scientists here. We are having open house in the laboratories so that anyone may see what is going on in the establishment.

Senator YUZYK: This will be later on in the year?

Dr. BALLARD: This will be in late September. I hope all honourable senators will visit us. As a matter of fact, if I may take this opportunity of saying this, we would be very glad to have the committee visit us at any time. I think this committee hearing has been good for us, and I would hope that you would find a visit to our establishment interesting. Of course, I am prejudiced about it. I think it is a very interesting organization.

Senator YUZYK: It is a good prejudice.

The CHAIRMAN: Senator Kinley, I think Dr. Forward would like to say something further with respect to your question.

Dr. FORWARD: Senator Kinley, I appreciated your remarks and questions. You have referred to some of the statements that have been made in this respect, such as Senator O'Leary's statement in the Senate the other day.

Senator KINLEY: Would you speak a little louder?

Dr. FORWARD: I appreciated your remarks and questions in respect of the Science Council, and science and technology in Canada. I myself have to be a little careful when I talk about science because I am not a scientist. I am an engineer, and have for the last 30 years been engaged in teaching the kind of people you were talking about—metallurgical and other engineers. I see these people throughout Canada in the metallurgical and mineral industries. I have spent my life applying science and utilizing it for Canadian industry, and I have come across a large number of people in Canada who are making a substantial contribution not only to Canada but to the world.

You mentioned bringing technology in from the United States, but I can cite a number of cases where Canadian technology has been transferred to Africa, Finland and other parts of the world. I can name a number of Canadian consulting engineering companies that are doing marvellous jobs in the United States, and in every corner of the globe. These are Canadian companies. Canadian manufacturing companies are also doing the same kind of thing. So, it is not all a one-way street with technology coming from the United States.

Senator SULLIVAN: Mr. Chairman, I shall be very brief. When I spoke in the house I supported this bill. I wonder if Dr. Forward would hazard a guess as to how this council will be selected.

Dr. FORWARD: As to how the council will be selected?

Senator SULLIVAN: Yes.

Dr. FORWARD: I think, Senator Sullivan, that that is the prerogative of the minister.

Senator SULLIVAN: Thank you.

Dr. FORWARD: I do not think it is improper for me to make a minor correction to the statement in respect to membership that was made in the Senate when the question was asked of Senator Hugessen who introduced the bill.

Senator SULLIVAN: Dr. Mackenzie had it pretty well clarified at page 30 of his report.

Dr. FORWARD: Then I think you might refer to Dr. Mackenzie's report. There is a minor correction, Mr. Chairman, unless you wish to deal with the bill clause by clause first.

The CHAIRMAN: It is an important bill. I suggest that we take it clause by clause, unless the committee feels it has studied the bill sufficiently.

Senator SULLIVAN: I move that it be accepted.

Dr. FORWARD: There is a slight misinterpretation in clause 3 of the bill, which says that the Science Council shall consist of not more than:

(*a*) twenty-five members chosen from among persons having a specialized interest in science or technology; and

(*b*) four associate members...

The suggestion was that these four associate members might be people in the scientific agencies in government. I think it should be pointed out that the intention is that they be people who have no responsibility for direction of science-based departments of government; but as indicated by the minister there are people from the government departments among the 25.

The CHAIRMAN: Shall we deal with the bill clause by clause?

Senator THORVALDSON: I think we should deal with the bill as a whole.

The CHAIRMAN: Shall the title carry?

Hon. SENATORS: Carried.

The CHAIRMAN: Shall I report the bill without amendment?

Hon. SENATORS: Carried.

The Committee adjourned.

APPENDIX "A"

TREASURY BOARD—CONSEIL DU TRÉSOR

Letter from the Secretary of the Treasury Board.

OTTAWA 4, May 5, 1966.

The Honourable T. D. Leonard,
Chairman,
The Senate Finance Committee,
Ottawa 4, Ontario.

Dear Senator Leonard:

At this morning's meeting of the Senate Committee on Finance you may recall that in the course of an exchange with Senator Crerar I said that the large table at the back of the Estimates book had not, at any time since the inauguration of the Old Age Security programme in 1952, contained a foot-noted reference to the non-budgetary item of Old Age Security payments. I have since checked the records of earlier years, and find out that I was mistaken in this.

For a number of years reference was made in the foot-notes to the table to the non-budgetary item, Old Age Security payments. Since this was the only non-budgetary item referred to in the table—which is otherwise intended solely for the purpose of displaying total departmental Estimates by Standard Objects of Expenditure,—it was decided, beginning with the fiscal year 1962-3, to remove the reference to the non-budgetary item, Old Old Age Security payments, from the foot-notes to this table. The General Summary Table at the beginning of the Blue Book (page 5, Main Estimates 1966-7) continues to carry the reference.

I have already explained this correction orally to Senator Crerar, and offered him my apologies for having unintentionally misled him and the Committee: and I have, in addition, sent him a copy of this letter.

Yours sincerely,
George F. Davidson,
Secretary.

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First Session—Twenty-seventh Parliament
1966

THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

The Honourable T. D'Arcy Leonard, *Chairman*
The Honourable H. de M. Molson, *Deputy Chairman*

No. 8

Third Proceedings on the Estimates,
laid before Parliament for the fiscal year ending 31st March, 1967.

Second and Final Proceedings on Bill C-150,
intituled: "An Act to amend the Research Council Act".

THURSDAY, MAY 26th, 1966

WITNESSES:

National Research Council: Dr. E. G. Ballard, President; F. R. Charles, General Counsel; *Privy Council Office:* Dr. T. A. Forward, Director, Science Secretariat.

REPORT OF THE COMMITTEE
on Bill C-150

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

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OTTAWA, 1966

23898—1

THE STANDING COMMITTEE ON FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Burchill
Choquette
Connolly (*Halifax North*)
Crerar
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
MacKenzie
McCutcheon
McKeen
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Taylor
Thorvaldson
Vaillancourt
Vien
Welch
Yuzyk—(50)

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

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 24, 1966:

"The Honourable Senator Leonard moved, seconded by the Honourable Senator Farris:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, in advance of the Bills based on the said Estimates reaching the Senate; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

Extract from the Minutes of the Proceedings of the Senate, Monday, May 9, 1966:

"Pursuant to the Order of the Day, the Honourable Senator Hugessen moved, seconded by the Honourable Senator Roebuck, that the Bill C-150, intituled: "An Act to amend the Research Council Act", be read the second time.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative.

The Bill was then read the second time.

The Honourable Senator Hugessen moved, seconded by the Honourable Senator Roebuck, that the Bill be referred to the Standing Committee on Finance.

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

23898—1½

MINUTES OF PROCEEDINGS

THURSDAY, May 26th, 1966.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators Leonard (*Chairman*), Baird, Beaubien (*Bedford*), Bélisle, Burchill, Croll, Deschatelets, Flynn, Grosart, Haig, Hays, Hnatyshyn, Isnor, Kinley, McCutcheon, MacKenzie, Méthot, Molson, Pearson, Pouliot, Quart, Rattenbury, Savoie, Smith (*Queens-Shelburne*), Taylor, Welch and Yuzyk. (27)

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

The Estimates laid before Parliament for the fiscal year ending March 31st, 1967, were further examined with particular reference to Bill C-150.

Bill C-150,"An Act to amend the Research Council Act", was read and further examined, clause by clause.

The following witnesses were heard:

National Research Council: Dr. B. G. Ballard, President. F. R. Charles, General Counsel.

Privy Council Office: Dr. F. A. Forward, Director, Science Secretariat.

On Motion of the Honourable Senator McCutcheon it was Resolved to report the said Bill as amended, which amendments appear in the Report of the Committee which form part of the proceedings of this day.

At 11.45 a.m. the Committee adjourned until Thursday, June 2nd at 10.00 a.m. in Room 356-S.

Attest.

Frank A. Jackson,
Clerk of the Committee.

REPORT OF THE COMMITTEE

THURSDAY, May 26th, 1966.

The Standing Committee on Finance to which was referred the Bill C-150, intituled: "An Act to amend the Research Council Act", has in obedience to the order of reference of May 9th, 1966, examined the said Bill and now reports the same with the following amendments:

1. *Page 1*: Strike out clause 3 and substitute the following:

"3. Paragraphs (d) to (g) of section 2 of the said Act are repealed and the following substituted therefor:

'(d) "Council" means the Council referred to in section 3;

(e) "Minister" means such member of the Queen's Privy Council for Canada as may be designated by the Governor in Council to act as the Minister for the purposes of this Act; and

(f) "President" means the President of the National Research Council of Canada.' ".

2. *Page 1:* Strike out clause 4 and substitute the following:

"4. Sections 3 and 4 of the said Act are repealed and the following substituted therefor:

'3. There shall be a Council to be called the National Research Council of Canada.

4. There shall be a committee of Ministers to be called the Committee of the Privy Council on Scientific and Industrial Research, consisting of a Chairman to be nominated by the Governor in Council, the Minister, and such number of other members of the Queen's Privy Council for Canada as the Governor in Council may determine, to be nominated by the Governor in Council.' ".

3. *Clause 9, page 2*: Strike out subclause (2) and substitute the following:

"(2) Paragraphs (f) and (g) of section 13 of the said Act are repealed and the following substituted therefor:

'(f) with the approval of the Minister, to appoint such scientific, technical and other officers as are nominated by the President, to fix the tenure of such appointments, to prescribe the several duties of such officers, and, subject to the approval of the Governor in Council, to fix their remuneration;

(fa) to authorize the President or any other officer of the Council to appoint persons to perform duties of a temporary nature for a period not exceeding six months;

(fb) to establish, operate and maintain a national science library;

(g) subject to the approval of the Minister, to publish and sell or otherwise distribute such scientific and technical information as the Council deems necessary;' ".

4. *Clause 10, page 3, line 6*: Strike out "Chairman" and substitute "Minister".

5. *Clause 11, page 3, lines 14 and 15*: Strike out "Chairman" and substitute "Minister".

All which is respectfully submitted.

T. D'ARCY LEONARD,
Chairman.

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Thursday, May 26, 1966.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, and to which was referred Bill C-150, to amend the Research Council Act, met this day at 10.30 a.m. to give consideration to this legislation.

Senator T. D'Arcy Leonard in the Chair.

The CHAIRMAN: Honourable senators, I call the meeting to order. At our meeting last week, we carried all the clauses of the bill except clauses 3, 4, 9, 10 and 11.

We have with us again this morning Dr. B. G. Ballard, President of the National Research Council; Mr. F. R. Charles, General Counsel to the National Research Council; Mr. F. A. Milligan, Assistant Secretary to the Cabinet, of the Privy Council office, and Dr. F. A. Forward, Director, Science Secretariat.

In regard to those clauses which I have mentioned, certain amendments were suggested, emanating from the minister and the Privy Council. Dr. Ballard requested time for further study of the amendments.

I suggest we should now deal with the proposed amendments to Bill C-150; and then, because we have also on our agenda consideration of the Estimates for 1966-67, Dr. Forward and Dr. Ballard would be ready to answer any questions which members may wish to ask in regard to expenditures proposed in relation to either the Science Council or the National Research Council.

Hon. SENATORS: Agreed.

The CHAIRMAN: Dr. Ballard, would you like to speak to clause 3 of Bill C-150 and to the particular amendment now suggested? In doing so, you might wish to include the other amendments, which relate to clauses 4, 9, 10 and 11.

Dr. B. G. Ballard, President, National Research Council: Thank you, Mr. Chairman. Honourable senators, since the last meeting of the committee I have had an opportunity to discuss this matter with Mr. Drury, the minister to whom I report. In the light of the information I received at that time, I am content with the changes in all these clauses.

The CHAIRMAN: Thank you, Dr. Ballard. Honourable senators, you have before you the proposed changes. In clause 3, there is added a definition of the word "minister":

> (*e*) "Minister" means such member of the Queen's Privy Council for Canada as may be designated by the Governor in Council to act as the Minister for the purposes of this Act;

Is there any discussion on that first amendment?

Hon. SENATORS: Carried.

The CHAIRMAN: The clause, as amended, is carried. The next amendment is in clause 4. I think that all these amendments are consequential upon one of them being adopted. Under this amendment, clause 4 is struck out and there is substituted a new section 3 which is the same as in Bill C-150:

> There shall be a Council to be called the National Research Council of Canada.

Then a new clause 4 is proposed:

> 4. There shall be a committee of Ministers to be called the Committee of the Privy Council on Scientific and Industrial Research, consisting of a Chairman to be nominated by the Governor in Council, the Minister, and such number of other members of the Queen's Privy Council for Canada as the Governor in Council may determine, to be nominated by the Governor in Council.

Senator McCUTCHEON: Is there any reason why the chairman of the committee is not the minister?

Dr. BALLARD: I discussed this with Mr. Drury. I believe the intention is to give the Prime Minister a greater degree of flexibility in appointing these officials.

The CHAIRMAN: Is it right for me to add, Dr. Ballard, that there will be different and separate spending bodies, each under a separate minister, and it may be desirable to have this flexibility in order that the minister may not be also the minister in charge of the Science Council?

Dr. BALLARD: I believe this is essentially the purpose.

Senator McCUTCHEON: Thank you.

The CHAIRMAN: Shall clause 4, as amended, carry?

Hon. SENATORS: Carried.

The CHAIRMAN: It is carried. Clause 9 brings in the word "minister" again. Paragraphs (*f*) and (*g*) of section 13 of the act are repealed and the following substituted therefor:

> (*f*) with the approval of the Minister, to appoint such scientific, technical and other officers. . .
>
> (*fa*) to authorize the President or any other officer of the Council to appoint persons to perform duties of a temporary nature for a period not exceeding six months;

Senator McCUTCHEON: That is in the present bill.

The CHAIRMAN: I think the change again is just bringing in the name of "the minister". Is that right?

Dr. BALLARD: Yes.

The CHAIRMAN: Shall clause 9, as amended, carry?

Hon. SENATORS: Carried.

The CHAIRMAN: It is carried. Clause 10 strikes out the word "chairman" and substitutes the word "minister". Instead of it reading that the chairman may authorize the president, it will read that the minister may authorize the president. Shall clause 10, as amended, carry?

Hon. SENATORS: Carried.

The CHAIRMAN: It is carried. In clause 11 the same change takes place. The word "chairman" is altered to the word "minister", in lines 14 and 15. Shall clause 11, as amended, carry?

Hon. SENATORS: Carried.

The CHAIRMAN: It is carried. Shall the title carry?

Hon. SENATORS: Carried.

The CHAIRMAN: It is carried. Shall I report the bill with the amendments?

Hon. SENATORS: Agreed.

The CHAIRMAN: It is agreed. Honourable senators, this disposes of Bill C-150.

As I said at the outset, we have the responsibility to consider the expenditures of whatever departments of Government we bring before us. In this case, the representatives of the National Research Council and the new proposed Science Council are here to answer any questions with regard to their general operations or the moneys they are responsible for spending.

I understand Dr. Ballard would like to make a statement regarding his evidence last week, so I might ask him to volunteer something on the subject.

Dr. BALLARD: At the last meeting Senator Thorvaldson raised a question about laboratories on the campus of the University of Manitoba. I am afraid that nature shortchanged me in hearing and I did not catch the whole question, so my answer was not complete. He asked specifically if that campus laboratory was owned by the National Research Council. The answer is no, we have no laboratories of that kind on the campus at the University of Manitoba. As a matter of fact, there are but two universities in Canada at which we have laboratories of our own, namely, the Universities of Saskatchewan and Dalhousie.

The CHAIRMAN: Dr. Ballard, you volunteered a statement last week on the activities of the Research Council. Is there anything you wish to add?

Dr. BALLARD: I feel that I took an inordinate time at the last meeting to talk about the council. I hope that I managed to convey to you clearly the sort of work we attempted to cover. Perhaps I might elaborate a little on it. As I mentioned the last time, we are spending more money on university science than we are spending in our own laboratories. University science is growing very rapidly, and it is essential that it should. In our own laboratories we spend a much greater proportion of the money in applied rather than fundamental research. We have three divisions engaged on fundamental research, and this I believe to be a reasonable balance. The divisions on fundamental research have been very helpful in assisting the universities.

In applied research we deal with many of the problems with which not only the government but also industry is concerned. I am convinced we have been of very great assistance to Canadian industry in providing not only information but ideas, and some of our developments have gone into Canadian industry, but not as many as we would like, however. We had one tragic circumstance where we were unable to persuade Canadian industry to undertake the manufacture of a device; the feeling was that it would be too expensive to develop into a production state. Well, unfortunately from our point of view, a firm in Italy undertook to develop this and was very successful, and in my opinion that firm was in no better position to undertake the development than several of our Canadian firms. They managed to finance it by getting a development contract from the United States and it is now in production.

The research council is doing very well because we are receiving royalties, but this is not adequate. We should be developing the whole instrument in Canada.

We have a subsidiary to the council, Canadian Patents and Development Limited, which undertakes to do that. We are not always successful, but in the main we have managed to persuade Canadian industry to take on a number of projects which they otherwise might not. We are using some of the income from that company to enter into development contracts with Canadian industry to assist in this particular field.

I think, Mr. Chairman, it might be better if questions were asked than that I should attempt to anticipate what might interest honourable senators. I think at the last meeting I said we would be very happy if the members of this committee would visit the establishment of the research council to get an idea of what is really going on there. It is very difficult to convey a picture of our whole operation because we are engaged in a very broad range of activity which is necessary if we are going to serve the broad range of Canadian industry and science. We would certainly welcome a visit from the members of this committee to the laboratory at their convenience. However, I would like to warn you that you cannot see the whole laboratory in half a day, or a day, or even in three days, but we would hope to show you some of the more interesting parts in the course of half a day. If you could not spend that amount of time, we could show you less in a matter of one or two hours.

Senator PEARSON: Could we get an idea of what developments are taking place, what particular research work is being done, and what you are working on?

Dr. BALLARD: It would take some considerable time to outline what we are doing now, but I will try to give some of the highlights. We have a large aeronautical establishment which is assisting Canadian industry in developing various devices. Perhaps one of the more significant recently—and it is easier to talk about what we have completed than what we are entering into—has been the crash position indicator of which you may have heard. This is a development of the council. It is now being sold by Canadian industry to the United States and it is an inventory item of the United States Air Force. This will bring in several million dollars a year. If a plane crashes or has serious trouble it automatically ejects a small radio set which flutters to the ground or to the water like a leaf and automatically begins to transmit radio signals so that search craft can home on this. Already this has been successful in making at least one spectacular rescue.

We have developed a number of instruments, one of which is a surgical device for suturing blood vessels. We think that this will have extensive use, although I am not convinced that we are going to make much money out of it or that Canada will. The medical profession has used this and is quite enthusiastic about it. It is a unit whereby you can fasten together a severed blood vessel in the course of a very few moments.

We have engaged rather actively in quite a broad range of associated medical research—not direct medical research. We have developed pacers which control heartbeat, and more recently we believe we can embed in the human body a system to maintain the human heartbeat. Also we have engaged in experimental work on blood coolers to enable a surgeon to divert the blood flow through a cooling device and thereby cool the brain while maintaining the remainder of the body at normal temperature. This enables the surgeon to operate on the brain for an extended period. There have been two applications of this recently, but only in desperate cases. The first patient died but there had been little hope in any event. The second has been more successful, and while it is too early to say definitely how effective it will be, nevertheless it looks promising.

The CHAIRMAN: Senator Pearson is particularly interested in agriculture and perhaps he would like to know what developments have been made in that field.

Dr. BALLARD: I should say there is an agreement between us and the Department of Agriculture whereby we do not engage in agricultural research per se, but we are engaged in two aspects of it. The first is the commercial development of agricultural produce, and also in the improvement of transport of agricultural produce and its preservation. We have in our division of bioscience engaged in this for a number of years, developing freight cars to carry perishable products, and this has been quite successful. The effort has been directed not only to freight cars but also to trucks which are becoming more prominent.

Senator BURCHILL: You said this was by agreement with the Department of Agriculture. Don't they wish you to do agricultural research?

Dr. BALLARD: Only if we have better ideas than the Department of Agriculture, and I think it would be wrong to have all of us attempting to cover too much ground. We have difficulty enough as it is to do all the things we would like to do without invading those areas which are already being handled very well, I think, by other organizations. We have steadfastly adhered to this policy and we still think it is a sound one.

Getting back to agricultural products again, one other area in which I think we have achieved some success is in the use of rapeseed and extracting rapeseed oil which is used for cooking oils, dressings and oil for use in margarine, shortening, and so on. It is grown mainly in Saskatchewan and Alberta, with a smaller amount produced in Manitoba. I think this has given that agricultural area—I do not mean the geographic area but this phase of agriculture—a decided lift. These are the main points on which we assist agriculture. We try to keep out of agriculture directly, but we do assist in the finished product.

Senator MCCUTCHEON: You have been engaged, I understand, in some recent work on the radiation of food products for the purpose of preservation?

Dr. BALLARD: Yes, this is so. We have just started a radiation biology laboratory—or a radiation biology division, really, and I am expecting this will develop rather extensively, but certainly that is one aspect of it, the preservation of food by radiation.

I could just give you a brief review of some of the work being done on food preservation. Methods of maintaining lower and more uniform temperatures for frozen poultry, and other frozen foods, during transportation have been studied, and we have developed an almost unique system of cooling in Canada, and it is now being used in the United States. The effect of various processing procedures on the quality of refrigerated poultry has been studied, and a biochemical method for estimating the quality of cooked poultry following processing has been developed. The scientific method for quality assessment of foods has been developed, and our Bioscience Division is completing research on a method for the production of citric acid, used mainly by the soft drink industry, from either beet or cane molasses. I could develop this, but I think it would take an inordinate amount of time to mention each one in detail.

We have assisted the railways in various ways. Among others, we have devised means of using our Canadian crude oil instead of the more refined diesel oil in Canadian locomotives. This has saved the railways a matter of several millions of dollars each year.

In the building field our Division of Building Research has been very active in solving several problems with which the industry is confronted and in

promoting new methods of construction and better time studies of constructing work. Several of the problems that have beset the industry recently, particularly with the advent of new types of construction, have been investigated. One of these is condensation, which has been with us for a long time in practically all homes in one way or the other. But the newer high rise buildings have had particular difficulties. There was an important case in the City of Ottawa. Our Art Gallery developed relatively serious trouble through moisture condensation. The result of this was the gradual build-up of ice formations which forced some of the stonework out of place. A photograph of this indicated a very serious situation. It was not merely causing a small displacement; it was shifting the whole upper layer of stonework.

In fire research for building we have done a great deal of work. We have devised ways of increasing the fire resistance of buildings. I do not suppose that it is ever possible to make a building completely fireproof at a reasonable cost. We have to accept our natural materials and use those which are economical, but we can provide better means of protecting people. So we endeavour to delay the expansion of the fire long enough to enable people to evacuate to safety.

We do a great deal of work on concrete, for example, the aggregates used in concrete in different parts of the country. We have made studies of the snow loads on roofs and the types of construction which should be avoided.

We have in our electrical engineering establishment a number of people working on quite a variety of problems, some on high voltage research. We do this to a very limited extent, but nevertheless some of our work has been quite significant in high voltage transmission. In particular, we have pioneered in Canada studies on high voltage direct current transmission, which may very well come into being if the Hamilton Falls site is developed because direct current transmission lends itself to the transmission of large blocks of power over long distance with no intermediate taps. If this condition exists, then high voltage direct current becomes more economical than high voltage alternating current.

We are very active in the field of instrumentation. Our laboratories, are responsible for the physical standards of measurement in Canada, and we maintain a primary standard of weight, length, the volt, the ampere and the ohm. In doing this we have developed a number of instruments which have world-wide application. One small firm outside of Ottawa really lives on the developments that emerge from the National Research Council, an they have an extensive export trade of the high precision instruments that have been developed in our laboratories.

Senator RATTENBURY: Was the council responsible for the critical curve method in construction?

Dr. BALLARD: Well, I am afraid you are over my head on this particular one I cannot answer that.

Senator MOLSON: Mr. Chairman, in connection with the division between the funds expended through the universities and directly, I noticed last week you were talking about upper atmosphere research. Is the Churchill rocket endeavour being carried on through a university or is that direct?

Dr. BALLARD: It is both. We operate the range, but we make that facility available to the universities. We not only operate the range, but we provide the rockets. The universities then mount their experiments onboard those rockets. We fire them and collect the information relayed by radio, and that is then processed for the next several months.

Senator MOLSON: Which universities are engaged in that?

Dr. BALLARD: The University of Saskatchewan is probably the most actively engaged university, but there are others, such as the University of Toronto and Western University. I believe the University of Manitoba has some experiments going on.

Senator MOLSON: And you make the rockets, did you say?

Dr. BALLARD: No, we do not make the rockets. We buy them.

Senator MOLSON: Whom do you buy them from?

Dr. BALLARD: From Bristol in Manitoba.

Senator BENIDICKSON: In Winnipeg.

Dr. BALLARD: Yes, in Winnipeg.

Senator MOLSON: What has been the cost of that to date to the N.R.C.?

Dr. BALLARD: I cannot tell you precisely, but it is a matter of $3 million or $4 million annually. It is of that order. Mind you, the Churchill Range is quite an expensive undertaking because we have to provide all the radio equipment entirely aside from the launching platform. We have to provide facilities for recovering the rocket if it falls on land, and for recovering any instrumentation that is intended to be recovered.

Senator MOLSON: For how many years have you been doing this?

Dr. BALLARD: This is the first year. I should explain that this has been in operation for a number of years, and the operation was conducted by the United States. About two years ago they said they would like to have Canada take this operation over, but they still use it quite extensively and they pay proportionally. They are now paying roughly half the cost of the operation of the range. The extent of their payment is based on the extent to which they use the range. So, we are quite new in the actual responsibility of operating the range.

The CHAIRMAN: To keep the questioning orderly I will say that Senator Grosart is next, and he will be followed by Senator Yuzyk, Senator Isnor, and then Senator Benidickson. Has any other senator any questions? Have you, Senator McCutcheon?

Senator MCCUTCHEON: Yes.

The CHAIRMAN: Senator Grosart?

Senator GROSART: Dr. Ballard, how many of your patents are under licence to industry and business? As a related question to that I will ask you how you communicate the availability of your patents to business, and particularly to small business?

Dr. BALLARD: May I answer your second question first, and then refer your first question to Mr. Charles, who is our legal adviser and who is with Canadian Patents and Development Limited. This matter of communication has not been easy. We did provide what we call a patent handbook in which we listed all of the patents which we held. We tried to get that into the hands of industry so that they could use the inventions if they pleased. This is not a very effective way of selling our services, so we do make direct approaches to industry where we feel we have an especially useful device. We approach a broad range of industry which we think will be interested in such a device.

This, by the way, was true of the plotting device. I do not know whether I identified it as such, but we developed a plotting device which is now manufactured in Italy, and from which we derive royalties. We approached all of the appropriate Canadian industry we could find, and tried to persuade them to take this project on, but they did not.

We advertise. I think the *Financial Post* very often lists quite a few of our newer developments. We have displays at various exhibitions showing the instruments that we develop, and we hope some industry will exploit them. This is the means by which we attempt to acquaint industry with what is available.

Perhaps Mr. Charles can give you the information you sought in your first question.

F. R. Charles, General Counsel, National Research Council: Canadian Patents and Development Limited has approximately 150 patent licences. Some of those licence agreements would cover four or five patent applications. We have received since April 1, 1960, 250 patents for licensing. We have licensed 60 of them, or about 25 per cent, since 1960. Thirty-two of these patents were received from the National Research Council. Other Government departments provided 7. The Department of National Defence provided 16, and A.E.C.L. provided 5.

Senator GROSART: Are most of the licences to Canadian firms?

Mr. CHARLES: Of our income from this source Canadian licencees provided 46 per cent, United States licencees 27 per cent, and all other licencees 27 per cent.

The CHAIRMAN: Does that answer your question, Senator Grosart?

SENATOR GROSART: Yes, thank you.

DR. BALLARD: Could I say something more with respect to our method of approaching Canadian industry. Sometimes we do not have to do this, and a recent example is Myxin. Industry is very much aware of this development. It is a most attractive proposition. They are coming to us; we do not have to persuade them to consider it. This is another example of the sort of thing that happens from time to time.

The CHAIRMAN: Senator Yuzyk?

SENATOR YUZYK: Dr. Ballard, would you give us an indication of the direction of research into the uses and application of atomic energy? I am making that question very broad.

DR. BALLARD: This is an area in which we do not really venture. We leave this to Atomic Energy of Canada. I am sure that the Department of Agriculture and also the food and drug people are pursuing this in a different area, but we are not at the moment in this particular field.

SENATOR YUZYK: Are you involved in any way with atomic energy?

DR. BALLARD: We are involved very deeply with the universities in respect to it. We provide a rather large slice of our money for university research, to those laboratories which are engaged on nuclear research. The reason for this is that nuclear research is very expensive, and it is becoming more and more sophisticated. Extremely expensive equipment is necessary. It is really like artillery. You have to hit the molecule or the nucleus with a bit of a shell—a very tiny one, admittedly—and to get the effects you want you have to put in more and more gun powder.

SENATOR YUZYK: I was thinking along the lines of industrial use of atomic energy. Probably the new board will be dealing with such matters.

DR. BALLARD: They may very well, but I do suggest that in Canada we have two bodies—perhaps three—that are especially interested in this phase of work. Atomic Energy of Canada is interested in it, and they are busy selling power plants where they can. They do not build them. In the main, General Electric builds them, but Atomic Energy of Canada is very active in promoting the sale.

Then, there is another firm with headquarters in Ottawa which sells tracer products, which is really promoting the use of nuclear science. This is something that I am sure will go much further.

The CHAIRMAN: Senator Isnor?

SENATOR ISNOR: Dr. Ballard, you mentioned in the earlier portion of your remarks that you could not get any Canadian firm to undertake work in connection with your research on a certain product, and you said that a firm in Italy undertook it.

DR. BALLARD: Yes.

SENATOR ISNOR: I am interested in knowing to what extent Canada benefits financially or otherwise from that Italian firm's undertaking this work which Canadian firms would not.

Dr. BALLARD: Of course, the benefits we receive are in the form of royalties from that firm. Could you give us a figure on that, Mr. Charles?

MR. CHARLES: It is approximately $100,000 to date.

Dr. BALLARD: Each year?

MR. CHARLES: No, to date.

DR. BALLARD: That is, so far?

MR. CHARLES: Yes.

DR. BALLARD: It is only about $100,000 so far. That is surprising.

Senator ISNOR: So it is only royalties in the amount of $100,000 that Canadian manufacturers passed over?

Mr. CHARLES: Yes.

The CHAIRMAN: Does that answer your question, Senator Isnor?

Senator ISNOR: Yes.

The CHAIRMAN: Senator Benidickson?

Senator BENIDICKSON: I came in late Dr. Ballard, so I am not aware of what you said earlier. Research is so important that it was decided not long ago to put it under the control of the Prime Minister. I want to know how the Research Council is getting along with the Secretariat for research in the Prime Minister's office.

The CHAIRMAN: Senator Benidickson, Dr. Forward is present. You came in a little late, and perhaps did not hear what occurred before.

Senator BENIDICKSON: It was dealt with, Mr. Chairman?

The CHAIRMAN: No, it was not.

Senator BENIDICKSON: This is the last committee, Mr. Chairman, and we do not want duplication after the Glassco Report, that is all.

The CHAIRMAN: I think that either Dr. Ballard or Dr. Forward will answer your question.

Dr. BALLARD: I think it would be more appropriate if Dr. Forward would do so.

The CHAIRMAN: Would you care to answer the question, Dr. Forward?

Dr. F. A. Forward, Director, Science Secretariat of the Privy Council: Is your question, Senator Benidickson, whether the National Research Council is getting along with the Secretariat?

Senator BENIDICKSON: Or if there is duplication of activity.

Dr. FORWARD: There will not be any duplication of activity at all between the Science Council and the Research Council. The Research Council is doing some marvellous things for the country and it is administering the grants for universities.

The Science Council will have substantially no budget, and will only have money to pay the expenses of members at meetings. It will not be making any grants or carrying out research. Its purpose will simply be to try to examine the broad aspects of research in Canada and see where we should be going and what our patterns should be for the next five to ten years. But the Science Council itself will not be doing scientific research in the usual sense. It will make studies, act as consultants.

The Secretariat has been mentioned. The Secretariat will assist the Science Council and conduct the studies it requests in such areas as: what should be done about transportation and where we should be spending our money over the next ten to twenty years, particularly the next ten years, on science in Canada—providing this information not only for the Government, but for industry and the people of Canada to develop their own plans. So there is not any real conflict or overlapping between the Science Council and National Research Council. The Science Council is concerned with broad policy, guidelines for the development of objectives.

Senator BENIDICKSON: Then, Mr. Chairman, may I ask Dr. Ballard if he can confirm harmony in these objectives?

Dr. BALLARD: Mr. Chairman, I foresee no problem in this respect. It seems to me that the responsibility of the two bodies is quite carefully delineated. I expect that the Research Council would be guided by the reports which will emerge from the Science Council.

However, I do not anticipate that the Science Council will direct the Research Council to do anything. It is really, I think, an advisory body, providing the Government with data, statistics and suggestions as to the general areas into which science should be directed. That is the general concept, and I would think that the chances of any serious conflict are almost negligible.

Senaor BURCHILL: Then their functions are largely advisory, are they not?

Dr. BALLARD: The functions of the Science Council, yes.

Senator BURCHILL: They will not make recommendations?

Dr. BALLARD: They will make recommendations and issue reports.

Senator BURCHILL: But you do not have to follow the recommendations?

Dr. BALLARD: It is my understanding and I cannot speak for the future, that we would be included by them but not necessarily required to follow those recommendations.

Senator BENIDICKSON: That was the reason for my question.

The CHAIRMAN: Thank you, Senator Benidickson. Senator McCutcheon?

Senator MCCUTCHEON: Dr. Ballard, do you support, or have you supported in the past, the high altitude research project of McGill University in the Barbados?

Dr. BALLARD: I think the answer to that question has got to be no, although it is possible that we have given some minor support. However, I did discuss this at the earlier meeting, and I presume that you were not present.

Senator MCCUTCHEON: No I am sorry I was not.

Dr. BALLARD: Perhaps I could review briefly. McGill University embarked on the HARP project a matter of about two or three or more years ago. I do not know where the initial funding came from, but we were not approached until quite late in the development, and actually I believe we were approached at a time when they began to get into a bit of trouble financially.

Senator MCCUTCHEON: Those are the kind of people that are approaching.

Dr. BALLARD: In any event, this approach to us came in March when they asked for a sizeable amount of money—200,000, or thereabouts.

Senator MCCUTCHEON: In March of what year?

Dr. BALLARD: This would be three years ago, I think. Our deadline for receiving applications was in January, and by the time this request came in it was only about a week before the final distribution of funds was made. In the meantime we had examined the whole series of applications very carefully, so that the money had been, on paper, distributed by this time, and we simply could not, in the course of a week, reorganize this whole matter to accommodate an extra request for $200,000. By the time we allocate our money the amount left over is in the neighbourhood of a few thousands of dollars, not hundreds of thousands. Therefore, there was no hope at the time of supporting them. We had to reject that, because we just did not have money available without completely upsetting the whole year's allocation.

Following that, I do not recall that there was any further request from them for this major type of grant. However, there were from time to time applications from individuals to use the HARP facility to do upper atmosphere research. I am sorry that I cannot tell you to what extent those were accepted or rejected. I know some were rejected, and I would guess that some had also been accepted.

Senator MCCUTCHEON: This would be for study by particular individuals?

Dr. BALLARD: Yes.

Senator MCCUTCHEON: Relatively small grants?

Dr. BALLARD: It is not always a very small grant. May I say that the National Research Council has used this facility in some of its work.

We have happy collaboration between the McGill authorities and ourselves, but I think I should emphasize that any dispute that arose was not with Research Council. The department that was supporting it, I believe, was Defence Production. However, we were unable to support the proposal when they first presented it to us.

Senator McCUTCHEON: That is, the support came from Defence Production?

Dr. BALLARD: Yes.

Senator McCUTCHEON: Could you add anything to this, Dr. Forward? Is the project being supported this year, or would you recommend that it be supported?

Dr. FORWARD: I understand it is being supported to the extent of $1½ million being put into that project—again by the Department of Defence Production.

Senator McCUTCHEON: Is there any terminal date?

Dr. FORWARD: My recollection is that it was indicated that this support would be provided for this year only without any indication that further support would be provided in another year. This is largely hearsay on my part.

Senator McCUTCHEON: Where then does a project go for support, to the Americans?

Dr. FORWARD: It was indicated at a meeting with the McGill people that they could get complete support from outside sources within about a year. I believe the President of McGill felt this was perhaps optimistic, but the suggestion on the part of the people operating it was that they hoped they could get full support from outside sources within a year. That is all I know. Any details of the support or the arrangements made, is simply hearsay.

Senator McCUTCHEON: The Americans are giving it very large support. It seems a little unfortunate that we now should turn the whole project over to the Americans.

Dr. BALLARD: I would like to amplify Dr. Forward's remarks briefly. McGill did state that by the end of the year they felt this project would be self-supporting in that they could obtain contracts from various organizations to carry the particular pay load that the organization wanted to launch in the upper atmosphere. This remains to be seen. Nevertheless the Government, not the National Research Council, has agreed to continue the support for a year. In the meantime, they have set up a Government committee to follow the development, and the Research Council is represented on that committee.

Senator McCUTCHEON: So there is a committee looking into it now? A committee has been set up to look into it?

Dr. BALLARD: A committee has been set up. I have been asked by Mr. Drury to name a man from the National Research Council, and this has been done.

Senator McCUTCHEON: Thank you.

Dr. FORWARD: This is really a steering committee. I do not think it is a committee to study the future. It is a committee to supervise the actual expenditure of the money, not a committee to look into future plans.

Senator McCUTCHEON: It is not a committee to look into the future but is supervising expenditures for this year?

Dr. FORWARD: Yes.

Senator ISNOR: Nova Scotia has a large coast line composed of fishing villages, harbours, and so on. In your last report you stated that you had undertaken certain work at Dingwall Harbour, to assist fishermen and fishing boats using that harbour. Would you enlarge on that, for the benefit of other sections of Nova Scotia, as to what was done, whether a line of dredging is being undertaken in a manner different from that which they were in the habit of using?

Dr. BALLARD: It is rather more than a matter of dredging, it is a matter of providing breakwaters and adjusting contours so that the place does not silt in again. This is what we have endeavoured to do and I think we have been successful. I have not seen this installation myself but my people report to me that, in their view, this is going to be successful and that resilting problems will not continue.

Senator ISNOR: Is the Public Works Department using your method now?

Dr. BALLARD: We do not do any of this work directly, we just give advice. As far as I know, the Department of Public Works is.

Senator McCUTCHEON: Dr. Ballard estimated the cost of operating the Churchill upper altitude range at $3 million to $4 million a year. Could he give us a considered guess as to the total amount that has been spent, capital and current expenditures, on that project since it commenced?

Dr. BALLARD: Any estimate of mine right now would be a rather doubtful one. I should explain that the initial capital expenditure was American and this was something we really got free. When the control was transferred to Canada, America transferred that capital equipment. Therefore, I really do not have a complete cost, capitalwise, but it cost Canada very little indeed. From now on, it will cost Canada and the United States jointly, money to keep the range up to date. It is necessary to constantly put in new equipment to cope with the new problems that arise.

Senator McCUTCHON: So the $3 million to $4 million that you estimated was the Canadian share?

Dr. BALLARD: Yes, that was the Canadian share.

Senator MOLSON: Is that the range only, or is that the amount expended by the N.R.C. on upper atmosphere research?

Dr. BALLARD: This is the amount expended by the N.R.C., but this pretty nearly is responsible for all of the Canadian work. It does not cover the work done by the United States. They pay for their share.

Senator MOLSON: Does it include the cost of rockets, for example?

Dr. BALLARD: Yes, we provide the rockets and we also pay for most of the university work that goes into those rockets, because this comes out of our grants in aid to the university.

The CHAIRMAN: Would it be in order to suggest that Dr. Ballard write me a letter amplifying the answers to these questions on the Churchill range so that we can have the information at our next meeting? Would you like to have that, or are the answers sufficient?

Senator McCUTCHEON: I would like that special letter, Mr. Chairman.

The CHAIRMAN: Will you do that, Dr. Ballard?

DR. BALLARD: Yes.

The CHAIRMAN: Dr. Ballard will do that and we will have it for our next meeting.

SENATOR YUZYK: Does the National Research Council engage in any way with medical research? I read a few weeks ago about something done by two persons named Mirkovitch, a father and son team coming out with a discovery to cure cancer. I think there was some reference to a grant from the N.R.C. Is the N.R.C. involved in medical research?

DR. BALLARD: The answer to this has got to be yes, but I should explain that there is really a subsidiary to the N.R.C., called the Medical Research Council. It hopes to be a separate institution, but at the moment it is part of the N.R.C. While it has not always been called the National Medical Council it is operating in a rather independent manner, with its own rules regarding awards. They have no laboratories of their own but they support research across Canada.

SENATOR YUZYK: Did the Mirkovich team receive any assistance at all? I think they are from Toronto. There was a father and son concerned.

DR. BALLARD: The Medical Research Council, or the old Medical Committee, is relatively independent and we have not attempted to exercise control over it. We provide a budget and they operate within it. I cannot answer the question but could get the information if you are interested.

Senator YUZYK: I would appreciate receiving it and I think it would interest all of us to know how much the N.R.C. has done to assist in this work.

The CHAIRMAN: Dr. Ballard will write me and a copy of his letter will go to you.

Senator BENIDICKSON: On the information that the medical Research Council has become to an extent independent, does this mean that it will be a new item in, say, the Estimates in the Blue Book with which we are concerned?

Dr. BALLARD: The answer is yes, when they become a separate body, but for the present the Medical Research Council estimates are included with the National Research Council estimates.

Senator KINLEY: Were you responsible for the cobalt bomb?

Dr. BALLARD: No, this was a development of Atomic Energy of Canada.

Senator KINLEY: At the rural exhibition at Seattle, I thought I saw the cobalt bomb given as a Canadian project. Who invented it?

Dr. BALLARD: I believe this was really an invention of Atomic Energy of Canada Limited. I do not know whether you could call it an invention. It is well-known that you can expose any material to radiation and very often this will then re-radiate. Portions of the nucleus are put in motion and they remain active for a characteristic interval. It ultimately dies out. These materials have what is known as "half life"; they may have a half life of 20 minutes or one year and it means that at the end of that time the intensity of its radiation has dropped to one-half of the initial value. This particular bomb is just one more example of what can be done with radiation, and it happens to be a particularly useful and convenient bomb.

Senator KINLEY: Do you retain consulting engineers in the provinces who can advise firms in the provinces?

Dr. BALLARD: Well, Senator Kinley, I hope I have your question correctly—

Senator KINLEY: Do you have resident in the provinces consulting engineers to assist and advise industry?

Dr. BALLARD: I think we would have to say yes to that, although we do not like to call them consulting engineers. We do have a number of people in the provinces who are really, we hope, expert in business management and production.

Senator KINLEY: They would be very helpful in Halifax.

Dr. BALLARD: We have an office there and it assists industry to improve their operation. That same office operates a regular service to answer questions that industry may ask entirely aside from matters affecting the management of their firms. They may have some technical problems; it may be that their product has a contaminant, and they do not know how to get rid of it, and so they approach our local office and hope to get an answer from them. They have frequently been very successful in this. If the local office cannot provide the answer then they refer the question to headquarters. These offices are operated through the provinces. Although we pay the men involved. If the province has a research council of its own or some provincial body, as they have in Ontario, Manitoba, Alberta, British Columbia and Nova Scotia, our service will operate through that provincial council. We usually have a man located in the office of the provincial council, and sometimes more than one.

Senator KINLEY: Do people know that this service is available?

Dr. BALLARD: At the moment we have rather a problem in this matter. The people we have are fully occupied and any further advertising would mean we would be inundated, and while that would be a good thing in itself, at the present time we are not able to expand to keep up with these problems.

The CHAIRMAN: Any further questions for Dr. Ballard or Dr. Forward? If there are no further questions I want to thank Dr. Ballard, Mr. Charles and Dr. Forward for their kindness in being with us today. I want to thank Dr. Ballard also for his invitation to visit the National Research Council. It is something that I know many members of the committee would very much like to do if we can get the time away from our other duties in the Senate. I have asked the steering committee to stay after this meeting adjourns. I suggest that we adjourn now to the call of the Chair.

The committee adjourned.

First Session—Twenty-seventh Parliament

1966

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

No. 9

Fourth Proceedings on The Estimates

laid before Parliament for the fiscal year ending 31st March, 1967.

THURSDAY, JUNE 9th, 1966

WITNESS:

Treasury Board: Dr. Geo. F. Davidson, Secretary.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

First Session—Twenty-seventh Parliament
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23900—1

THE STANDING COMMITTEE ON FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Burchill
Choquette
Connolly (*Halifax North*)
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
MacKenzie
McCutcheon
McKeen
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Thorvaldson
Vaillancourt
Vien
Welch
Yuzyk—(48)

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

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 24, 1966:

"The Honourable Senator Leonard moved, seconded by the Honourable Senator Farris:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, in advance of the Bills based on the said Estimates reaching the Senate; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative."

23900—1½

MINUTES OF PROCEEDINGS

THURSDAY, June 9th, 1966.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11. a.m.

Present: The Honourable Senators: Leonard (*Chairman*), Aird, Aseltine, Beaubien (*Bedford*), Belisle, Burchill, Croll, Flynn, Gelinas, Gershaw, Grosart, Haig, Hnatyshyn, Isnor, Kinley, MacKenzie, McCutcheon, Molson, Pouliot, Savoie, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt and Yuzyk. (24)

The Estimates laid before Parliament for the fiscal year ending March 31st, 1967, were further examined.

The following witness was heard:

Treasury Board:

Dr. George F. Davidson, Secretary.

At 12.30 p.m. the Committee adjourned until Thursday, June 16th, at 10.00 a.m. in Room 356-S.

Attest.

Frank A. Jackson,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Thursday, June 9, 1966

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, met this day at 11 a.m.

Senator T. D'ARCY LEONARD in the Chair.

The CHAIRMAN: Honourable senators, it is 11 o'clock and I see a quorum. We will commence.

First of all we have Dr. Davidson again with us, and you will recall that when he was here before he was making a statement of a general character in connection with the Estimates, and at that time we were unable to conclude his evidence and we agreed we would have him back.

Before asking Dr. Davidson to proceed, I should refer to the fact that at our last meeting when Dr. Ballard was a witness certain questions were asked to which he did not have the answers at that time. They were questions asked by Senator McCutcheon with respect to the Churchill Research Range and by Senator Yuzyk with regard to the Mirkovich team. At the meeting Dr. Ballard agreed to get the information and forward it to us. I have a letter from Dr. Ballard dated June 3, copies of which should be before you, and therefore it is not necessary for me to read the letter in full. I might mention that Dr. Ballard refers to the fact that the cost of the Churchill Research Range from July 1, 1965, until the end of the fiscal year, March 31, 1966, including the operation of the range, the cost of rockets, salaries, and awards made to universities, was $2,686,000. And on that basis the proportional cost for a full year would amount to $3,580,000. Then he gives the figures going back to 1960-61 for these expenditures, and he also says that the National Research Council have not made any grant nor have they been requested for a grant for the Mirkovich team. He corrects some information given with respect to the revenue we obtain in connection with the analytical plotter which is being manufactured in Italy. I would suggest that this letter be printed as an appendix to today's proceedings. Is that agreed?

Hon. SENATORS: Agreed.

(For text of letter see Appendix "B")

The CHAIRMAN: Are there any questions with respect to this letter or the subject matter of the letter?

Senator MOLSON: I have a question. In the second paragraph of the letter where he states the expenditures over the years, does this cover the global apparatus of the project? When he refers to university support and the cost of rockets, I don't know whether he is alluding to the cost of operating the range or the cost of the whole project. I assume it is the whole project.

The CHAIRMAN: I think in order to get the answer to that we would have to go back to Dr. Ballard again. I don't think any information we have before us would answer it.

Senator BURCHILL: He used the words "capital and current".

The CHAIRMAN: The jump in expenditure from 1964-65 to the following year seems rather extraordinary. In 1964-65 there was a total of $651,000 and the following year it was $4,843,000. It rather suggests there might not be a complete identity between the items.

Senator MOLSON: You will remember this came up in the discussion on the work being done on the HARP project which McGill has sponsored in the Barbados. In that connection he said the National Research Council did not have any knowledge of the HARP project until a couple of years ago. I don't think the subject was very fully exhausted, because I believe McGill did in fact communicate with the National Research Council in autumn, 1961. I know we assumed Dr. Ballard was not aware of the previous contacts and correspondence.

The CHAIRMAN: Would it be in order for me to call this to the attention of Dr. Ballard and ask if there is any further information which he can give us.

Senator MCCUTCHEON: I think so. I think there was correspondence early in 1962 and probably a communication late in 1961.

The CHAIRMAN: We ought to have the record as clear as we can get it, and if it is acceptable to the committee I shall communicate with Dr. Ballard to call his attention to these questions. Is that agreeable?

Hon. SENATORS: Agreed.

The CHAIRMAN: Does that dispose of this matter of the letter?

Senator MCCUTCHEON: I suppose if necessary Dr. Ballard could give us half an hour of his time and attend again at one of our meetings.

The CHAIRMAN: I am sure he will be glad to do so. As you know, he would like us to go out there and see the facilities. But it does not look as if we will have time to do that.

In connection with Dr. Davidson's evidence, may I suggest we follow our usual procedure and let Dr. Davidson make his statement and we will save our questions until he is through. If those senators who have questions to ask will signal to me I shall make a record of it and then when Dr. Davidson has finished his statement they will have an opportunity to ask the questions.

Dr. George F. Davidson, Secretary of the Treasury Board: Thank you, Mr. Chairman. Honourable senators, may I begin by introducing two of my officers who are with me this morning. On my immediate right is Mr. John G. Glashan, Acting Director of the Estimates and Supply Procedures Division of the Treasury Board. You will best identify him if I say that he is the assistant to Mr. Carl Allen, the director of that division, who has appeared with me before this committee on previous occasions. Mr. Allen is on secondment to the National Research Council on a special assignment related to the introduction of the new financial concepts in the National Research Council organization, and for that reason Mr. Glashan is replacing him as my immediate assistant at the committee meeting this morning.

Mr. James A. Driscoll, further to my right, is the officer in charge within the Treasury Board of the continuing work of the Bureau of Government Organization. This, as you will recall, had as its original purpose the examination of the issues arising from the reports of the Glassco Commission. That was at a time when the Bureau of Government Organization was a separate unit in the Privy Council office established under the ministerial direction of Senator McCutcheon. When the transfer took place to the Treasury Board in 1964, when I became Secretary, the bureau was transferred along with me to the Treasury Board and we have maintained it as a continuing separate unit for the purpose of ensuring that we continue to focus our attention on the implementation of the recommendations of the Glassco Commission which prove to be practicable and acceptable to the Government and capable of being implemented.

That is by way of introduction of my two colleagues, Mr. Chairman.

I would not like to pass, if I may, to the continuation of the evidence which I was giving when I last met with the committee on Thursday, May 5 of this year. You will recall, Mr. Chairman, that in our discussions leading up to that appearance you suggested to me that you would like to have me spend some time in comment and explanatory exposition of the Main Estimates as they have been presented to Parliament for the current fiscal year; and that, following that, you would like to have me pick up where I left off a year ago in my testimony relating to the implementation of the Glassco Commission recommendations and to bring members of the committee up to date in that regard.

We started off at the last meeting of this committee with some introductory presentation of the Estimates material. We got diverted into some more interesting discussion. I do not know, Mr. Chairman, how far you wish me to go back and pick up the discussion relating to the Estimates themselves. I think perhaps I have given you enough by way of an introductory presentation. If it is your wish to go back and have something further to say on the contents of the 1966-67 Estimates in the global sense, I will be glad to do so. Otherwise I would propose to go immediately to the discussion of the work that has continued in the implementation of the Glassco Commission's recommendations; say something about that and then turn the meeting back to you, sir, for the purpose of allowing the honourable senators to pose questions, either on the Estimates that we discussed last time or on the Glassco Commission recommendations. Would it be acceptable if I started off with the Glassco recommendations?

The CHAIRMAN: I think that is agreeable.

Hon. SENATORS: Agreed.

Dr. DAVIDSON: The members of the committee will recall, very briefly, that the first reports of the Royal Commission on Government Organization—the Glassco Commission—appeared in September, 1962, and the last volume appeared in May or June of 1963.

These reports appeared in five volumes. They consist of 24 separate reports dealing with a wide variety of subjects.

The heart of the Glassco Commission's report and recommendations, so far as my own assessment is concerned, is to be found in Volume 1 which deals with some of the broad, overall issues relating to the management and organization of the Government service taken as a whole.

The first volume, you will recall, contains only four reports: a report entitled, "A Plan for Management," which embodies the idea which is now contained in the Government organization bill which is before the Senate having to do with the creation of a new role for the Treasury Board as an entity separate from the Department of Finance under a President of the Treasury Board—an entity that is to be responsible for what you might call the central management function in the organization of the Government as a whole. The second report relates to financial management, and this is one we have paid a good deal of attention to in our appearances before this committee on previous occasions. Volume 3 has to do with personnel management; and Volume 4, "Paperwork and Systems Management."

In other words, these three reports in Volume 1, following on the introductory report, deal with the three ingredients, as I would describe them, of the management process: money, manpower and materiel. As I say, this, in my judgment, at least, is really the heart of the Glassco Commission's work because it relates to the whole range of activities of the Government of Canada and its various departments and agencies.

The succeeding volumes, Volumes 2, 3 and 4, narrow down the focus of the Glassco camera to particular functions or particular departments; and, there-

fore, they have a less broad application in terms of the recommendations that they make across the Government service.

The reports, in Volume 2, for example, consist of studies relating to real property management, the purchasing and supply function, the transportation function within the Government service—not transportation policy affecting the whole of Canada but of people, goods and services within the Government service—telecommunications within the Government service, printing and publishing within the Government service, legal services, and so on.

You will see there is a narrower and more technical content to these reports which appear in Volume 2 and carry on into Volume 3 with studies on economic and statistical services, public information services, education services, health services, and so on.

Finally, in Volume 4 we come down to a number of still more specific studies: one relating to the Canadian Broadcasting Corporation; one to the Department of National Defence; a third to the Department of External Affairs; a fourth study on the whole problem of Northern Affairs and northern administration. This is not a departmental study; it is a study of the problem of the Canadian north and how the Government of Canada should approach its responsibilities in the organizational sense in the Canadian north. Then the last report in Volume 4 is a report on scientific research and development, which deals with the important questions of organization and administration of scientific research in its various aspects as they appear in the Government structure as a whole, both in terms of separate agencies—such as the National Research Council, the Defence Research Board, the Medical Research Council, and so on—and also scientific research contained in the programs of a number of important departments of Government—the Department of Mines and Technical Surveys, the Department of Agriculture, the Department of Health and Welfare, and so on.

That, in summary, is a brief framework—if I may present this again to the members of the committee—of the total scope of the work of the Glassco Commission with respect to Government organization and administration.

Narrowing down the focus of our interest in this committee, I would come back quickly to the two reports which I think are of most direct interest to the members of this committee, and those are the first two.

"A Plan for Management," which I have already referred to, is the report which recommends the separation of the Treasury Board from the Department of Finance, thus creating what is, in effect, a small department of its own under a separate President of the Treasury Board. There are reasons for doing this which the committee can read in the Glassco reports themselves or in the discussions which have taken place in the House of Commons on the bill that has been presented; we can also discuss them here, Mr. Chairman, if it is the wish of the members of the committee that we should do so.

Senator POULIOT: I do not want to interrupt—

The CHAIRMAN: May I apologize for interrupting you, Senator Pouliot, but before you came in the members of the committee decided we should let Dr. Davidson finish his statement and ask questions after. I will put you first on the list for questions.

Senator POULIOT: Thank you.

Dr. DAVIDSON: The second report, the report on Financial Management, is the one which I think would continue to engage the interest of the members of this committee. I have already discussed at some length the work that has been done in previous years on the implementation of the recommendations of the Glassco Commission as contained in the Financial Management report.

To sum up, there are 19 recommendations that are set out formally in that report on which we have received Government approval and concerning which

implementation is proceeding. There are eight of them which either have not yet been approved and implementation work has consequently not commenced, or where the degree to which I could honestly say approval has been given and implementation is proceeding is not sufficient to justify me putting that recommendation before you as approved at this time. I will be glad to explain that to the members as we come to some of the particular items that are involved.

Members of the committee might be interested in knowing that in looking at the total volume of Glassco recommendations taken as a whole I have identified some 291 formal recommendations which are set out in the text, and that I can recognize as formal recommendations; of those we have now received formal Government approval of some 128. This is 28 in addition to the report that I was able to give members of the committee a year ago. So, we are approaching the half-way mark, you might say, numerically, in the sorting out and implementation of the Glassco Commission recommendations. In fact, I would venture to say, Mr. Chairman, that we are well past the half-way mark in a number of important respects.

It is not to be expected that all of the Glassco recommendations will be accepted and implemented. A good many of the ones that I have not listed in my own diary as having been accepted and implemented are being accepted and implemented, in fact, to a substantial degree in the machinery of Government at the present time, but not in such a clear-cut way that one can say without reservation that this particular recommendation carries the formal approval of the Government in its application in all of the agencies and departments of government involved.

We will continue to work on the study and implementation of these recommendations wherever in the judgment of the officials concerned—and the final judgments, of course, are those of the ministers—the recommendations are feasible and practicable, and can be implemented. I will be glad to give the members of the committee details, if it is their wish that I do so, of the additional 25 or 28 recommendations that have been formally announced as approved since I last met with the committee.

Your letter, Mr. Chairman, asking me to appear this morning before the committee invited me to speak, in particular, on those Glassco recommendations which relate to the Estimates. You may recall that one of the recommendations of the Glassco Commission was that the number of votes in the Estimates should be drastically reduced. I have already given testimony on previous occasions to the effect that we have made a good deal of progress in cutting down the number of actual votes which Parliament is asked to deal with. When we started out, following receipt of the first volume of the Glassco Report, the number of votes that required separate parliamentary approval, as they then appeared in the Estimates, was somewhere of the order of 450 or more. That compares, for example, with the pattern in the British House of Commons, where the total volumes of expenditure are larger than ours, and where there are something less than 200 separate vote items in the Estimates. This really boils down to the consensus in Parliament as to how detailed and fragmented the individual items of estimates should be, or to what extent they should be consolidated. We have moved quite a distance in the direction of consolidation in our presentation of the Estimates now. Items of expenditure programs which previously had been the subject of separate vote headings are now combined, in many instances into one vote, and the total number is now down, Mr. Glashan tells me, to something of the order of 200 or 300 vote items in the Estimates.

We get complaints about this from time to time from the members of the House of Commons in debates, and from honourable senators who are worried about the fact that one of the consequences of grouping together under one vote

programs which formerly were in two separate votes, is that it is possible to divert funds from one of the sub-items in the consolidated vote to one of the other-sub items. All I can say in reply to this is that I think we really have to decide one way or the other whether we want the flexibility which comes from consolidating these programs under one vote heading, or whether we want to compartmentalize to a fairly extreme degree, as we have in past years. By having a large number of separate votes you limit very greatly the degree of flexibility in administration because the funds as you know, cannot be transferred from one vote to another.

I would refer you in that connection to some of the comments made by Mr. Henderson, the auditor general, which were to the effect that as a result of grouping together a number of sub-votes into a single vote we are able to transfer funds from one purpose within the vote to another within the same vote, funds that were listed in the details of the printed Estimates as intended for one purpose, but that in the course of the year proved to be not required. Let us say that for a project coming under sub-vote A there are certain funds requested and if they are not needed we can transfer them and thus supply additional funds that are required for other expenditures, let us say, in sub-vote B. This, we think, from the point of view of flexible financial management is a good thing. It is sound and proper provided there is justification for the overruns, and for the under estimates of expenditure. This is something to which the members of the committee may wish to give some attention. In any event, we have moved substantially in the direction recommended by the Glassco Commission which, as I say, did recommend a substantial reduction in the number of separate votes in the Estimates.

We have also done a considerable amount of work, Mr. Chairman, on another important recommendation. This recommendation is to be found at page 111 of the first volume of the abridged edition of the Glassco Commission's Report, where it is stated that the form of the Estimates should be revised so that the votes will more clearly describe the purposes of expenditure, and so that more comparable and complete supporting information will be provided, and unnecessary detail eliminated.

We have had some discussion of this in the past in this committee, and I see Senator Isnor smiling, because he was not too favourably inclined to some of the suggestions that we were thinking of advancing as to a new form of presenting the Estimates.

The point, gentlemen, really is this: According to Glassco—and I must say I agree with the Glassco Commission's recommendations in this regard—the purpose of the presentation of the Estimates is to inform members of Parliament as to what the purposes of the expenditure are. The Estimates do that to a considerable degree, even in their present form. Some of the wordings, I must interject, are so cluttered up with legalistic jargon that they are as incomprehensible to me as they are to you. But, by and large, the vote wordings are intended to inform the members as to the purposes of the expenditure, and do indeed so inform them.

In the detail that is presented in the Estimates with respect to most if not all of these votes there is a presentation which spells out, in what I regard as repetitive detail for each of the votes, salaries, numbers of personnel, and salary levels at different levels. That may be information which, perhaps in a condensed form, would be important and valuable to members of Parliament, and should be continued. But, then we get a long list of what we call the objects of expenditure or the primaries; this includes overtime, professional and special services, travel and removal expenses, freight, express and cartage, postage, telephone and telegrams, publication of reports, advertising and films,

office stationery, supplies and equipment, materials and supplies, repairs and upkeep of equipment, sundries, and so on.

Now, this may be the kind of detail that the members of the two houses want to continue to receive—certainly some parts of it they will continue to want to receive—but it does seem to me, as Glassco says, that it should be possible to devise a more meaningful presentation to the members of both houses that will reveal to them the essential purposes for which the money is being asked of Parliament, rather than describing the requirements in detail under such rather pedestrian and uninformative headings as freight and cartage, postage, and all these other things.

I have said to the members of this committee, and to the members of the Public Accounts Committee, that we are conscious of the need to make certain that any changes that we make in the form and manner of presentation of the Estimates to Parliament carry the support of the members of Parliament. We are certainly going to clear our proposals with our masters, the members of Parliament, and get their assurance that what we are proposing to do does not run counter to their wishes. We are proposing to do that in a very specific way. We are engaged at the present time in dummying up illustrative presentations that will show the members of this committee, and the members of the Public Accounts Committee, how the Estimates of the Department of Northern Affairs, for example, or the National Research Council, or the Department of National Health and Welfare, would look if presented to Parliament in future years on a basis that is consistent with the Glassco Commission's recommendations.

Glassco recommends that the Estimates be presented on the basis of program budgeting, where you make your presentations on the basis of programs and activities rather than on the basis of these primary objects of expenditure. It is in this direction that we are working experimentally.

In this connection we have begun to prepare material which we hope to present to the Public Accounts Committee this month and clear with them as to the general outline of the presentation that we hope members of the Senate and the House of Commons will both accept as being clearer and more expressive of what the real purposes of these expenditures are.

Mr. Glashan has brought with him this morning a dummy version, which I am now showing you by which we are trying to develop estimates presentations for the future, department by department, agency by agency. We would expect, for example, that for the next year or so, as departments begin to convert to this new method of presenting their Estimate requirements, we would probably continue to print the Blue Book essentially as it is at the present time; but at the time that the Estimates are presented to the House of Commons and then referred to the individual committees of the house which are now examining the departmental estimates, departmental officials would appear before these committees with this supplementary material in printed form. That material, displayed in the new manner, would be available to the members of the respective committees.

The discussion in the respective committees on Estimates would centre on the Estimates material for a department set out in the new format. Hopefully, over the period of a year or so of familiarization with this document members of Parliament will come to agree that this is a more desirable method of presentation, and gradually we hope that, in consequence, we will be able to incorporate this new format into the Blue Book of Estimates and dispense with a good deal of the detail in there at the present time that we want to take out, but are not doing so because Senator Isnor has not given his approval.

You will see, as the Glassco Commission recommends, and as the Auditor General has been pointing out both before and after the Glassco recommendations and report, that there is need for more descriptive material and informa-

tion that will give to the members of Parliament in capsule form what the real meaning and purpose is of the programs that you are being asked to vote money for.

The experimental presentations that we are developing start off with a departmental summary on one page, of all that Parliament is being formally and legally requested to vote for supply.

As you know, it is only the vote headings that have to be included in the Appropriation Act. All this detail does not form part of the legal wording of the Appropriation Act which is eventually passed by Parliament. So that we would present on a single page for the Department of Northern Affairs, for example, the actual legal vote wordings, which are the legal control mechanisms, and we would have on a single page a basic description of what the department's function is, how its programs are broken down—and here we come to program budgeting—and then we pass on to later pages of the brochure, to a more detailed explanation, program by program, of the purposes of the funds being requested.

In Northern Affairs, for example, we see here that the department really breaks down into six programs: Departmental administration, which constitutes a program in itself largely because it is concerned with the headquarters administration which supports the other programs from which Northern Affairs exists; the northern program; the program of national battlefields, historic sites and monuments; migratory birds and other wild life; water resources; general research activities.

I should interrupt myself here to point out that this presentation was developed before the government organization of last December came along; since then a number of important changes have taken place in the Department of Northern Affairs which will have to be reflected in the new Estimates presentation. However, we try to establish what are the basic programs for which the department is responsible and then to present the justification for funds required, and the total of the funds required clustered around each program.

Here is the detailed explanation relating to departmental administration—the amounts requested for 1967-68, the amounts approved for 1966-67, the changes, plus or minus, and so on; also the actual expenditure for 1965-66. You get a program explanation, and then the program breaks down in detail on the same page into the special activities which make up the program.

For instance, to the northern program we will give headings which will break down the total program by activities into the component parts: education, welfare, industrial development, engineering, resources development, territorial administration, northern coordination and research. We give details in condensed form of the estimated amounts required by each of these activities within the program. As for the presentation of staff information, instead of listing merely Clerks 3, Clerks 4, Administrative Officers 2 and 3, and so on, according to Civil Service detailed classification, we are proposing to group staff requirements in accordance with the six new categories that have been developed as the basic structure of the Civil Service, namely: executive, scientific and professional, administrative, technical, administrative support, and operational. So there will still be information as to numbers and as to the dollar costs by and under those headings, but it will not show in quite as much detail the specific grades of civil servants as the present Estimates do.

I felt, Mr. Chairman, I should give you simply a glimpse of these proposed changes to indicate what we are trying to do, that is, to develop a format for the presentation of the Estimates to Parliament that will meet the requirements set out by Glassco when he said the form of the Estimates should be revised so that

the votes will more clearly describe the purposes of the expenditure, and more comparable and complete supporting information will be provided, in contrast with previous years, and unnecessary detail eliminated.

We will be presenting this in a double-barrelled fashion so that there will be ample time to ensure that what we finally incorporate into the Blue Book of Estimates will be in accordance with the wishes of members of Parliament.

Perhaps, Mr. Chairman, I should not take too much more time of the committee in my initial presentation. I shall be glad to elaborate further on any point members of Parliament may wish to discuss, but perhaps at this time I should ask you if I have said enough to provide members of the committee with a basis for putting questions.

The CHAIRMAN: I have no doubt that the questions will elicit some further information. You have certainly given us enough to start with. Senator Pouliot was first on my list, but I do not see him present, and therefore Senator Molson has my eye.

Senator MOLSON: Mr. Chairman, I would like to ask Dr. Davidson about the proposed new form we were discussing last year, the question of accrual accounting. I assume that when the changes are being planned and dealt with there will be some trend toward that form of accounting, is that so?

Dr. DAVIDSON: In the manual on financial management which we issued within the past two months we recommended to the departments that they consider the adoption of accrual accounting in those situations where it has some meaning and purpose. I must frankly state that one of the eight recommendations that I had not listed in report No. 2 on financial management as approved and implemented, is the recommendation that says that departments should adopt accrual accounting.

The reason I have not done that up to the present time is that I think it would be misleading to pretend that we have completely revamped the Government accounting system and swung over to the accrual system as distinct from the cash system that we have been using up to the present time. What we are doing is making much more extensive use of revolving funds, of working capital funds, and this in turn is moving in the direction, in those votes where it is meaningful to do so, of a system of accrual accounting. We have recommended to departments that they should examine their vote structures now and determine, in respect of which votes a system of accrual accounting would have meaning, in so far as the presentation of expenditure figures to Parliament is concerned.

Senator CROLL: Would you mind making a short explanation between cash accounting and accrual accounting?

Dr. DAVIDSON: Cash accounting, for example, reflects merely the actual cash paid out, on a cash disbursement basis, for stationery supplies, office equipment, or for material that may be going into inventory, to be held against future requirements in the next fiscal year. For example, you may put $150,000 into expenditure in 1965-66 when in fact, at the end of the year it could be established that you have only eaten up $15,000 of the inventory and there is $135,000 carryover into the future year.

Accrual accounting will only charge the current fiscal year with that portion of the amount of total expenditure which is in fact consumed in the fiscal year in question and the working capital fund will carry the inventory, and next year, if you eat up $35,000 of that expenditure, it will be registered as a $35,000 expenditure in the next year.

Senator CROLL: Who is charged with the original $150,000?

Dr. DAVIDSON: It is carried in the Working Capital Advance, which is, in fact, a loan or suspense account. The Working Capital Advance Account carries

the actual investment in this particular item of expenditure. The charges which come out of that working capital fund are the actual amounts consumed in the year. Repayment is made to the Working Capital Advance Account, which is a revolving fund which, once established, theoretically never has to be replenished.

Senator GROSART: In my recollection, while the Glassco Commission report recommended the elimination of unnecessary detail in the Estimates, I do not recall that it recommended a decrease in the detailed information available to members. I may be wrong. That is a long document and I do not recall everything in it. Under the new system of presenting the Estimates, will there be in fact less detailed information available to members than under the present system?

Dr. DAVIDSON: This is a difficult question to answer in any accurate fashion.

Senator GROSART: Is it not the most important question?

Dr. DAVIDSON: I do not think so, if I may say so, Senator Grosart.

Senator GROSART: I did not say "less detail". I said "less detailed information".

Dr. DAVIDSON: I am trying to establish the distinction between the two. I do not think that the judgment of parliamentarians, as to the necessity or otherwise, or the justification or otherwise, of a proposed expenditure, depends on the amount of detailed information that they are given. It has really to do more with whether you are given the necessary relevant information to enable you to form the judgment that you should form.

I would say without hesitation that the new form of presenting estimate requests to Parliament will, in my judgment—it is designed to, and it will, in fact—give to parliamentarians more of the relevant information that they need in order to make a proper judgment, than the kind of diet in detail that we have been serving up to them at the present time.

But I would not go so far as to say that we will promise you just as much in the way of bulk detail as we are providing at the present time.

Senator GROSART: That answers my question.

Senator CROLL: What appears to be very clear to Dr. Davidson and others who understand accounting and figures and masses of detail, is not quite so clear to members of Parliament who are not as well versed in these things. Some members are business people, some of them are not business people but lawyers who have not very high marks in accounting. Will it give to the man who comes into Parliament that which he thinks he should have there? Are we losing something in being over efficient or very efficient?

Dr. DAVIDSON: I am just going to try you out on one item.

Senator CROLL: It is many years since I sat in the House of Commons.

Dr. DAVIDSON: I should like to find a really good vote as an example of what we are giving you at the present time. Here is one from page 181, Vote 10, Department of Industry:

> Vote 10—To advance the technological capability of Canadian manufacturing industry by supporting selected civil (non-defence) development projects on terms and conditions approved by Treasury Board, and to authorize, notwithstanding section 30 of the Financial Administration Act, total commitments of $20,000,000 for the foregoing purposes during the current and subsequent fiscal years.

That is a relatively simple one. It would be my suggestion to you that many of the vote wordings that are presented to you at present, have to be presented to meet strict legal requirements, to meet the requirements of the Auditor

General, in terms of making certain that the vote wording embraces everything that needs to be embraced in the legal wording of the estimate to authorize the expenditure that it is proposed to make.

While you as a lawyer will understand those vote wordings when they are presented to you, a great many members of Parliament and a great many people who have to work with these vote wordings will benefit from having available material that describes, in what you might call layman's language, what it is that is to be accomplished by the amount of money that is set opposite this conglomeration of words that we call a vote wording.

Believe me, many of the vote wordings that I read in this legislation are as close to being incomprehensible as any material I find myself reading at the present time.

When members of Parliament are told by the responsible minister in the House of Commons that this is what the purpose of this vote is, then they understand it and are satisfied. What we are proposing to do is to incorporate some of this explanation into the textual material which will accompany the new kind of presentation that we are proposing to make.

Senator CROLL: May I ask, roughly how would you describe that paragraph, to make it as meaningful and more precise in form. Roughly?

Dr. DAVIDSON: The significance of authorizing something to be done, for example, "notwithstanding section 30 of the Financial Administration Act", needs to be appreciated. Do you know what that means?

Senator CROLL: No, but if I wished to interest myself in the vote, I would have looked it up. There must have been some limitation there. Would you describe it?

Mr. DAVIDSON: The effect of this is to enable you to carry over a commitment into a future year, although section 30 of the Financial Administration Act says you cannot do so. The purpose of this is to allow a commitment to be made and carried over into subsequent fiscal years.

I an not saying that every last detail will be explained in the material here, but I am saying that I do believe a great many of the complexities of the highly technical vote wordings that are now in the Blue Book of Estimates for legal purposes, to meet legal requirements, can be rendered more intelligible to members of Parliament if members are furnished with some descriptive material that tells them, in less complicated verbiage, the basic purposes of the vote that is being requested.

Senator BURCHILL: I could not agree with you more, Dr. Davidson.

The CHAIRMAN: Senator Flynn has a question.

Senator FLYNN: You mentioned in connection with the increase in the number of votes that fear has been expressed by some members of Parliament that the various departments could spend more on certain items than was contemplated. I would ask you to elaborate on that and to explain whether this fear is justified, and if so to what extent is it justified, and what correction can be made if it is justified.

Dr. DAVIDSON: It seems to me that the members of Parliament here are really on the horns of a dilemma. They are critical, and quite rightly so, of the numbers of times that we have to keep coming back to Parliament for supplementary estimates because a sum of money which 18 months earlier was thought to be adequate for a specific item turns out to be insufficient, and there has to be some supplementation of that particular item. That is not to say that the department as a whole is spending more money than authorized originally, but it means that on that particular item they have miscalculated and they have to come back to supplement that item, although there may be underspending in other areas. The more detailed separate votes you have—and moneys are not

transferable from one vote to another—the more small separate detailed votes you have, the more chances you have for miscalculating. If you have 550 separate votes in the Estimates, you have 550 chances of having to come back to Parliament for an over-run in any one of them. If, as in the United Kingdom, you operate in much larger sums of money and have 220 separate votes in your Estimates, you have that much more flexibility and there are that many fewer chances of having to come back to Parliament for a supplementary estimate on any one of those items. This is why as government gets bigger and as the total amounts of expenditure get bigger we think there is a case for trying to group our expenditures in larger units in more meaningful fashion, for example, by grouping the expenditures for harbours and rivers, engineering in public works into a single vote and allowing transferability between different subheadings in that vote.

Senator McCUTCHEON: But you might not build a wharf in my constituency.

Dr. DAVIDSON: That is correct and it may be that you have actually mentioned that wharf by name, as we do in our present list, and because it is in a vote with 100 different other wharves, each one listed by name, you may end up deciding you are not going to build that one after all this year because the plans are not ready or for some other good and sufficient reason.

Senator McCUTCHEON: Define those terms.

Dr. DAVIDSON: I have them on the record and it will appear in the evidence. By including the item in a major vote you make it possible to change a plan of work by deferring one item and by spending part or all of that money on one of the other listed projects. The only way to prevent that is to have every single item for public works voted separately.

Senator McCUTCHEON: Conversely you may build a wharf you had not mentioned.

Dr. DAVIDSON: Not on the basis of the vote wording as it is set out. I was looking at that this morning. Basically the vote wording provides that you cannot commence construction under this vote for harbours and rivers engineering on a project the total cost of which will exceed $50,000 unless it is detailed in the Estimates.

Senator McCUTCHEON: What vote is that?

Dr. DAVIDSON: I will tell you in a minute. If you look at page 404, Vote 15, the last half of the wording there—and if you look at Vote 30 on page 414—you will see "Construction, acquisition, major repairs—", etc., and then further down you see the words:

> ". . . provided that no contract may be entered into for new construction with an estimated total cost of $50,000 or more unless the project is individually listed in the Details of Estimates."

The same words appear on page 414 for harbours and rivers. The purpose of that is to ensure that while you can decide not to spend money on an item listed there or to spend less and divert the balance to other items listed, you cannot introduce a new project of importance, that is to say of a cost in excess of $50,000, and start on that without coming back to Parliament and saying you want to start work on that project.

Senator SMITH *(Queens-Shelburne)*: Then you would have to put that in your supplementaries?

Dr. DAVIDSON: Yes.

Senator MOLSON: And at the end of the year you pick up the fact that Senator McCutcheon's wharf has not been built and that Senator Isnor's has. You pick that up in the public accounts.

Dr. DAVIDSON: Yes, and in the report of the Auditor General. There is some criticism in the Auditor General's Report this year—and I suspect there are some others besides the Auditor General who don't like it—of things it was possible to do because we have grouped together certain kinds of works into a single vote, and the effect of which will be to spend less money than was reflected in the Estimates in one region of Canada, and to spend more in some other region. If it is all in a subvote within a vote this is quite possible.

Senator FLYNN: I think we are all in agreement on the principle of reducing the number of votes, but I was trying to find out how far a department could go in transferring, moneys voted for a certain item. For instance, take the case of a wharf; if you have in mind building a $50,000 wharf, and there is another one to be built at a cost of $200,000 and you decide not to build it—

Dr. DAVIDSON: The department could not do so without coming back to Treasury Board and getting approval for the transfer of the funds from within the vote—that is from one vote heading to another vote heading. You see, the point should be made, and I am sure members are familiar with it, that as between votes that Parliament has approved as separate votes, the Government cannot take money out of one vote and spend it on another. But within a vote which is broken down by subvotes, and in primaries—for there will always be some kind of specific breakdown—the Financial Administration Act says the department may apply to Treasury Board for a transfer of allotments within that vote. It cannot do so on its own. If the department wishes to transfer $15 from postage to travel expenses it cannot do so without having to come to Treasury Board and getting Treasury Board's approval for that. Frankly, I think that is going much too far. I think it is part of the problem of the financial management arrangements we have had in the past which have required departments to come to Treasury Board for 16,000 decisions in the course of a year as though it was necessary to get a committee of six ministers of the Crown to decide that it was all right to transfer $15 from one primary to another. We are proposing to cut out a good deal of that and give a good deal more authority to departmental management. Certainly there will have to be approval for important diversions in the funds from the original stated purposes in the vote. There will still have to be governmental approval at Treasury Board or cabinet level for that.

Senator FLYNN: What will be the principle which Treasury Board will apply, or what rules will apply? I am not now speaking of small items; I am speaking of large items like $150,000.

Dr. DAVIDSON: Senator Flynn, this is the sort of situation you will find yourself in constantly. You might find yourself dealing with a number of projects which you included in the Estimates six months before the beginning of the fiscal year, with the amounts of money you calculate you will be able to spend, knowing what the state of your plans is at this moment, knowing what the state of the land acquisition arrangements is, whether the land is owned by the Government or not and so on. The Public Works Department makes its best estimate as to how much it is likely to be able to spend on each project, whether to start the work or complete it, or do the whole job within one fiscal year. Then you move into the implementation phase, and six months later, by the time the fiscal year has rolled around, a good many of these timetables have changed. Some priorities have taken over; some roadblocks have been put in the way of projects for which money was included in the vote, and you get into the implementation of projects, and in one project things are moving much faster than expected and in two or three others you have not been able to get the project off the ground. There may be a holdup in the acquisition of the land or local snarls about titles, or architects' plans may not be ready, and the result is you see you are going to spend $150,000 on project "A" through you expected

to spend only $75,000 or $100,000 on projects "B" and "C" because they have not been able to get moving. This is the situation that results in departments coming to Treasury Board and saying, "We are not getting off the ground in these projects as expected. There will be a substantial shortfall of expenditures here. In this one we have had a contractor on the job two months earlier than we expected to get him on the job; or, alternatively, we have experienced good weather and efficient operations and it is moving forward faster. Do we take him off the job and give him another $75,000 in the next fiscal year, or tell him to go ahead and complete the project?" In those circumstances, Treasury Board is almost certain to say, "Keep that contract moving and that work progressing. We will agree to the transfer between allotments which will make it possible."

Senator CROLL: Is there not the danger of having Government approval as against parliamentary approval?

Dr. DAVIDSON: Senator Croll, this would be true if the Appropriation Act contained in its clauses the detail that spells out the $50,000 for this particular wharf and $75,000 for that particular wharf. If that was in the Appropriation Act the Government would have no authority to divert money; it would have to live within the compartmentalized structure of the Appropriation Act. But, as I have said, it is only the vote wording that appears in the Appropriation Act, and I have often wondered whether this is fully appreciated at all times because I think most Members of Parliament spend their time examining the Estimates book and do not, if I may say so, pay too much attention to the Appropriation Act that always comes in after days and days of discussion on the Estimates. But the fact is that the Appropriation Act does not include this detail at all. All it contains is what is in black faced print in the Estimates, and if you look at that black faced print you will see nothing that would lead you to the conclusion that the Government was acting contrary to the will of Parliament in doing the kind of things we have been discussing.

Senator CROLL: The supplementary items that come before Parliament do not usually make the Government of the day very happy. Certainly, the minister who comes up with supplementary Estimates to the Treasury Board, and the Cabinet, does so very reluctantly. He has to go through a process which, for that reason, many of them avoid coming to Treasury Board because they later have to go to Parliament again.

Dr. DAVIDSON: I wish that were more true.

Senator CROLL: Is not this as true as I think it is?

Dr. DAVIDSON: I do not know how true you think it is. But I wish it were more true than I think it is.

Senator CROLL: I am of the view that no minister enjoys coming to Parliament with supps and would rather say, "Forget it this year, and do not bother with it." But if you give him a chance to jockey within the department, he is likely to do some things that are not illegal but that he otherwise would not do.

Dr. DAVIDSON: Again, if I may say so, Senator Croll, this requires you to make a decision as to whether you want the Government to be an onward moving mechanism in the life of the nation or whether you want it to be a stop and start mechanism, because, certainly, if you are going to tie down the Government of Canada to living within the detail of every sub item that is set out in these 500 pages, you are going to get a completely different kind of Government from what you have been getting in any of the years I have been in Ottawa. Government is not going to have any real room for manœuvreing. Parliament is going to pass an act that contains the details set out in this book, and it is going to lock the Government into that very detailed framework of expenditures. I just fail to see how with changing circumstances in the course of the year it would be possible for governments to come back and get through

Parliament all over again a new set of amending Estimates that would make it possible for Government to move forward in the way that I think all of us recognize as necessary in these times.

Senator CROLL: Do you foresee perhaps the elimination of a great many supps in adopting these new methods?

Dr. DAVIDSON: I would not foresee the elimination of a great many supps, no. I have been hoping for two years, the years I have been in Treasury Board, to see some of the things we have been trying to do result in the elimination of supps, and I am afraid I have become less hopeful of that than I was originally.

The CHAIRMAN: This is an interesting topic, and I want to pursue it. Senator Flynn?

Senator FLYNN: I was just wondering if we could not find a correction in amendment to the Financial Administration Act saying you could not divert mort than, let us say, 50 per cent for a certain time detailed in the Estimates without coming back to Parliament, because it seems to me that if you had an item, for instance, to build 50 post offices of $2 million, you could probably build only one for $2 million—and in the riding of the former Postmaster General, for instance!

Dr. DAVIDSON: I should not be saying this to you, but would you think for a moment of what happens under the present system when the Estimates appear and there are 49 line items, each one of which announces the Government's intention to ask Parliament for, let us say, $50,000 to build a post office in 50 different places. You are saying there really is no way of prevening the Government, having got that money from Parliament, from saying, "We will forget about 49 of the 50 places and we will take the 50 times $50,000 and build a spanking new post office in Mr. Flynn's riding."

Senator FLYNN: Former riding!

Dr. DAVIDSON: You are the politicians and I am not, but I cannot think of a better way of the Government getting into a pile of trouble with the other 49 members of Parliament.

Senator FLYNN: I have intentionally exaggerated, but my question was asking for your views on the rule that would prevent, not exaggerations of that type.

Senator MACKENZIE: Would there be an area of discretion? You have pretty well answered my question. I was wondering where your area of discretion was at between the detail and the general.

Dr. DAVIDSON: Well, it would be possible, for example—and I would not want to give anybody any ideas—since we print in the Estimates book sub-vote headings as well as the main vote headings, to include those sub-vote headings in the Appropriation Act as well as the vote headings. The effect of this would be to simply break down a vote into four or five sub-votes, and you would be back to the 500, 600 or 700 items of estimates that the Glassco Commission said we should be trying to get away from.

Senator MACKENZIE: My question was directed as to how you would exercise control over departmental discretion.

Dr. DAVIDSON: There is no problem in respect of departmental discretion. As I have said, only Parliament can authorize money that has been voted in one vote to be spent—

Senator MACKENZIE: I know that, but—

Dr. DAVIDSON: And within that framework only the Government, on the responsibility of the Treasury Board under the Financial Administration Act, can authorize transfers, so there is no departmental discretion at all.

Senator MACKENZIE: At the moment the discretion, as you say, has to do with the purchase of ten dollars' worth of pencils. Naturally, you want a more flexible and sensible arrangement. I was wondering whether there was any sort of ceiling on the amount.

Dr. DAVIDSON: It would be sensible, in my opinion, to divide the authority for the transfer between allotments between the Treasury Board on the major issues and the department on minor issues, but I do not think that is the point Senator Flynn is concerned about. He is concerned about the fact that the Government on its own responsibility can decide to do this and that. This is a pretty important question, but this is really why we have governments, and if Parliament has the intention of restricting the degree of discretion to be exercised by the Government in respect of using money, that is spelled out in detail for one purpose, for another purpose that is quite legal and within the context of the total vote, then Parliament can only accomplish that by insuring that a provision to this effect is written into the actual legislation.

The CHAIRMAN: You have a choice between the Government and Parliament on these matters. I have Senator Smith's name next on my list, and then Senator McDonald's.

Senator SMITH (*Queens-Shelburne*): Dr. Davidson, when you were before us last year you mentioned a number of the Glassco recommendations which had been formally approved. They were the more important ones, as I recall. Among those was one in respect to the decentralization of financial and personnel management. You went on to tell us at that time that management consultants had been placed in four Government departments. Can you bring us up to date on what has gone on in that field?

Dr. DAVIDSON: The four original departments, Senator Smith, as I recall it, were the Department of Veterans Affairs, the Department of Northern Affairs, the Department of Agriculture and the Department of Transport. In each of those four cases the management consultant team has completed its report. The reports have been examined, and have been in the process of implementation in those departments in the year or more that has followed the actual completion of the surveys.

You may have heard, for example, that in the Department of Transport one of the steps designed to make it possible for the department to implement the survey team's recommendations was the engagement of a new senior financial officer, Mr. Gordon Tilley, who was, in fact, a member of the management consultant team that carried out the survey. They have brought him into the department and he is now a civil servant, and the officer responsible there for working through the implementation of the management consultant firm's survey within the Department of Transport.

That department has set up two pilot projects, one in Moncton and the other, I think, in Halifax. One is in the Air Services Division and the other is in the Marine Services Division. These were set up for the purpose of demonstrating within the departmental context exactly what is involved in having what we are here talking about—a decentralizing of the management responsibility to the officer in charge of the particular operation at the Moncton airport or the Halifax marine station, or whatever it may be. On the basis of the experience derived from these pilot projects, which have been selected because of the particular aptitudes and performance of the senior officers in charge at these two points, it is intended to extend this pattern of decentralized responsibility in financial management to other branches of the Department of Transport.

Senator SMITH (*Queens-Shelburne*): This idea has not been extended into the Department of Public Works?

Dr. DAVIDSON: I mentioned the first four surveys. There was then a second round of departmental studies in the Department of Citizenship and Immigra-

tion, the Department of Labour and the Department of Public Works. In respect of two of those departments the Government organization bill came along and rather mixed up the lines of communication so far as the departments that had been surveyed by these management consultant firms were concerned. But, in the Department of Public Works there was a very comprehensive survey, and a very good report, in my opinion, was produced. The Department of Public Works is proceeding, I think, on very good lines.

Senator SMITH (*Queens-Shelburne*): Yes, I had heard something of that nature. I was wondering whether it was related to this general overall problem.

Dr. DAVIDSON: Yes, this is part of the picture total. The Department of National Health and Welfare is the eighth department involved to date. It has carried out a self-study of a similar kind, utilizing in part the services of management consultants from outside and also, to a considerable degree, the services of departmental personnel. We are hoping as a result of the experience we have had in these seven or eight departmental studies that we will learn enough in the process so that we can convert to a do-it-yourself regime. The operation in the Department of National Health and Welfare was set up largely on a do-it-yourself basis, with much less reliance on outside management consultant advice, than was the case in the other seven studies.

Senator MCDONALD: Dr. Davidson, when a department has prepared its estimates for the next fiscal year, and you have satisfied yourself with repsect to them, you take them to the Treasury Board?

Dr. DAVIDSON: Each department presents them to the Treasury Board.

Senator MCDONALD: And they are either passed or adjusted to meet the approval of the Treasury Board?

Dr. DAVIDSON: Yes.

Senator MCDONALD: When you get into the fiscal year when you are actually spending the money you have estimated you may find, as you have said, that some projects proceed more rapidly than others, and others are deleted, but there is no way of switching money from one to the other?

Dr. DAVIDSON: That is correct.

Senator MCDONALD: But the Treasury Board can give permission to switch money from a sub-vote to another sub-vote under a main vote? This can only be done by the Treasury Board?

Dr. DAVIDSON: That is correct.

Senator MCDONALD: What do you call this?

Dr. DAVIDSON: This is what we call a transfer between allotments. It is within the vote always.

Senator MCDONALD: This transfer would show up in the Public Accounts?

Dr. DAVIDSON: Eventually, yes.

Senator MCDONALD: Do the Public Accounts, as such, go before the Public Accounts Committee, or is it the report of the auditor general that goes before the Public Accounts Committee, or is it both?

Dr. DAVIDSON: It is both.

Senator MCDONALD: Then, the only time that a member of Parliament can become aware that you have transferred money in the Estimates that have been passed by Parliament is when the Public Accounts are before them a year and a half or two years later?

Dr. DAVIDSON: That is correct.

Senator MCDONALD: That is not very efficient, is it? Parliament is told that certain things happened two years ago. Parliament gave you the right to do such and such a thing when it passed the Estimates, and then the Government changes that, and Parliament is made aware of it two years later.

The CHAIRMAN: Parliament gives the Government authority to change.

Dr. DAVIDSON: Yes. If you look at what it is that Parliament gives the Government authority to do—that authority is what is contained in the actual vote wording. If I can take one minute I will refer you to page 414 of the Estimates where Parliament is voting under Vote 30 the sum of $30,250,000 to the Department of Public Works for harbours and rivers engineering services. Parliament is presented with a breakdown that shows projects in each province, province by province and locality by locality. Parliament has in front of it all of this detail. But, Parliament knows—at least, we assume that members of Parliament know—that this is merely indicative. What Parliament says to the Government is: "You can spend $30,250,000 on the construction, acquisition, major repairs and improvements of, and plans and sites, for harbour and river works (including expenditures on works on other than federal property); provided that no contract may be entered into for new construction with an estimated total cost of $50,000 or more unless the project is individually listed in the Details of Estimates".

That is what Parliament has authorized the Government to do. Parliament is there saying consciously to the Government: "We will give you this global sum of money for this purpose. We are not tying you down, except as set out in the vote wording to the details contained in the statement of your plans. All we are saying is that you cannot introduce any new items in excess of $50,000 which are not listed here."

Senator MCDONALD: You may not like the question I wish to put, and maybe it is not in your field. In my experience it has often happened that when considerable discussion has taken place on Estimates over a particular expenditure it was found later that money was not spent for a particular purpose at all. In the particular instance I have in mind, it was discovered two years later, and the members of the Public Accounts Committee did not notice it and the Auditor General never referred to it. It just happened, and nobody said a word about it. Does this happen in Ottawa?

Dr. DAVIDSON: I think without question that it does. This is a result of spelling out in such detail the works projects.

Senator MCDONALD: May I say that I am greatly in favour of taking out all of this, or at least a good percentage of this intimate detail because it does not mean anything, in the first place.

Dr. DAVIDSON: Perhaps I should be indiscreet and say that I would be all in favour of taking out all of this detail, particularly in Public Works and similar estimates for precisely the opposite reasons.

The CHAIRMAN: Unless there are further questions, I will now thank Dr. Davidson for his patience and for the valuable information we have received. There will be another meeting of the committee next Thursday at which the estimates of the Atlantic Development Board will be considered. It is expected that Dr. E. P. Weeks, Executive Director will be present, and also Mr. Ian MacKeigan, Chairman, if he is available.

The committee adjourned.

APPENDIX "B"

NATIONAL RESEARCH COUNCIL
CONSEIL NATIONAL DE RECHERCHES
CANADA

Office of the President
Bureau du Président

OTTAWA 2, June 3, 1966.

The Honourable T. D. Leonard
The Senate
Ottawa 4, Ontario

Dear Senator Leonard:

At the meeting of the Senate Committee on Finance on May 26, Senator McCutcheon sought information on the cost of operating the Churchill Research Range, and I gave an estimate of between $3 and $4 million per year. That estimate is based on present operating costs, and we have not yet operated the Range for a full year. From July 1, 1965 until the end of the fiscal year March 31, 1966, the total cost, including the operation of the Range, the cost of rockets, salaries, and awards made to universities, was $2,686,000. The proportional cost for a full year would then amount to $3,580,000.

Senator McCutcheon then asked for the total amount that had been spent, capital and current, on the project since it commenced. We began our operation in the fiscal year 1960-61, at which time the expenditure was $42,000. In 1961-62 it was $443,000, in 1962-63 $410,000, in 1963-64 $611,000, in 1964-65 $651,000, and the total, including the 1965-66 expenditure, is $4,843,000.

Senator Yuzyk inquired about a grant from NRC to the Mirkovich team. I have discussed this matter with the Chairman of the Medical Research Council, and I am informed that neither member of the team sought a grant from the National Research Council or the Medical Research Council, and no grant was awarded.

Finally, you will recall that we were asked what revenue we obtained in connection with the analytical plotter which is being manufactured in Italy. The information given was $100,000, but on further investigation, I find that the actual amount was $190,000.

May I take this opportunity to thank you for the courtesy which was extended to me, and I do hope that the Senate Committee will visit us at the convenience of the members to observe at first hand the nature of our operation.

Yours sincerely,

B. G. Ballard,
President.

BGB:AC

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Finally, you will recall that we were asked what revenue we obtained in connection with the aerial photo which is being manufactured in Italy. The information given was $100,000, but on further investigation, I find that the actual amount was $100,000.

May I take this opportunity to thank you for the courtesy which was extended to me, and I do hope that the Senate Committee will visit us at the convenience of the members to observe at first hand the nature of our operation.

Yours sincerely,

B. G. Ballard,
President.

BGB:AC

First Session—Twenty-seventh Parliament
1966

THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING COMMITTEE
ON
FINANCE

The Honourable JACQUES FLYNN, P.C., *Acting Chairman*

No. 10

Fifth Proceedings on The Estimates
laid before Parliament for the fiscal year ending 31st March, 1967.

THURSDAY, JUNE 16th, 1966

WITNESSES:

Atlantic Development Board: Dr. E. P. Weeks, Executive Director; F. J. Doucet, Director (Program Section); D. Levin, Director (Planning Section).

APPENDICES:

"C" List of Members and Officials of the Atlantic Development Board.
"D" List of projects approved and payments made as of May 31st, 1966.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

First Session—Twenty-seventh Parliament
1966

THE SENATE OF CANADA

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ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24215—1

THE STANDING COMMITTEE ON FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Burchill
Choquette
Connolly (*Halifax North*)
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
MacKenzie
McCutcheon
McKeen
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Thorvaldson
Vaillancourt
Vien
Welch
Yuzyk—(48)

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

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 24, 1966:

"The Honourable Senator Leonard moved, seconded by the Honourable Senator Farris:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, in advance of the Bills based on the said Estimates reaching the Senate; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

24215—1½

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After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

The Honourable T. D'Arcy Leonard, Chairman.

Aird	MacKenzie
Baird	McDonald (*Brantford*)
Beaubien (*Bedford*)	McCutcheon
Beaubien (*Provencher*)	Méthot
Bellisle	Molson
Burchill	O'Leary (*Antigonish-Guysborough*)
Choquette	Paterson
Connolly (*Halifax North*)	Pearson
Croll	Phillips
Denis	Poulliot
Deschatelets	Power
Dupuis	Quart
Farris	Rattenbury
Flynn	Reid
Gelinas	Roebuck
Gershaw	Savoie
Grosart	Smith (*Queens-Shelburne*)
Haig	Thorvaldson
Hayden	Vaillancourt
Hays	Vien
Hnatyshyn	Welch
Isnor	Yuzyk—(48)
Kinley	

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

MINUTES OF PROCEEDINGS

THURSDAY, June 16, 1966.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.00 a.m.

On the motion of the Honourable Senator Rattenbury, the Honourable Senator Flynn was elected Acting Chairman.

Present: The Honourable Senators Flynn (*Acting Chairman*), Aseltine, Baird, Beaubien (*Provencher*), Belisle, Croll, Haig, Isnor, Kinley, O'Leary (*Antigonish-Guysborough*), Paterson, Phillips, Rattenbury, Vaillancourt and Welch—(15)

The Estimates laid before Parliament for the fiscal Year ending March 31st., 1967, were further examined.

The following witnesses were heard: *Atlantic Development Board:* Dr. E. P. Weeks, Executive Director, F. J. Doucet, Director, Program Section, D. Levin, Director, Planning Section.

It was agreed that Appendices C and D would be printed as part of the proceedings. At 11.30 a.m the Committee adjourned to the call of the Chairman.

Patrick J. Savoie,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Thursday, June 16, 1966.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, met this day at 10.00 a.m.

The CLERK OF THE COMMITTEE: Honourable senators, the chairman is absent this morning. May I have a motion for the appointment of an acting chairman?

Senator RATTENBURY: I move that Senator Flynn act as chairman.

Hon. SENATORS: Carried.

Senator JACQUES FLYNN in the Chair.

The ACTING CHAIRMAN: Honourable senators, I thank you. May I say before I call on Dr. Weeks, who is the Executive Director of the Atlantic Development Board, we regret that our genial chairman, Senator Leonard, cannot preside at this meeting today because he has had to enter St. Michael's Hospital in Toronto for examination. I understand it is not too serious, but I am sure I express the wishes of all members here when I express our hope that he will be back with us soon.

As I have already mentioned, our witness today is Dr. E. P. Weeks, Executive Director of the Atlantic Development Board. It had been suggested by Senator Donald Smith that this committee examine the expenditures of this board, and in a letter he wrote to Senator D'Arcy Leonard on June 10, 1966 he expressed his regrets that he could not attend the meeting today, but outlined what he had in mind to have Dr. Weeks and the other officials of the board, who will be introduced by Dr. Weeks, give to the committee by way of information: composition of the board—name, residence, occupation, term of office—I understand you have not all this information with you, but it could be supplied eventually.

Dr. E. P. Weeks, Executive Director, Atlantic Development Board: As a matter of fact, as far as the members of the board are concerned, this information, with one exception, Mr. Neil MacLeod replacing Mr. McQuaid, is contained in our last annual report.

The ACTING CHAIRMAN: He continues: permanent officials—classification and responsibilities; general outline—fields of Atlantic Development Board activities and reasons for participation in them; estimate of present and future influence on employment; provision of list of individual projects either under way or approved, and amount of grant, as well as total private investment involved in each.

I would call on Dr. Weeks now. I welcome you here and I think in accordance with our practice we will let Dr. Weeks give us a general statement and afterwards everyone will be invited to put questions to him or the other officials with him.

Dr. WEEKS: Mr. Chairman, honourable senators: Might I first introduce the members of the staff who are accompanying me today. On the far right is Mr. David Levin, the Director of our Planning Division. Next to him is Clifford

Russell, Secretary of the board; and next to me here is Fern Doucet, who is Director of the Program Division. These gentlemen will, I hope, answer the questions that I am not perhaps in a position to answer; I may not have all the facts at my fingertips.

Mr. Chairman, before going into a brief outline of our functions—what we are doing and why we are doing so—might I suggest that certain points raised by Senator Smith involve elements of detail which perhaps could best be covered if we send in a list. For example, the permanent officials, classification and responsibilities, the question of the present and future influence on employment—this factor varies between provinces and types of project. Some aspects can be indicated fairly easily; others perhaps not so easily. It is one thing to talk about the impact of power, but it is another thing to mention highways and what the result of investment in improved highways would be. As to the list of individual projects, we have them all here, but since they number over sixty this may be perhaps a little too much detail to go into at the moment.

As to our functions, what we are doing and how, might I emphasize at the outset that as you are probably well aware we are operating under an act as amended. The original act, the Atlantic Development Board Act, was passed in December, 1962. This act was amended in July, 1963, at which time $100 million fund became part of the picture, and the number of members of the board was increased from five to eleven, covering a wider range of interests and involving three members from each of the three larger Atlantic provinces and two from Prince Edward Island.

I am not sure whether you wish me to indicate the list of members, but if you wish I can mention them.

Senator O'LEARY (*Antigonish-Guysborough*): Let us have the names.

Dr. WEEKS: The chairman is Ian MacKeigan, Q.C., of Halifax. The other members from Nova Scotia are: Stephen Dolhanty from Florence, Cape Breton, and Frank Sobey from Stellarton. In New Brunswick the three members are Robert Eddy from Bathurst, Dr. Stephen Weyman, the Mayor of Saint John, and Armand Cormier from Moncton. In Prince Edward Island there are two members: Carl Burke from Charlottetown, and Niel MacLeod from Summerside. In Newfoundland the three members consist of Fred Ayre from St. John's, Albert Martin from Corner Brook, and Captain Max Burry from Glovertown. I think that is enough detail. There is the question of their occupation and term of office, but if it is all right with you we could send in a list rather than go into detail now.

Hon. SENATORS: Agreed.

(*See Appendix "C"*)

Dr. WEEKS: Within this setting of a board established to stimulate development in the Atlantic region, in recognition of the fact the Atlantic region is behind the rest of the country, in recognition of the fact that the average—

Senator ISNOR: What do you mean by "behind," doctor?

Dr. WEEKS: In this sense. Let me take one measure to start with. In terms of personal income per head it is only about two-thirds of the national average. I do not mean "behind" in any derogatory sense.

Senator ISNOR: I just wanted to make sure of that.

Dr. WEEKS: I might emphasize that since I happen to be a Prince Edward Islander myself, far be it from me to suggest this is a universal interpretation.

Senator O'LEARY (*Antigonish-Guysborough*): I am sure none of us is very seriously worried about that.

Dr. WEEKS: I think I am correct in indicating that on all sides of Parliament there has been recognition of the need to carry out special measures for the

Atlantic region. We have divided our functions, in line with the act and in line with experience, into three fields. One is what we would call programming and operations. That involves current projects, which may vary—and I will go into them a little more later—from power projects, to roads, to water, to research facilities, to industrial parks, with the relevant studies that are necessary to develop these projects.

The second phase is economic planning drawing up guidelines for the best fields of development in the Atlantic region. This is currently underway, but this will take some little time. It would take another year or so before what you might call the first approximation can be drawn up. This, of course, involves inevitably a lot of studies. With our programming we have been making headway inthe meantime. Ideally, one should place projects within a framework so that priorities are the best and directions are the best, but since a board like this could not remain idle as far as projects are concerned, during the two or three years pending completion of the plan we felt we should move on the projects side along the fields which are most obvious and where perhaps we cannot, in effect, lose. The third function is one I would call co-ordination and special tasks. Let me mention on this co-ordination angle, the fact that the Atlantic Development Board is concerned with the economy of the Atlantic region as a whole.

I think given the fact that the Atlantic Development Board is concerned with the economy of the Atlantic region as a whole, and given the fact that the staff of the Atlantic Development Board is reasonably well acquainted with both what goes on so far as the federal Government's side is concerned and what is going on in any of the provinces, we are perhaps better placed than most to act as co-ordinators for certain operations that involve several departments and provincial agencies in different fields.

I might mention a couple of operations to illustrate what I call the special co-ordinating task function. Many of you, I am sure, are aware of the problems which became rather difficult in connection with the Saint John harbour bridge. I was the chairman of the first meetings in Saint John which drew up the basic principles of agreement on this. When we ran into serious difficulties in connection with construction costs and problems of the provincial role in certain aspects of the bridge and its approaches, and the costs involved, I was again the person chosen to act as anchor man, if you like, to try to deal with the issues. I think we were passably successful in this, given the circumstances.

Senator RATTENBURY: You did an admirable job.

Dr. WEEKS: Thank you. One cannot always succeed. More recently, within recent weeks, a great deal of my time has been taken up with the difficulties in another province in the Atlantic region, namely, Newfoundland, following the announcement by DOSCO of the closure of the Wabana Iron Mine on June 30. I would say that most of my time over the past six weeks has been devoted to this problem.

This is merely to illustrate the fact that we operate along three fronts—first, the programming and implementation of current projects; second, the longer term planning within which we would hope future projects could be assessed; and, third, the question of co-ordination and special tasks afield where I would imagine that we shall be called upon more and more to play a role because of the special knowledge we are building up, and the fact that we are not, like say, the Department of Agriculture, the Department of Fisheries or the Department of Mines and Technical Surveys, concerned with one phase but rather with the economy as a whole.

I might go on from here to mention that we have certain basic principles of operation. We feel that it is not our job to do what other people are doing; that we should be there rather to fill in a gap where we see it necessary to do so in

order to give a boost to the economy. We feel we should take it as a way of life that we call upon the assistance of other federal agencies, as well as provincial agencies so that we are sure of not duplicating somebody else's efforts.

We regard it as absolutely fundamental also that we work very closely with the provincial authorities in each province. We are very much aware of the fact that it is not common sense to assume that we can operate from Ottawa and understand all the finer points of the local economy, so we try to work—not only try to work, but do work—closely with provincial officials and provincial governments in all cases.

For this to be effective we must also endeavour to keep a "feel", if I can put it like that, of what is going on in the region, and this inevitably means a considerable amount of travel. It was suggested to us at one time—in fact, it has been suggested several times—that we should have an office in the Atlantic region. We take the view that it is preferable for us to operate from Ottawa where we are in close touch with all the various federal agencies concerned with different aspects of the Atlantic region economy. It is better to do that rather than be in the Atlantic region where we would have to be moving back and forth. If we must travel back and forth then it is better that we do it from Ottawa out. Another reason is that if we were to establish an office in the Atlantic region it would be very difficult not to establish four offices rather than one. This, we consider, would be poor management.

If you will permit me, Mr. Chairman, I should like to mention in respect of our programming and operations the main fields of activity in which we happen to be. I am assuming that the background I have given so far provides a setting for this. It has been the view of the board that as far as its current projects are concerned—and these are projects financed from the Atlantic Development Fund—we should concentrate on what is commonly known as infrastructure that is, that we should concentrate on improving at this time the basic services for the Atlantic region so that there is a more favourable atmosphere for the operations of industry and private individuals. With this in mind the board looked over the field, identifying what was considered to be the most necessary, and we have now gone into projects in about five main fields.

The first of these is power. There was general agreement that if the economy of the Atlantic region is to move forward more rapidly than hitherto there must be adequate supplies of power at reasonable prices. The principle here was not that we should pay the full cost of any large power project, but rather that Board action should get if off the ground on a scale bigger than would otherwise have been possible by providing a certain A.D.B. assistance. The provincial commissions would then be able to provide cheaper power because of bigger scale, the A.D.B. construction grant and more favourable financing than would be otherwise possible.

It happened that in both New Brunswick and Newfoundland very extensive engineering studies had already been completed on certain power projects by the time the Board got into operation. In fact, we were approached as early as April, 1963, by the New Brunswick Electric Power Commission. In the Spring of 1964 there was approval by the federal Government of the recommendation made by the Board that $20 million be provided for the Mactaquac Power project in New Brunswick. This project, as you probably know, is a 600,000 kilowat plant costing about $110 million. Our $20 million enabled this to get off the ground on the basis of a large-scale development.

In Newfoundland the Bay d'Espoir project—or the "Bay Despair" project, project, as it is locally pronounced—was initially for 300,000 horsepower. As you probably know, Mr. Smallwood prefers to speak of horsepower rather than kilowats. This 300,000 horsepower has since been doubled to 600,000 horsepower. Our contribution in this particular case was $20 million. When I say "contribution" I should indicate, perhaps, that we do not just hand over $20

million. This is spread over two or three years, and we pay on the basis of expenditures already made by the Commission; that is, when the Commission has spent $1 million we are in a position to pay $500,000, and keep on like this until such time as our share is covered. We do not provide a grant and place ourselves in a position where, if the province did not go ahead, they would already have had our $20 million. The money is paid as the work progresses.

To come back to the Bay d'Espoir project, the $20 million was our contribution, if you like to put it in that way, in a project which will now cost, I am sure, well over $100 million. The initial estimate was about $80 million prior to the recently announced expansion.

In addition to that project in Newfoundland we have spent or committed $4 million towards the conversion of the electricity distribution system from 50 cycles to 60 cycles. In Newfoundland a great deal of power—in fact, about 70 per cent of it—was distributed at 50 cycles. Since the standard frequency in Canada is 60 cycles this caused some concern in Newfoundland regarding future industrial development. The total cost of this conversion will probably be about $7 million, but we are making a contribution of $4 million in order to accelerate the change-over to a standard power position.

In Prince Edward Island we had originally carried on investigations with a view to laying a submarine power cable connection to bring Prince Edward Island into the New Brunswick-Nova Scotia grid. The Board had recommended the provision of this cable. This had been generally approved, but then there was the announcement by the federal Government that a causeway-bridge-tunnel complex was going to be built across the Strait between Borden and Cape Tormentine, and we decided it would be only common sense to delay our submarine cable proposition and tie it in with the causeway. That is what is happening now. We have consultants who are working very closely with the Northumberland consultants who are responsible for the causeway, in order that adequate provision is made in the design of the causeway for the carrying of the power cable, so that as soon as the causeway is completed we can have a power line across. That has already been agreed upon, and the cost is expected to be somewhere between $4 million and $5 million.

In Nova Scotia the power position was somewhat different from New Brunswick and Newfoundland because of the fact that there are no large scale hydro sites left in Nova Scotia. Hence for Nova Scotia it was more a case of developing a thermal plant, and if you are developing a thermal plant 150,000 kilowatts is about as large a plant as could be fitted into the system at one time.

As you are probably aware we are contributing $12 million towards a $24 million 150,000 kilowatt plant at Trenton. I believe the Nova Scotia Power Commission already has received tenders on the basis equipment for this plant.

Senator ISNOR: Would you enlarge on that particular development so far as the Nova Scotia Power Commission is concerned?

Dr. WEEKS: Yes. This thermal power plant should come on stream in 1969. A projection of general demand curves would have suggested a plant of the order of 100,000 kilowatts. The commission discussed this matter with us in considerable detail and they proposed that they should act on the basis of 150,000 kilowatts, because the extra expenditure required to provide the 50,000 additional kilowatts would not be very large. In fact, to develop 100,000 kilowatts would have cost in the order of $20 million, and for 150,000 kilowatts, $24 million. That was one reason why they went for the 150,000 kilowatts. The other reason was, and we agreed entirely with them, that although ordinary demand projections would suggest that only 100,000 kilowatts was needed, Nova Scotia should have this extra volume as an attraction so far as future industry is concerned. A third point was that by going to 150,000 kilowatts it was possible to get the long-term economies of greater size.

You might ask why this plant was located at Trenton. The basic reason was that Trenton was the best spot, allowing for location of load, and the cost of moving coal versus power. I understand that consideration had been given to the possibility of having this power plant in Sydney; and then the calculations which they made on the basis of costs of moving coal, and where the heavy power load was likely to be in 1969-70, led them to conclude that all the curves crossed at the Trenton area.

Senator WELCH: Where do we now stand with the Bay of Fundy project?

Dr. WEEKS: On that point may I just enlarge a little. We have been very much concerned with this ever since the board was set up.

To give a quick background, in 1962 there had been only preliminary studies done for the New Brunswick government by a group of consultants. We saw this report, and in 1963 we came to the conclusion that if anything were to be done with tidal power it would be necessary to go into the matter in considerable detail, and the first thing necessary was to look at the foundation conditions. It is no good to consider power developments if the bottom happens to have a hundred feet of silt or muck, or if the rock at the bottom is crumbling or of a type that would not stand the type of dam construction and power houses necessary. First of all, we did two studies on foundation conditions at Shepody Bay, and at Cumberland Basin. Both studies indicated that the foundation conditions were good. We followed this up in the summer of 1965 with a similar assessment of Minas Basin. We felt that these were the three big potential sites on the Bay of Fundy because that is where there was very large tidal ranges, which are, incidentally, over twice as great as at Passamaquoddy Bay. The study at Minas Basin has been completed. The foundation conditions here are not so simple as at Shepody Bay and Cumberland Basin, and a great deal more will have to be done in this particular spot.

As you are probably aware, the Prime Minister indicated last fall that a tidal power programming board would be established with a membership from the provinces of Nova Scotia and New Brunswick as well as from relevant federal agencies. This board has not yet been announced in its form and organization, but I understand that it is a matter which is immediately pending.

This tidal power programming board would of course go into the further assessments of these sites, in depth both figuratively and literally because this is an immensely complex proposition. There are not only the problems of production of power at costs which will be competitive, but also the question of marketing of power. A tidal power project, even taking Shepody Bay and Cumberland Basin only, as a block together, would have to involve a million to a million and a half kilowatts, to have any chance of being competitive. Obviously this power would have to be sold very largely through an eastern United States grid.

Senator ISNOR: What effect would that have on the Nova Scotia Power Commission and the Nova Scotia Light and Power Company?

Dr. WEEKS: I think the magnitude of any tidal power coming into the Maritime grid would have to form part of the broad power picture, and undoubtedly it would affect the direction of the utilities' planning. It would take perhaps five or six years at the very earliest before you could possibly have this power on stream, which incidentally would not affect the value of Mactaquac or Trenton, but tidal power could affect the planning of future power projects.

Senator WELCH: But they plan over a period of 10 or 20 years, do they not?

Dr. WEEKS: Yes. In this case the three utilities, Nova Scotia Light and Power Company, Nova Scotia Power Commission and New Brunswick Electric Power Commission, have currently, in general consultation with us, made studies that look up to 20 years ahead, as you suggested. However, obviously

this sort of planning must be what I would call "rolling"; that is, plans must be continuously adjusted in the light of changed conditions.

Mr. Chairman, I am expected to appear before a House of Commons committee during this morning, so I assume that I may leave as soon as possible, that is, when you are finished with me.

If I may, I will go from the power picture to the trunk highway system. This falls into two parts.

The board set aside $10 million from the fund on a 3-3-3-1 basis of distribution among the provinces. This was intended to upgrade trunk highways in the Atlantic region. Obviously you cannot upgrade too much for $10 million, but you can make a start towards achieving all-weather standards.

I am sure you are aware that in many areas of the Atlantic region not served by the trans-Canada Highway, for about six weeks during the spring you cannot put full loads on the highways. In our view, this can be a serious detriment to industrial development in an era where trucks play a bigger part in the movement of goods.

Senator WELCH: Are you helping in any way with regard to this new highway from Halifax to Yarmouth, which I understand has five miles already completed.

Dr. WEEKS: There are certain sections. Let me take one moment to look up the Nova Scotia picture. Before answering that could I just mention that the $10 million—then I will answer your question from both angles—set aside from the fund was supplemented by a special vote in the house for another $30 million. The $10 million was shared on a 50-50 basis with the provinces of Nova Scotia and Newfoundland; and the provinces of Prince Edward Island and New Brunswick chose 75-25 as the sharing arrangement.

Senator BENIDICKSON: Are you talking of roads now?

Dr. WEEKS: Yes. And the second roads program, under the special $30 million vote, is shared on a 50-50 basis with the provinces, but the principles are the same. The aim is to upgrade the highways, either directly to all-weather standards or to prepare the way to all-weather standards later.

The roads in the different provinces vary, of course, according to the situation. The Newfoundland situation is quite different from that, shall we say, in Nova Scotia or Prince Edward Island.

Senator BAIRD: What do you mean by "different"?

Dr. WEEKS: In Newfoundland it is somewhat more useful at this stage to have a greater proportion of roads in the preparatory stage. Let me illustrate with one particular case, a straight contrast between Prince Edward Island and Newfoundland. In Prince Edward Island we are aiming at the upgrading of roads to all-weather standards, and an outstanding example is from Miscouche to Albany, which ties Summerside into the trans-Canada system. But in Newfoundland a great deal of effort is going into the road between St. Alban's and the trans-Canada Highway in the north, because it was considered much more important in terms of the Newfoundland economy to get the whole of the Baie d'Espoir development tied into the highway system than it would be to upgrade certain other existing roads. So the situation varies quite a lot between provinces. I wanted to answer your question.

Senator BENIDICKSON: Why would there be a special grant of $30 million rather than an amendment of the Atlantic Development Act to increase the amount from $100 million to $130 million and have it all under the same principle?

Dr. WEEKS: I am afraid I am not in a very good position to comment on that. That is a matter of Government decision, and I merely act within its framework.

Senator KINLEY: There is no money taken from these funds to improve the Trans-Canada Highway?

Dr. WEEKS: No. As a matter of fact, we are not touching either the trans-Canada highway or the roads to resources. That program is quite beyond us.

In Nova Scotia there are two steps. To answer your question, there are two programs in Nova Scotia. In the first program there is a section of road Bedford to Cobequid and to Upper Sackville; and another from Tantallon to Hubbards, a section on the south shore.

Senator WELCH: That is not on the road I am thinking of.

Dr. WEEKS: You are thinking of north of that road.

Senator WELCH: The one running up the valley north of Halifax.

Dr. WEEKS: Under the special $30 million vote the Board is sharing the cost of the roads from Kentville to Wolfville; Avonport diversion to Falmouth; and the Brookfield Connector. The agreements with the provinces have all been signed. The first $10 million program will be completed this year.

Senator WELCH: How much money is going in there?

Dr. WEEKS: On each one of these roads?

Senator WELCH: Yes.

Dr. WEEKS: The Brookfield connecter, our share is $2,150,000.

Senator BENIDICKSON: Do you know the overall cost?

Dr. WEEKS: Double; we are providing half. I do not know whether you are interested in Enfield to Shubenacadie, $1,250,000. Kentville to Wolfville, $1½ million; Avonport diversion to Falmouth, $1 million.

Senator KINLEY: The trans-Canada Highway runs from Sydney to Truro. There was a suggestion in Nova Scotia it should go to the terminal in Yarmouth to connect with the United States. Has anything been done about that?

Dr. WEEKS: I do not really know; I am not in a position to comment.

Senator KINLEY: You would not pay for that out of your funds?

Dr. WEEKS: We are on this southern side of Nova Scotia. In the direction between Halifax and Yarmouth there is the Tantallon to Hubbards $1,950,000, and Tantallon to Prospect, $1,250,000.

Mr. F. J. Doucet, Director, Program Section, Atlantic Development Board: Are you thinking of from Truro to Digby?

Senator KINLEY: Yes.

Dr. WEEKS: There is another point in our roads program, and that is that we are spending $1,850,000 on a Sydney by-pass in order to tie in what you might call the labour market of the Glace Bay-Sydney area.

There is another point on the roads that perhaps should be mentioned, and I know it is of interest to Senator Phillips, $675,000 which have been devoted to improving connections to fishing harbours at certain key points in Prince Edward Island. This was done in view of the extraordinary soil conditions which occur in Prince Edward Island in the spring, particularly at the time of the opening of the fishing season. Those of you acquainted with the province will understand what it means when the Prince Edward Island soil goes through the defrosting; it is really something quite incredible.

Then there was one further item in Prince Edward Island which is of a semi-road nature. We put a small, $40,000 causeway in that links the site of the large vegetable-producing plant at Montague to the main highway.

If I could turn quickly to the third field of operations here—

Senator ISNOR: Would you give me the detail for Nova Scotia?

Mr. DOUCET: $9 million on the second agreement, and $3 million on the first agreement on roads.

Senator ISNOR: $12 million on roads?

Dr. WEEKS: Yes; $3 million from our first 3-3-3-1 arrangement for the $10 million, and $9 million out of the $30 million, because the proportions were the same, 9-9-9-3.

The next field I might mention is one to which I think we must devote a great deal more attention than we have in the past, and that is in the provision of pure water. We have looked at this in several senses. One is the question of providing water for the use of processing plants, particularly fish and vegetable plants. As you probably know, in Newfoundland there were many large fish plants facing serious problems as far as adequate supplies of pure fresh water are concerned. We have already committed in Newfoundland for these plants, something like $5 million in the provision of water lines. In Nova Scotia the figure is about $1.4 million, but we expect to be expanding that figure following the next meeting of the board when the results of the studies carried on in Nova Scotia will be presented to the members.

In New Brunswick the figure has not been so large yet, about $600,000, because we have further investigations to make. And in Prince Edward Island we have a commitment of $900,000, most of which has been at Georgetown in connection with a major complex there.

I might say at the same time that we have carried out engineering studies regarding water supplies for major industrial developments. In Newfoundland, for example, we investigated the water supply position before the Come-By-Chance plant decision was made. We are carrying out water investigations at Long Harbour in connection with the operations of an electric reduction recently announced there. And we expect to be doing work over in the Stephenville area with a view to ascertaining if there are large volumes of fresh water available which would make it possible for major industrial expansion to take place.

I should mention here too that the pollution angle has also concerned us a great deal. Dr. G. C. Monture, who has been associated with us as a special consultant from the beginning, had set up in 1964 the Atlantic Regional Advisory Committee on Industrial Water Pollution. The idea of this was to provide a basis from which the provinces and the relevant federal agencies could work out plans to eliminate or reduce pollution in the Atlantic region and the committee would also work out a formula which would enable us to use most effectively the $2 million which the federal Government has agreed with the Board to set aside for the encouragement of pollution reduction. You might ask why we concentrated so heavily on this matter of pollution so soon in our operations. One obvious reason is that the Mactaquac dam will back up a lake of over 50 miles in length on the Saint John River, and the Saint John River happens to be extraordinarily polluted. Early measures have got to be taken so that that pollution is greatly reduced before the water starts to back up, otherwise there will be not only serious health hazards in this lake but also an elimination of any possible chance of using it effectively for recreational purposes.

Senator PHILLIPS: This was one of the questions in my mind, Dr. Weeks. Could you give us any idea of the cost of correcting that pollution? I know that it is fairly heavy.

Dr. WEEKS: Yes, it is very heavy. In giving any figure here one has to allow for the fact that part of the cost for industry—and one of the industries involved here is Frasers at Edmundston—part of the cost can be of value to the firm as a straight investment. Other parts of this cost would really represent a net expense to them in eliminating pollution. But, I think one should assume that

our contribution in this will average no more than about 20 per cent of the cost to companies. On the Saint John River I suppose you could not really count on achieving your end for less than $10 million, in addition to what the companies concerned might spend for improving their processes.

Senator RATTENBURY: In total?

Dr. WEEKS: Yes, in total.

Senator PHILLIPS: And the A.D.B. contribution would be $2 million?

Dr. WEEKS: No, I do not think we could put all of our $2 million into the Saint John River. The Annapolis River, for example, is a problem we must also deal with.

Let me indicate here that as far as our contributions are concerned the formula that has been worked out by this committee is on the principle of making incentive payments in terms of how much pollution is actually reduced over a period. This is not a straight contribution to the actual cost of the machinery that is used to reduce pollution, but is based on the results actually achieved. It is calculated in terms of the reduction of b.o.d. units, i.e. biological oxygen demand units. One unit is the demand created by the sewage of one person for one year. The idea is to reduce the number of these units, and to make incentive payments in terms of the actual reduction. This has to be allocated in such a way that we do not sink all the money in the Saint John River, but the Saint John River was one of the major reasons why we had to move quickly in this field.

Senator RATTENBURY: But the actual implementation of this would be under the authority of the water boards of the provinces?

Dr. WEEKS: In every case the water boards are members of this advisory committee, and the money is handled in cooperation with these local boards.

Senator RATTENBURY: Of course, that board would have to have some teeth in it.

Dr. WEEKS: As you know, the water authorities in the provinces do have a lot of teeth. As Mr. Doucet has indicated to me, this is particularly so for new plants. It is a tougher proposition where you have a plant that has been located in a spot for 20 years. You have to try not to apply your teeth too hard, without rounding them off with some incentives. It is pretty tough, and that is why we recognize this point.

I think I should mention here that we will be making many further studies on water. I think Senator Phillips will agree with me that in his province the question of a declining water table is a serious thing, and that one of the factors which could very definitely hamper the establishment of food processing plants in Prince Edward Island is an inadequate supply of fresh water. It has all got to be sub-surface water.

Senator KINLEY: Do you deal with reforestation?

Dr. WEEKS: I might say here that when our over-all economic plan is developed it will be worked out very closely with all of the relevant agencies of the federal Government, such as the Department of Forestry, as well as with the provincial people. There may well be suggestions along this line, but I should emphasize that we ourselves would not be interested in implementing all of the things in this plan because that would be beyond our powers. However, I would hope that we can provide a framework within which all agencies concerned can see the relevant lines—

Senator KINLEY: You could advise somebody else that there is a menace that should be looked at?

Dr. WEEKS: That is right.

Senator KINLEY: Do you deal with the municipalities in respect to pollution?

Dr. WEEKS: Our agreements are always with the provinces. We discuss it with the municipalities, but let me point out here that we take it as a matter of principle that we are not providing municipal water and sewerage works. Our job is in connection with industries, but in certain small communities in various parts of the Atlantic region it would make no sense for us to put a water line into a plant and later on discover that the municipality would have to duplicate it with another. So, we make the water line and the source of supply big enough in the first place, so that the municipality can tap off at its own cost.

Senator KINLEY: Of course, what happens now is that they pollute the harbours.

Dr. WEEKS: Yes, that is true. I might say in this connection that at Georgetown—do not think I am concentrating too much on Prince Edward Island here— we recognize the serious pollution problems that can result in the harbour from the food plant. We are expecting to put in a sewage disposal unit. It is still being engineered because we have not yet found what we consider to be a satisfactory unit at a reasonable price, but we are committed to provide it.

Senator PHILLIPS: That is just for the plant, and not—

Dr. WEEKS: That is right. Let me illustrate another case. Down in Canso we have taken the view that we will spend X amount of dollars on sewage disposal so far as the plant is concerned. Since the town in this particular case wanted to participate then we have said: "That is fine, but this has got to be a bigger unit. We will spend just X amount, and if you want this extended to a bigger unit to serve you then you will have to pay the balance". This is the arrangement under which the municipality has already paid the balance.

Senator PHILLIPS: I have one further question concerning Prince Edward Island, Dr. Weeks. A recent report indicated that certain of the wells in Summerside and Charlottetown which supply water to those two towns are becoming contaminated by salt water. Have you had any association with that problem?

Dr. WEEKS: No, this, so far, has not been brought to our attention, but I can recognize that there could be a problem because in a spot like Prince Edward Island if you pump too much out of your wells the nature of the rock is such that you will almost inevitably start to suck in salt water.

Senator RATTENBURY: There is one question that has been in my mind ever since I read about the ADB giving assistance in respect to water—I think it may have been the project at Canso, where I believe you did spend money on supplying fresh water?

Dr. WEEKS: Yes.

Senator RATTENBURY: Is that a result of poor planning on the part of the plant, or is it a circumstance that has arisen after the plant was built?

Dr. WEEKS: I think that so far as Canso is concerned one has to keep in mind that here was a community which had depended entirely upon fisheries operations. The previous plant had moved out and gone to Newfoundland, and in Canso there had been a decision made to bring in a new plant. The province agreed to associate itself in the financing of it, and the federal Department of Public Works had agreed to carry out improvements so far as harbour facilities were concerned. We were approached to provide fresh water.

I think what you have in mind, senator, is the point that is not always clear, that is, are the plants located in the right place. In Canso you have a large community depending upon this one kind of operation, and it is an isolated community. Then the water in a sense had to be brought in.

There are other cases where I think your point is well taken, that there may be a tendency for a firm to make a decision to locate a plant before weighing all the elements to be considered, one of which must be water. In this connection, after one of the more recent meetings of the board, we sent letters to all four premiers indicating that in any further approaches to the board regarding water for fish processing plants, due attention be paid to all the relevant factors, that is, transportation, harbour facilities, water etc.

Senator PHILLIPS: Might I add in reply that there is a further factor, the more stringent regulations that have come into being concerning pure water.

Dr. WEEKS: You are quite right. This was one of the reasons that led us to move very fast in Newfoundland particularly, as well as in certain parts of Nova Scotia. The regulations on the quality of water have become, as you say, much more stringent, and we could not possibly have a situation where significant plants were being closed down because of the lack of pure water. We are literally filling in a gap.

If I could now mention another field—it is in the provision of industrial sites or parks. This is always in collaboration with the province or the municipality or both.

We have taken the view that to promote industry in the Atlantic region it is desirable that certain centres be in a position to offer serviced land at reasonable prices to entice industry to come in. We recognize there are problems in the sense that many municipalities may think that it is fashionable to have industrial parks and that industrial parks may not be warranted there. This is always a matter that is controversial. We have, as you know, approved assistance on various industrial parks. Of course, we never pay the whole cost, because if that were done there would not be sufficient local sense of responsibility.

In New Brunswick, at Saint John and at Dorchester Point near Moncton, and at Moncton itself, we have already committed ourselves. And in Nova Scotia we have already committed moneys for Stellarton, the Halifax area, Truro and Amherst. In Newfoundland we have not yet committed anything, but there are studies under way there at St. John's.

In Prince Edward Island we assisted that province in connection with a 50 acre park at Summerside. One big reason for that was, of course, that Summerside is heavily dependent now upon the RCAF base, and we thought provision should be made to enable it to offer some enticements to food processing or other operations should the base in the future tend to be somewhat reduced. I cannot say whether that will happen.

May I turn to yet another field, that of research. We have taken the view that it is very important in the Atlantic region to improve the facilities for aiding, particularly smaller industries, to have applied research carried out. So we have set aside moneys for the Nova Scotia Research Foundation laboratories, and also for the New Brunswick Productivity Council for the same purpose. The main laboratory building of the Nova Scotia Research Foundation in Dartmouth is being provided by the board and will soon be under construction. At Halifax there are two smaller laboratories on the grounds of the Nova Scotia Technical College. In New Brunswick, the buliding of the New Brunswick Productivity Council will be located on the campus of the University of New Brunswick. These projects are all under way and we have already spent considerable money on equipment for them.

Those are the main sort of fields we are in. There are other miscellaneous activities I might go into if there was time. Honourable senators may now care to ask questions, and perhaps I can expand upon them.

The ACTING CHAIRMAN: Thank you, Dr. Weeks. Before I invite questions I should say that I discussed with Dr. Weeks the possibility of providing a list of individual projects under way or approved by way of grant in each case. It

could then be recorded and become an appendix to our proceedings of today, and consequently would not be necessary to go into detail.

Hon. SENATORS: Agreed.

(*See Appendix "D"*)

There was one point in the question of Senator Donald Smith that was not fully dealt with. This refers to the economic effect of Atlantic Development Board prospects. I understand you are not prepared to go into too much detail, but you might say a word with regard to that.

Dr. WEEKS: I think I would only be able to speak in broad terms, because frankly I just do not know exactly how you would measure this at the present stage.

Our commitments from the fund now total approximately $95 million, including $5 million of the original $20 million that has been earmarked for industrial development in Nova Scotia. This has not yet been allocated to specific projects. However, I should mention that our expenditures—and this is an important point for me to bring out here—are so far of the order of $26 million as of May 31, 1966. It is a little early to get measurements as to what all this is doing.

I might mention incidentally that on the power side, a point I had not indicated before, one of our smaller operations in Nova Scotia involved tying in Amherst with Maccan on a special line to enable a firm at Amherst to expand its operations.

Perhaps the most immediate impact in the power field is in the expansion that has been taking place in Newfoundland, where the paper companies, Bowaters at Corner Brook, and Price Brothers at Grand Falls, undertook expansions of their operations as soon as the Bay d'Espoir project had been announced. In addition, several new industries have recently indicated their intention of going into Newfoundland, with power being a fundamental factor in their decision.

In New Brunswick the Mactaquac operation has certainly been fundamental so far as timing of developments in Northern New Brunswick is concerned in connection with the smelter and whole lead zinc complex at Belledune.

We are confident that the Trenton plant in Nova Scotia will also be as stimulating a factor as these other, however, plants had been in Newfoundland and New Brunswick.

It is too early to talk about Prince Edward Island.

So far as roads are concerned, this is very difficult to measure. I would not be honest if I did not tell you I do not quite know how to put a quantitative figure on the effect of improved highways. We would need to know of situations where firms indicate that they would not have located in point "X" were it not for the fact that they had year round highway connections. In industrial parks also it may take us some time before we can really measure the impact.

Mr. DOUCET: There are two firms in Amherst which, because of the industrial parks, are boasting, this could involve about 200 people.

Senator KINLEY: How much has been spent from the fund so far?

Mr. DOUCET: Up to date we have spent $26 million from our fund, and $2½ million from our statutory trunk highway vote.

Senator KINLEY: But you are committed to a great deal more than that?

Mr. DOUCET: Our commitments are $95 million. This is the point. So it is a little difficult at this stage to start to measure the results, when actual expenditures cover only about a quarter of our commitments.

Senator PHILLIPS: I understand that there is another annual report expected shortly after this meeting. You referred to Professor Levitt's input-output study on the Maritimes. You say you expect a report within a few months.

Dr. WEEKS: Could I call on Mr. Levin, the Director of our Planning Division, to answer that question?

Mr. D. Levin, Director, Planning Division, Atlantic Development Board: The expected completion date now is in July, in about a month's time. There have been a number of technical problems encountered, problems that deal with the secrecy of the information, for example.

Senator PHILLIPS: Will this report be made public and made available to the members of this committee?

Mr. LEVIN: Parts of it may. We are not quite sure whether all of it can be because of the provisions of the Statistics Act.

Senator PHILLIPS: Then you referred to your containerization shipping study.

Dr. WEEKS: That study has been completed. The interested people in both Halifax and Saint John, the parks commissions, have been shown this on a confidential basis. We have not issued it publicly for two reasons. Some of the information in it was obtained from private firms; and the other reason is that it raises various points where we think there could be a misunderstanding on the report's findings. This is a pretty complex business; this whole question of containerization. It might not be in the best interest of Halifax or Saint John if all this is brought out; it might have attraction points fom certain angles and might be a little bad from other angles. We feel it should be used by the most interested people in Halifax and Saint John as well as by ourselves, but we doubt very much whether general interests would be served by its release to the public.

Senator RATTENBURY: Will it embarrass the witness to say whether the board's study approved of containerization or not?

Dr. WEEKS: I think I can say this. Containerization as an idea, yes; but I think there is this other point, that various suggestions in the report might be even better somewhere else than Halifax and Saint John. I think that is perhaps a fair enough statement.

Senator ISNOR: This has been an exceptionally interesting meeting, and I think we are all indebted to Dr. Weeks for the manner in which he has given us this information. I say that perhaps because of the fact that the great majority here today at this meeting are from the Atlantic provinces. I thought I should also add it is nice to have this on record for our information. It is better than your Annual Report, Dr. Weeks. It gives us fuller coverage in detail of some of the questions in which we are vitally interested.

I was wondering, Dr. Weeks, if the question of freight rates comes within the scope of your terms of reference. I ask that question because of the effect it is having on the industries and the prosperity, we hope, of the Atlantic provinces

Dr. WEEKS: I think I might mention that right from the beginning of the board's activities the members were very concerned about the same problems you are mentioning. We had intended ourselves to go into various aspects of this. However, since the Government has announced a comprehensive transportation study—being financed, incidentally, by the Department of Transport, but with members of my staff being involved in the supervision and direction of this—we have felt that we should leave the transportation field to this major study which is being carried out by a consortium of the Economist Intelligence Unit, from London, England, and the H. G. Acres group here in Canada. They are going into these aspects of freight rates; of measures that would be necessary to improve transportation; the impact of transportation costs on industry, et cetera.

Senator ISNOR: I am very pleased to hear that you are going to continue being interested in that.

Dr. WEEKS: Yes. As a matter of fact, shall we say, we are, with the Department of Transport, the joint supervisors of this program.

Senator PHILLIPS: What about the silica sand studies on Prince Edward Island?

Dr. WEEKS: I discussed this matter yesterday with Dr. Monture. Technically, the silica sand can be beneficiated. You are referring to that north of Souris in Prince Edward Island?

Senator PHILLIPS: Yes.

Dr. WEEKS: I am assured by Dr. Monture the problem is to find someone sufficiently interested in it. A market has to be found for it; but it can be technically beneficiated.

Senator KINLEY: Is it good quality silica sand?

Dr. WEEKS: Yes, it is good quality, but there is a certain leaching process required. There is a small content of iron, and this has to be leached out or you get staining.

Senator KINLEY: A lot of this is imported from the United States.

Dr. WEEKS: Yes, and we would be exceedingly interested if somebody would look into it.

Senator RATTENBURY: Is it a function of the board to promote marketing?

Dr. WEEKS: It is a thing we feel the provinces should pay more attention to than us. But I might mention here that at times we do take unusual steps. For instance, as far as the Wabana iron mine is concerned, we went to Germany at the request of Mr. Smallwood in order to assist in negotiations with representatives of an iron ore company over there with a view to encouraging them to come and look at this mine in detail. I may say that last week they came, and I spent some five days with them, along with Mr. Hindson of the Department of Industry.

If circumstances warrant, we get involved in this type of activity. We want to maintain a flexible approach.

Senator ISNOR: I was interested in your linking up the provincial Nova Scotia Power Commission and the New Brunswick Power Commission. I was wondering if you were aware of the possibility of conflict in your thinking in respect to privately owned companies such as the Nova Scotia Light and Power?

Dr. WEEKS: As far as we are concerned, we do not wish to get ourselves involved in any question of private versus public. We made sure, as far as the Trenton operation was concerned, that the Nova Scotia Light and Power Company and the Nova Scotia Power Commission were both in agreement as to: (*a*) the construction of this plant; (*b*) the timing of development; and (*c*) its location. We are very well aware of this. In all cases, as far as we are concerned, we work with the three utilities.

Senator O'LEARY (*Antigonish-Guysborough*): Dr. Weeks, going back to your initial remarks about the office being here rather than in the Atlantic provinces anywhere, you have field men going out from here?

Dr. WEEKS: Yes.

Senator O'LEARY (*Antigonish-Guysborough*): Are they fairly lengthy periods of time in the Atlantic provinces?

Dr. WEEKS: This varies according to the job. There is always somebody from the staff in the Atlantic region. The period varies —sometimes a week, sometimes more than a week. I myself have spent in the last six weeks probably a month

in the Atlantic region, but it varies according to the type of job. Sometimes the boys are away from three to four days, or sometimes a week.

Senator O'LEARY (*Antigonish-Guysborough*): Do board sittings vary in location?

Dr. WEEKS: Yes. As you know, under the act we must have one meeting in Ottawa. The idea is that the others will be rotated from province to province.

Senator O'LEARY (*Antigonish-Guysborough*): There is no specified number of meetings laid down?

Dr. WEEKS: No, we run at four or five a year. Actually, our first year of operations we did have more. We met almost every six weeks the first year the board was set up in order to try to hammer out some basis of action.

Senator PHILLIPS: Mr. Chairman, I have two or three successive questions I would like to direct to Dr. Weeks. In a recent reply to a question in the House of Commons you said that $7 million was being allocated to Prince Edward Island. Could you give me a breakdown of that sum?

Dr. WEEKS: As far as power is concerned, $4.3 million; as far as roads are concerned, $1 million—you are referring to the fund?

Senator PHILLIPS: Yes.

Dr. WEEKS: Roads, $11 million; industrial parks, $118,000; water supplies, $900,000; roads to fishing harbours, $675,000; and the Montague causeway, $40,000.

Senator PHILLIPS: For power the figure was how much?

Dr. WEEKS: $4.3 million.

Senator PHILLIPS: For what power do you see that amount being utilized?

Dr. WEEKS: This is set aside for the cable connection which may cost more than $4.3 million by the time it is put in. As I say, this has been set aside, and I mentioned earlier that our consultants are working together with Northumberland consultants to make sure there is adequate provision on the causeway for the carrying of the cable. This cable will be put across as soon as the causeway is completed.

Senator PHILLIPS: I remember when you and I occupied different positions —you were then in the Department of Public Works—we used to discuss the advantages and feasibility of the Island causeway. Power transmission was always considered to be a part of the causeway. I am wondering, Dr. Weeks, what sort of metamorphosis has occurred here. The power transmission across the causeway has now become the responsibility of the Atlantic Development Board.

Dr. WEEKS: I might suggest at the outset that I am not quite aware of the fact that the power costs were to be borne by the constructors of the causeway. I think we always had in mind the point that if a causeway were to be constructed it would be an obvious thing to carry power over it. But, in respect to the question of the cost, of the power connection I am not quite sure that I am in agreement with you as to who should bear the burden.

Senator PHILLIPS: May I point out that the Atlantic Development Board was not in existence at the time of those discussions.

Dr. WEEKS: That is true.

Senator ISNOR: The same source will pay for it.

The Acting CHAIRMAN: Perhaps you might have another private discussion.

Senator PHILLIPS: Yes, and we often do.

The Acting CHAIRMAN: Are there any further questions?

Senator PHILLIPS: I have one further question, Mr. Chairman, in respect to the power transmission to Prince Edward Island. There will be a certain loss of power during transmission through this cable, will there not?

Dr. WEEKS: Yes, but it will not be very large. As a matter of fact, you know that the tap-off will be from Sackville. Originally it was thought that the tap-off would be from Moncton, but Nova Scotia and New Brunswick have recently doubled their line connection between Onslow and Moncton, and this means that so far as Prince Edward Island is concerned the power loss that might have been involved in the extra 30 miles to Moncton will be eliminated.

Mr. DOUCET: It is very small.

Senator PHILLIPS: There have been certain discussions between the province and the Board concerning who will absorb the power loss. Has this problem been solved?

Dr. WEEKS: So far as the Board is concerned we would assume that the line from Sackville to the breaking point at Tormentine would be turned over to the New Brunswick Electric Power Commission because it happens to be in New Brunswick territory. But the line from Tormentine through to the basic breaking point on the Island would be owned by the Province of Prince Edward Island because it will be tied in with the Prince Edward Island system. Our responsibility would be the provision of the line, and not its operation.

Senator KINLEY: That would be from Tormentine to Cape Wolfe?

Dr. WEEKS: I am not sure which spot the Prince Edward Island Government and the Maritime Electric Company will decide is the spot where it ties in with the Prince Edward Island system.

Senator PHILLIPS: Mr. Chairman, I would like to give the Board a left-handed compliment before we adjourn. As you know, this committee follows very closely the recommendations of the Glassco Commission. I notice that the Board had 40 per cent increase from 1963 to 1964 in its administrative costs. I am really not objecting to this, but considering the number of economists involved I think it has done very well in keeping it down to an increase of 40 per cent.

Dr. WEEKS: I might mention here, to make the senator's back-handed compliment a little less back-handed, that a great part of the present increase in the number of economists is in the Planning Division whereas the operational side has been dealing with the increased volume with very little additional staff.

The Acting CHAIRMAN: I am sure we are all in agreement with Senator Isnor that this has been a very useful meeting, and I thank you, Dr. Weeks, and Messrs. Doucet, Levin and Russell, for having been with us this morning.

The committee adjourned.

APPENDIX "C"

MEMBERS OF THE ATLANTIC DEVELOPMENT BOARD

(Date indicates expiration of term)

Ian M. MacKeigan, Q.C., Chairman
Halifax, N.S.—Barrister at Law.
Jan. 24, 1969

Albert Martin, Vice-Chairman,
Corner Brook, Nfld.—Retired President and Chairman of the Board, Bowater's Nfld. Pulp and Paper Ltd.
Jan. 24, 1969.

Robert Cheyne Eddy,
Bathurst, N.B.—Manager,
Building Supply Division and Director,
George Eddy Ltd.
Jan. 24, 1969.

Captain Maxwell Burry,
Glovertown, Nfld.—Proprietor, Fishing Operations, Labrador.
Jan. 24, 1968

Carl Frederick Burke,
Charlottetown, P.E.I.—Vice President of Nordair Ltd.
Jan. 24, 1968

Stephen Dolhanty,
Florence, N.S.—Vice President, United Mineworkers of America, District 26, N.S.
January 24, 1968

Dr. Stephen Weyman,
Saint John, N.B.—Medical Doctor and Mayor of Saint John, N.B.
Jan. 24, 1968

Frank H. Sobey,
Stellarton, N.S.—Chairman of the Board of Sobeys Stores Ltd, and President, Industrial Estates Ltd.
Jan. 24, 1967.

Neil MacLeod,
Summerside, P.E.I.—Barrister at Law,
Jan. 24, 1969

Fred W. Ayre,
St. John's, Nfld.—General Manager, Bowring Bros Ltd.
Jan. 24, 1967

Armand H. Cormier,
Moncton, N.B.—Investment Broker
Jan. 24, 1967

OFFICIALS OF THE ATLANTIC DEVELOPMENT BOARD

Office of the Executive Director

Dr. E. P. Weeks	Executive Director
R. R. Brown—Solicitor 7	General Counsel
S. L. Howell—Solicitor 5	Legal Advisor
R. P. Harrison—Engineer 6	Engineering Advisor

Administrative Division

C. P. Russell—Administrative Officer 8	Secretary to the Board and Director of Administration

Program Division

F. J. Doucet—Senior Officer 1	Director of Program Division
Miss Catherine Simcock—Economist 7	Power
	Coal
	Pollution
	Research
T. F. Wise—Economist 7	Transportation
	Manufacturing Industries (i.e. Industrial Parks)
W. Darcovich—Economist 6	Fisheries
	Agriculture
T. C. Clarke—Economist 6	Tourism
	Forestry
	Special Problems Cape Breton & Bell Island

Planning Division

David Levin—Senior Officer 1	Director of Planning Division
A. D. Crerar—Economist 7	Forestry
	Fishing
	Urban Centres
B. Sufrin—Economist 7	Manufacturing
	Tourism
	Construction
	Services
D. E. Foohey—Economist 7	Manpower Training
	Population
	Labour Force
J. R. Lane—Economist 6	Water
	Power
	Agriculture
D. MacLean—Economist 5	*Studies*
	Primary Industry (fishing industry)
T. Duncan—Economist 5	*Studies*
	Secondary Industry
	Construction Industry
W. A. Dummett—Economist 5	*Studies*
	Growth Industries

APPENDIX "D"

ATLANTIC DEVELOPMENT FUND

Projects approved and payments made as of May 31, 1966

NOVA SCOTIA

Project	*Approved*	*Paid*
Trenton Thermal Power Plant	$12,000,000.00	
Maccan-Amherst Power Transmission Line	112,800.00	
Stellarton Provision of a general purpose building for Industrial Estates Ltd.	400,000.00	
Stellarton Provision of an additional water supply system for the expansion of an industrial park.	300,000.00	
Industrial Park, Halifax Assistance in the provision of basic services for an industrial park in Halifax County.	560,000.00	
Industrial Park, Truro Assistance in the provision of basic services for an extension of the industrial park.	200,000.00	
Canso Provision of a suitable fresh water supply and sewage disposal system for fish processing.	747,919.55	$ 95,746.74
Cheticamp Provision of a suitable fresh water supply for fish processing.	140,000.00	39,226.17
Grand Etang Provision of a suitable salt water supply for fish processing.	46,629.14	44,589.02
Lower East Pubnico Site preparation including access road and water supply for fish processing.	218,774.72	185,543.33
Port Mouton Site preparation including cribwork and retaining wall for fish processing at Willow Cove.	154,286.00	23,640.00
Riverport Provision of a suitable water supply for fish processing.	242,000.00	
Trunk Roads Assistance in the construction or rehabilitation of trunk highways.	3,000,000.00	222,281.10
Research Building and Equipment Capital assistance for laboratory buildings and equipment at Dartmouth and Halifax.	1,750,000.00	47,559.05
Amherst Industrial Park	350,000.00	
Sub-Total	20,222,409.41	
Balance of $20,000,000.00 earmarked for aid to industrial development	5,380,914.00	
Total	$25,603,323.41	$ 658,585.41

Projects approved and payments made
as of May 31, 1966

NEW BRUNSWICK

Project	*Approved*	*Payments Made*
Mactaquac Hydro Electric Power Development ..... Assistance in the construction of an hydroelectric power development on the Saint John River.	$20,000,000.00	$ 8,219,996.00
Industrial Park Saint John (Basic Services)	450,000.00	
Milltown Water Supply ..... Construction of a water pipeline for an industrial park area.	100,000.00	100,000.00
Dorchester Point ..... Assistance in the construction of certain basic services in connection with an industrial park.	1,500,000.00	
Shippegan—Fresh Water ..... Provision of a fresh water supply for fish processing.	152,499.29	140,572.90
Shippegan—Salt Water ..... Provision of a salt water supply system for fish processing.	346,046.75	120,507.54
Trunk Roads ..... Assistance in the construction or rehabilitation of trunk highways.	3,000,000.00	3,000,000.00
Research Buildings and Equipment ..... Capital assistance for laboratory buildings and equipment at Fredericton.	1,250,000.00	115,091.46
Hartland—Food Processing Plant basic services	125,000.00	
Moncton—Industrial Park	400,000.00	
	$27,323.546.04	$11,696.167.90

Projects approved and payments made
as of May 31, 1966

PRINCE EDWARD ISLAND

Project	*Approved*	*Paid*
Submarine Power Cable ..... The estimated cost of constructing a power cable connection between the mainland and Prince Edward Island via the Causeway at a time several years hence when the interconnection can be made.	$ 4,300,000.00	
Summerside ..... Provision of water and sewage facilities for an industrial park.	118,327.31	$ 116,174.40
Georgetown ..... Assistance in providing basic facilities (water supply and sewage system) for fish and food processing at Georgetown.	850,000.00	592,127.78
Montague ..... Provision of a water supply and construction of a causeway for food processing.	90,000.00	36,224.02

PRINCE EDWARD ISLAND (*Cont'd.*)		
Roads to Fishing Centres ..... To cover 90 per cent of the cost of paving access roads to selected fishing centres within the province.	675,000.00	
Trunk Roads ..... Assistance in the construction or rehabilitation of trunk highways.	1,000,000.00	790,209.34
	$ 7,033,327.31	$ 1,534,735.54

Projects approved and payments made as of May 31, 1966

NEWFOUNDLAND

Project		*Approved*	*Payments*
Construction of Water Supplies for fish plants at the following centres:			
Fortune	$ 421,000		
Port Union—Catalina	565,000		
Fermeuse	230,000		
Isle Aux Morts	415,000		
Harbour Grace	695,000		
Trepassey	311,000		
Bay de Verde	109,000		
Burgeo	863,000		
Gaultois	266,000		
St. Anthony	306,000		
Englee	148,000		
Twillingate	244,000		
Ramea	209,000		
		$ 4,782,000.00	
Bay d'Espoir ..... Assistance in the construction of hydroelectric power development on the south coast of Newfoundland.		20,000,000.00	$ 9,360,625.00
Frequency Standardization ..... Assistance to a program of frequency standardization for Newfoundland at various locations in the Province.		4,000,000.00	695,637.00
Bonavista ..... Provision of a suitable water supply for fish processing.		267,066.75	31,673,36
Newtown ..... Provision of a suitable water system for fish processing.		150,000.00	
Trunk Roads ..... Assistance in the construction or rehabilitation of trunk highways.		3,000,000.00	1,978,054.48
Bogland Reclamation ..... To cover the cost of additional machinery required for the provincial bogland clearing service and to share on an equal basis with the province, the cost of clearing an area of 1,000 acres of bogland on the Burin Peninsula.		156,000.00	
Marystown ..... Haulout (trawler repairs).		825,000.00	
		$33,180,066.75	$12,065,898.84

Projects approved and payments made
as of May 31, 1966

PROJECTS OF A REGIONAL NATURE

	Approved	*Paid*
Pollution Equipment	$ 10,000.00	$ 9,355.88
Provision of scientific equipment for assessing the degree of pollution in inland waters of the Atlantic region.		
Pollution Abatement	2,000,000.00	
Assistance for the abatement of industrial pollution in the Atlantic Provinces.		
Sundry Expenses	5,000.00	3,721.52
To cover the cost of advertising for tenders relating to the construction of projects, and other incidental expenses.		
	$ 2,015,000.00	$ 13,077.40

SUMMARY FOR REGION

New Brunswick	$27,323,546.04	$11,696,167.90
Nova Scotia	25,603,323.41	658,585.41
Prince Edward Island	7,033,327.31	1,534,735.54
Newfoundland	33,180,066.75	12,065,989.84
Projects of a Regional Nature (Sundries)	2,015,000.00	13,077.40
	$95,155,263.51	$25,968,556.09

STATUTORY VOTE 212—SECOND AGREEMENT (ROADS)

	Approved	*Payments*
Newfoundland	$ 9,000,000.00	$ 713,627.48
Prince Edward Island	3,000,000.00	76,700.21
Nova Scotia	9,000,000.00	666,924.42
New Brunswick	9,000,000.00	973,529.16
	$30,000,000.00	$ 2,430,781.27

First Session—Twenty-seventh Parliament
1966

THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

The Honourable T. D'Arcy Leonard, *Chairman*
The Honourable H. de M. Molson, *Deputy Chairman*

No. 11

Complete Proceedings on Bill C-305,
intituled: "An Act to provide for the establishment of a Dairy Commission for Canada".

THURSDAY, JUNE 30, 1966

WITNESSES:

Department of Agriculture: The Honourable John J. Greene, Minister; S. B. Williams, Assistant Deputy Minister (Production and Marketing).

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

First Session—Twenty-seventh Parliament
1966

THE SENATE OF CANADA

PROCEEDINGS
OF THE
STANDING COMMITTEE
ON

FINANCE

The Honourable T. D'Arcy Leonard, *Chairman*
The Honourable H. de M. Molson, *Deputy Chairman*

No. 11

Complete Proceedings on Bill C-205,
intituled: "An Act to provide for the establishment of a Dairy Commission for Canada".

THURSDAY, JUNE 30, 1966

WITNESSES:

Department of Agriculture: The Honourable John J. Greene, Minister; S. B. Williams, Assistant Deputy Minister (Production and Marketing).

REPORT OF THE COMMITTEE

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24217—1

THE STANDING COMMITTEE ON FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Burchill
Choquette
Connolly (*Halifax North*)
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
MacKenzie
McCutcheon
McKeen
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Thorvaldson
Vaillancourt
Vien
Welch
Yuzyk—(48)

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

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, June 29, 1966:

"Pursuant to the Order of the Day, the Honourable Senator McDonald moved, seconded by the Honourable Senator MacKenzie, that the Bill C-205, intituled: "An Act to provide for the establishment of a Dairy Commission for Canada", be read the second time.

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

The Bill was then read the second time

With leave of the Senate,

The Honourable Senator McDonald moved, seconded by the Honourable Senator MacKenzie, that the Bill be referred to the Standing Committee on Finance.

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

J. F. MACNEILL,
Clerk of the Senate.

24217—1½

MINUTES OF PROCEEDINGS

THURSDAY, June 30, 1966.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators Leonard (*Chairman*), Aseltine, Beaubien (*Bedford*), Brooks, Burchill, Croll, Deschatelets, Flynn, Gershaw, Grosart, Kinley, Macdonald (*Brantford*), McCutcheon, MacKenzie, Méthot, Molson, O'Leary (*Antigonish-Guysborough*) Paterson, Pearson, Phillips, Quart, Savoie, Smith (*Queens-Shelburne*), Vaillancourt and Welch. (25)

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

On Motion of the Honourable Senator Smith it was Resolved to report recommending that authority be granted for the printing of 800 copies in English and 300 copies in French of the proceedings of the Committee on Bill C-205.

Bill C-205, "An Act to provide for the establishment of a Dairy Commission for Canada" was read and examined.

The following witnesses were heard: *Department of Agriculture*: The Honourable John J. Greene, Minister; S. B. Williams, Assistant Deputy Minister (Production and Marketing).

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

At 12.15 p.m. the Committee proceeded at the next order of business.

Attest.

Patrick J. Savoie,
Clerk of the Committee.

REPORT OF THE COMMITTEE

THURSDAY, June 30th, 1966.

The Standing Committee on Finance to which was referred the Bill C-205, intituled: "An Act to provide for the establishment of a Dairy Commission for Canada", has in obedience to the order of reference of June 29th, 1966, examined the said Bill and now reports the same without amendment.

All which is respectfully submitted.

T. D'ARCY LEONARD,
Chairman.

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Thursday, June 30, 1966.

The Standing Committee on Finance, to which was referred Bill C-205, to provide for the establishment of a Dairy Commission for Canada, met this day at 11.00 a.m., to give consideration to the bill.

Senator T. D'ARCY LEONARD in the Chair.

The CHAIRMAN: Honourable senators, may we come to order, please? We have before us today for consideration Supplementary Estimates (A) which have been referred to the committee, and we have also Bill C-205, an act to provide for a Dairy Commission for Canada.

I suggest we take Bill C-205, first of all, and I am glad to welcome to the committee the Honourable John J. Greene, Minister of Agriculture, Mr. S. B. Williams, Assistant Deputy Minister (Production and Marketing) in the Department of Agriculture, and Mr. H. Peterson, Departmental Legal Adviser to the Department of Agriculture.

Before we proceed with our evidence I think we should have the usual order for the printing of the proceedings in English and French.

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

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

The CHAIRMAN: The bill was explained yesterday in the Senate by Senator McDonald (Moosomin) and there was a debate upon it. I think perhaps the Honourable Mr. Greene may have had an opportunity to see the proceedings, and I suggest that, with the agreement of the committee, we ask Mr. Greene if he has a statement to make to start with, and he will then be available for questioning afterwards.

Honourable John J. Greene, Minister of Agriculture: Mr. Chairman and honourable senators, the general purport of the bill is, of course, to try and bring some effective stability to the dairy industry. All honourable senators are probably aware that the dairy industry has been in a continuous state of ebb and flow of supply and of low prices at any time when supply became long, fluctuating then with higher prices, and then with more production came the corresponding diminution in the price structure. So this redounded not only to the detriment of producers but also consumers and the economy generally.

Honourable senators will recall the difficult problem of the disposal of a very large dairy surplus in one year, and by and large the purport of the Government's dairy policy and this bill is to try to bring some stability to the industry. We face the problem of many people going out of dairy farming. Last year there was a considerable number of people went out of dairy farming. I am sure honourable senators appreciate that in a booming economy where other employment is available—and dairy farming means seven days a week work, and since these are mostly single family units so that there are no holidays because

you have to be there at all times—unless prices are sufficiently rewarding and stable, it is not reasonable to expect people to stay in dairy farming.

Part of the Government's solution to the problem is encompassed within the dairy policy announced effective April 1 this year, but in the long run the Government's dairy policy will be carried out within the ambit of the commission to be created by this bill.

This is a highly volatile and highly specialized industry, and the gist of the dairy program involves the support program through the stabilization board. Since it is a highly changeable market for the various dairy products, effective day-to-day action must be taken if the policy is to work satisfactorily. It is, therefore, deemed that a commission such as this can do the job probably more effectively than it could be done within the departmentalized structure of Government.

Of course, the federal Government's jurisdiction in these matters is limited to extra-provincial flow of goods—anything within a province is purely a provincial matter—and, of course, also extra-territorial matters such as the export of dairy products which affect the federal powers.

This program which has led to the formation of this commission was evolved through a co-operative group which included federal Government officials, provincial people, and dairy associations which evolved the essence of the legislation that is before us at the present time. Within those discussions it was envisaged, and still is, and I think it will come to pass, that this national dairy commission will work in conjunction with and in co-operation with provincial boards, but will at the same time effect the same results with the same purpose in view on an intra-provincial basis.

Immediately upon the announcement of this year's dairy program, the provincial board, for instance in Ontario, took action to implement the purposes of the federal program. I think the provincial board in Ontario, which will work in conjunction with our national dairy commission, was formed the first of this year. In the Quebec Throne Speech this year it was announced they were going to form a similar board, and I have no information as to what the new Government is going to do in this regard. But, as I say, it was in this year's Throne Speech.

With this overall umbrella of provincial boards and the national dairy commission it is envisaged that working in conjunction with a sound federal dairy support policy, which will be announced in each year and which this commission will in large measure administer, this will bring that stability to the industry which I think is desirable. I do not think the ebb and flow is in the interest of the consumers, or the Government or anyone else. I think it also might be of interest to note that most if not all, to the best of my knowledge, advanced industrial western states have similar programs. I think dairy products in an area in which all nations want to be self-sufficient. It is not the kind of thing you can go in and out of as the world supplies become more or less available. You do not build up a dairy herd in five minutes or five days or five months. If, however, our policies were such that our dairy herds were no longer in existence, we would be completely dependent upon other nations for supply and, in particular, with respect to fluid milk I think all would agree that this would be a very dangerous thing indeed. Of course, you cannot have a fluid milk industry without having a secondary milk industry as well, because, generally speaking, I think the flow of supply is from the industrial sector into the fluid sector as the markets widen in the fluid sector.

In other words, as our population grows and as more milk is needed in the fluid sector usually the source of new producers is from the industrial sector of the industry. Accordingly, we think this will help to put the whole of the dairy industry in better shape than it has been, assuring more stable and just returns

to the producers, constant prices to the consumers, and a continuing supply which will make those stable prices possible.

This is the general basis, I think, of the legislation, and if honourable senators have any questions they wish to ask then I or Mr. Williams, who is probably the most expert in any of these matters in our department, will be pleased to try to answer them.

The CHAIRMAN: Thank you very much, Mr. Minister. Honourable senators, as the minister has said, he is available for questioning.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman, I should like to ask the minister a question. What is the situation today with regard to the control of prices in all provinces—the prices paid to the producer as well as those paid by the consumer? I know what the situation is in my own Province of Nova Scotia, but what is the general picture across Canada?

Hon. Mr. GREENE: Senator Smith, generally speaking, fluid milk is controlled in each province. The price to be paid to the producer is controlled by some form of provincial government agency or board or commission, or something of that nature. Manufacturing milk or surplus milk, as it is often called, probably through custom rather than constitutional authority, has come to be the area in which the federal Government assumes some responsibility. As honourable senators know, the federal Government, through judicial interpretation in the thirties, has no right to fix prices within a provincial marketing system, so today the general story is that there has not been provincial price fixing with respect to surplus or manufacturing milk which is what we are concerned with here. The Province of Ontario, as I stated earlier, fixed the price at $3.25 subsequent to the announcement of our national dairy policy effective as of April 1 this year.

Mr. Williams points out that British Columbia has a form of price fixing with respect to manufacturing milk because they have a system in that province whereby both fluid and manufacturing milk are pooled, and there is price fixing in regard to manufacturing milk in British Columbia.

Senator SMITH (*Queens-Shelburne*): What percentage of fluid milk would be under the control or responsibility of the federal government? In other words, of the total production of milk that is consumed in each province is there a very large movement of milk across provincial borders, aside from the border between Ontario and Quebec?

Hon. Mr. GREENE: This is fluid milk that you are talking about?

Senator SMITH (*Queens-Shelburne*): Yes.

Hon. Mr. GREENE: I do not think there would be much. It would be very little.

Mr. S. B. Williams, Assistant Deputy Minister (Production and Marketing), Department of Agriculture: There are special provincial arrangements.

Senator O'LEARY (*Antigonish-Guysborough*): As the minister pointed out, the concern here is basically with manufacturing milk. After its implementation will this bill affect in any way the price of surplus fluid milk? You see my point, I think. You have a 10 per cent surplus in order to maintain continuity of supply. For example, in my particular area we are receiving from $3.50 to $3 a hundredweight at the present time, and there is a floor of $4. Does this bill have any application there?

Hon. Mr. GREENE: It will have application where there is no support program. The surplus fluid milk will go for the same purpose, namely, manufacturing. So, to whatever degree we can support and stabilize the manufacturing milk industry it will benefit the surplus fluid milk producer. You will

note that in our dairy program, which is effective as from April 1, there is for the first time a recognition of the problem you have in mind. We are subsidizing surplus fluid milk producers on all production over 20 per cent of their fluid quota. It seems to me that this evolution into the two segments of manufacturing and fluid milk is just something that has happened through uncontrolled economic growth, and while I would not want to make any binding pronouncements at this time, and while it appears from my discussions with the industry that it may be a long way off, I would think in the interests of economic order that the day will come when there will be a single pooling. That would be a sounder economic approach to these two worlds. If I have 30 cows and no contract, and you live next door to me and have 30 cows and a contract, then we are in two different worlds even though we are producing the same thing.

While certainly today in most provinces the conditions requisite for fluid milk producers are probably more stringent in regard to equipment, sanitation, et cetera than in the manufacturing milk industry, I think the day will shortly come when milk producers will be milk producers. This business of making drakes of some and ducks of others does not seem to me to be a sound basis of long-term operation.

It may be that the commission plus the provincial boards, plus the fact that this year for the first time we are involving surplus fluid milk in a federal policy, will in the long run bring about the day when there will be a single pooling rather than having these two worlds in the milk business.

Senator O'LEARY (*Antigonish-Guysborough*): I agree entirely. I have another question that I propose to put to Mr. Williams. Would you hazard a guess, or perhaps you know—what average surplus a fluid milk producer would have to have in order to maintain continuity of supply? Would it be 10 per cent or 15 per cent?

Mr. WILLIAMS: It depends largely on what part of the country you are in. In Ontario and Quebec, in the last complete year for which we have a record, fluid milk producers delivered just under 30 per cent over their quota requirements. That represents the two biggest markets. I believe that in the Province of Manitoba they are required to deliver 11 per cent over their quota. I think that the working figure the industry talks about is from 10 to 15 per cent. If a farmer has that, then he is able to assure himself he can always deliver his quota.

Senator O'LEARY (*Antigonish-Guysborough*): That is the figure I had in mind.

Senator GROSART: Mr. Chairman, I was wondering if the minister would care to comment on an advertisement that appears in today's *Globe and Mail.* The headline is: "Facts about the Price of Milk," and it is inserted by the Ontario Milk Distributors' Association. I realize that this has reference to the action taken by the Ontario Milk Marketing Board under provincial legislation and not federal legislation, but, on the other hand, it does seem to indicate that this association which claims to represent 300 dairies is out of step with the principle of what they would probably call Government interference. They say in effect: "We did not do it". The price of milk is going up on July 1, and they want it clearly understood that it is the Government that is responsible. I will quote:

> It is directly due to an order of the Ontario Milk Marketing Board, that Ontario dairies must pay an increased price for raw milk to producers, beginning July 1st. The dairies did not decide on this increase. They are not represented on the Ontario Milk Marketing Board, and neither are the consumers of Ontario. The increase must be paid,

however, on July 1st, in accordance with the Ontario Milk Marketing Board order.

And it goes on:

> Let it be clearly understood that the dairies of Ontario (some 300 of them are represented by this Association) did not bring about this increase and, indeed, have warned in public briefs, that it will lead to reduced consumption of an essential food.

Hon. Mr. GREENE: I have to be a little concerned about treading into this area. This area of milk is one of these difficult ones of overlapping jurisdiction. I want to say publicly for the record that in regard to Ontario, the provincial Minister of Agriculture and I have worked very closely together, trying to work out a policy which will be in the interests of the community generally and of the producers in particular.

It has not all worked out perfectly. I have had some disappointments, and with the rather critical economic pressures that are being placed by the producers now, there is sufficient heat being engendered that I want to be very careful not to let that heat impair the co-operation which has been excellent until now between myself and the Ontario minister. That co-operation is very badly needed if this thing is going to work in the future. There is always the danger that someone will put the heat on by saying "It is his fault" and another "It is his fault". We have fallen slightly into that pit to date and I want to prevent that, if I can.

This is purely an intra-provincial matter, as I understand it. In some provinces, the provincial board has jurisdiction not only to set the price that producers must receive, that the farmers must receive, but either that same board or another provincial entity has the authority to set the price which the consumer will pay the manufacturer, the dairy.

In Ontario, if my understanding is correct in this regard, the board has a right to say what the dairies will pay to the farmer, but it does not have the right to say the price at which the dairies will sell.

Again, such being the case, there is always the possibility—and I have no information in that regard and I am not making any criticism—under that system there is always the possibility that the dairies will charge an increase that is greater than the increase that is ordered to be paid by the dairies.

The same idea prevails, as far as I understand it, in regard to fixed manufacturing percentages where, when there is a price increase and costs go up you have a fixed manufacturing percentage added and the consumer pays the shot. Whether this has happened in this case or not, I do not know.

It may be that all of us are a little reluctant to see more and more control in this complicated world, but it may be that control will have to be pervasive if the consumer is utimately to be protected as well as the producer.

Incidentally, in the ambit of this commission, it is my hope that certainly all elements, either within the advisory board which you see envisaged here, or within the executive of the commission, that farmers, manufacturers and consumers will have some say. It is a pretty dangerous thing to tee up something to one segment of the public, without seeing that all segments have a voice in the representations. Therefore, to the best of our ability we are going to try and make this possible in the commission.

Senator GROSART: Your reference to the heating up of the situation was really the purpose of my bringing it to your attention. I realize, of course, that you cannot very often take the good advice: "If you do not like the heat, get out of the kitchen." You find you have to stick in the kitchen. It has been pretty hot many times.

I do not know much about the dairy business, but I know something about advertising. It seems to me that there is some concern about this attempt—and I am not agreeing or disagreeing—to make this a matter of controversy, as you say, and to say whose fault it is.

It is to be hoped that this legislation wil lachieve the purpose in Canada of giving a greater measure of co-operation, not only in the actual operation of the dairy business but in the discussions about such things as price.

Senator CROLL: Senator Grosart anticipated me, but I have another question which I would like answered, in order to be able to converse with my rural constituents when I go home. How does this bill in any way affect the present situation in Ontario? Without taking sides, just explain, if you will, what it is all about in Ontario. I have read both papers and I have not got a full understanding of it.

Hon. Mr. GREENE: I do not seem to be able to understand it either; but this being a better informed body than most of those I have addressed, I will try again.

As I have explained, there are two kinds, one of which is fluid milk, the milk which you drink out of the bottle and which is purely provincial and has had nothing at all to do with the federal Government until this year.

In the evolution of the economics of the milk industry, the other half of milk, which is called secondary milk or manufacturing milk, has become the responsibility of the federal Government. I do not think I need to go back into history as to what happened in previous years, or things will get really complicated. For reasons that I outlined earlier—people going out of the dairy industry, smaller dairy herds and fewer dairy cattle and the fact that last year Canada consumed more butter than it produced—it was obvious that something of a positive nature had to be done this year if we were to accept the premise, which I think all industrial nations do, that we are going to be self-sufficient in dairy products.

No matter what our philosophy is qua free trade in other areas, I think everyone wants to ensure that there is sufficient milk. One is dealing with children and families and does not want to be dependent on uncertain supplies of milk. Accepting that premise that we wished to be self-sufficient in this country with regard to milk, something had to be done to try and put our portion of the dairy industry in better shape.

There is no question about it. In these booming times, the dairy farmers just were not getting a just return for the investment involved. There is a very substantial investment today in a dairy farm, and it is not a very interesting life today for young people. Dairy farmers work seven days a week with no holidays. You cannot leave the cows and go to Florida or anywhere else. The cows will not subsist by themselves. Something has to be done of a very positive nature.

This is what the federal Government policy was. We decided to have a support program which would bring greater stability and a better return and thus a continuing supply and more stable price to the industry. These were our premises in the dairy support program.

How were we going to do this? First of all, as always happens in this complicated land of ours, the Constitution makes things very difficult. As I understand the judicial decisions of the thirties, we cannot fix the price of an agricultural commodity within a province. So what do we do? We say this. We will have a support policy which will enable the manufacturer to pay $3.25 to the farmer. How do we achieve this? By the price at which we buy butter, by the price at which we support milk powder, by the price at which we support exports, by the price at which we support cheese. Our support program, and the

prices we pay under our support program, will enable the factory to pay $3.25. That is all we can say in this regard.

We cannot tell the factory what to pay. We do not have that authority, but our policy is such that the factory owner, we say, can pay $3.25 because of our support program.

It is then up to the others. We try to make this very clear in our announcement. Since the factory can pay $3.25—the federal Government is going to see to that—the province can then order the factory to pay $3.25. Alternatively, the producer groups may get together and say to the factories: "You have to pay $3.25 or we will not deliver to you." This is probably less effective. The farm organizations are not usually so effective in their co-ordinated activities. Really, what we envisaged was that the provinces would do this.

Again, to go one step further, when we get our commission and get the provincial boards working in conjunction with our commission, such effective action by the provinces will be much more ready, in my opinion.

Now, in the Province of Ontario with which I think you are concerned, senator, Mr. Stewart and I had many discussions with regard to this program. We worked in very close co-operation, and as far as I am concerned I had very good understanding and help from him. Then, when we announced our policy, the provincial board set the price at $3.25, as we had envisaged and hoped they would do. Over and above the $3.25 that the factory has to pay to the producers, we will pay directly to the producer 75 cents a hundredweight for the milk he delivers on a monthly basis. Therefore, he gets $3.25 from the factory and 75 cents from us, a total of $4. But our program was on the basis of $4 per hundredweight f.o.b. the factory. I understand there has been some misunderstanding regarding this, despite my statement in the house. It was to be $4 per hundredweight f.o.b. the factory. Of course there are factories that pick up the milk and charge the farmer the cost of picking it up and taking it to the butter plant or wherever they may take it. That is a different matter. I think some of the problems in Ontario are in this vein—the factories have upped the costs they charge the farmer for transportation, and again there is nothing we can do about that. I am not saying anybody else should do anything, but if the province feels the farmers are being hard done by, and that these increases are not warranted, then the province could take appropriate action.

Senator BROOKS: The proposed dairy commission then has no authority at all to try to correct the situation? So far as your commission is concerned its obligation or duties do not extend to correcting situations such as this.

Hon. Mr. GREENE: No, only if the product moves interprovincially. If it is within a province we are in the same boat, we have no jurisdiction.

Senator CROLL: What you are saying in effect is that it is quite possible that in the Province of Quebec factories may make a charge of 50 cents for that delivery while the factories in Ontario want a dollar?

Hon. Mr. GREENE: In an area where you have competition, that is if you have three or four different plants buying milk, then the farmer has his choice and I think the marketplace will take care of this situation. But if you have only one place in an area to which he can deliver his milk, then that farmer is at the mercy of the manufacturer, who says "We have got to pay $3.25, and the federal Government is handing out that money. We are going to get some of it and we are going to increase the transportation charges." But I should make it quite clear that I am not saying that the manufacturers are the ogres in this thing. They are complaining too, and we are making very pervasive inquiries now into the manufacturing area. Our policies will enable the manufacturer to pay $3.25. They were carefully worked out on last year's figures, and our officials are convinced they enable the factory to pay $3.25 a hundredweight and get a reasonable return. But the factories are saying that costs have gone up and that

in the last year they have had to pay more for wages and more for everything they buy. They also say they had losses last year because there was quite a shortage, and the factories pay very high prices for milk, and they had losses they would like to make up for this year and they are saying that the $3.25 is not good enough, that the farmer is getting all the benefit, that they are in a difficult position and the only way they can pick up some of this extra money is by increasing the transportation cost to the farmer.

In the alternative what they have done—and at least some of the farmers are kicking up about this—is that they have made a deal to buy bulk tank trucks and have agreed to pay a subsidy on that as the farmer delivers each month. The factories have cut out the subsidy and the farmer had no firm contract for it, and this all has created pressure in a large measure in Ontario. The Ontario farmers are urging the provincial government to pay a provincial subsidy to enable them to get $4 at the farm, which is tantamount to saying they want the provincial government to pay a subsidy which will pay the cost of transportation. The provincial minister is saying "Well, manufacturing milk is the federal Government's baby; we are not paying any subsidy in this."

Senator BROOKS: The intention of the federal Government, as I understood it, was that they would assist the farmer or the producer by paying 75 cents to the farmer, and it was intended or at least the farmer thought that he was getting the 75 cents. But in fact he isn't, because he is paying for the cost of transportation, and so on.

Hon. Mr. GREENE: There is no question about that. He is getting it and we send it directly to him. It is the $3.25 which gives rise to the trouble. Our support policies were such that the factory could pay him $3.25 for his milk. In Ontario the province said to the factory "You now have to pay him $3.25 for his milk because the federal Government support policies enable you to do so," but instead of getting $3.25—mind you, he was to get $3.25 f.o.b. the factory—if he has his own truck today and delivers his milk he gets $3.25—but if the factory delivers for him or picks up the milk, what they have done according to the complaints we have received is that the factory has added a charge of 25 cents a hundredweight for picking up the milk, so that he is getting the $3.25 less the cost of transportation. But with regard to the 75 cents, there is no complaint there.

There is, however, an area of complaint which the provincial minister was quite right in pointing out to be our fault, and for which I take full responsibility. We had been over-sanguine as to the ability to process the paper work to get the 75 cents out. This is a computer job, and apparently computer programmers are very scarce as are operators and program people generally, and we did not get the cheques out as soon as we had thought we could. We had told the farmers that they would get the cheque every month. The first month's cheques were late, but as soon as we get the data established and provided that the factories make returns promptly, there is no reason why the farmer will not get his cheque every month right on the dot.

This is a complicated program and I think the farmer did not understand it when he did not get his cheque on the 1st of May. I guess he began to wonder what was going on. We tried very hard to show what was happening; we had ads in the papers and everything else. But I think to that degree I am responsible for some of the problems in Ontario. We just did not get the cheques out in time. They are now out and I hope this will alleviate some of the problems.

Senator O'LEARY (*Antigonish-Guysborough*): I want to return to the question of fluid milk surplus. Would I be correct in summarizing the situation like this: In the Province of Ontario the witness indicated the figure would be

something like 130 per cent—that is an average of 30 per cent over requirements?

Mr. WILLIAMS: Actually the figure is 70-30—70 per cent of the milk produced in Ontario and Quebec on an average goes into what is classified as fluid milk. Thirty per cent goes into other products.

Senator O'LEARY (*Antigonish-Guysborough*): My point is with regard to a producer who is selling under the price support program. You are paying him 75 cents, or 85 cents less 10 cents on everything over 120 per cent?

Mr. WILLIAMS: That is right.

Senator O'LEARY (*Antigonish-Guysborough*): Taking the figure of 130, he would get 75 cents on 10 per cent; is that correct?

Mr. WILLIAMS: That is correct on the average, but there are many producers in Ontario and Quebec who are only paid the fluid milk price on a lesser percentage of their product. Suppose a man is delivering 10,000 pounds of milk a month and is only being paid for 4,000 pounds of it at fluid prices. Twenty per cent of 4,000 pounds is 800 pounds. He would then be paid the federal subsidy of 4,800 taken away from 10,000, or 5,200 pounds. In other words, he would get his subsidy on better than half of his total deliveries. Anybody who has less than around an 82 or 83 per cent quota will get the federal subsidy.

Senator O'LEARY (*Antigonish-Guysborough):* Then could I say that he would get, or could get $4 for his surplus milk, depending upon the province, the distributor and the processor?

Mr. WILLIAMS: For surplus fluid milk over and above the 120 per cent?

Senator O'LEARY (*Antigonish-Guysborough):* Yes.

Mr. WILLIAMS: That is right.

Hon. Mr. GREENE: If the province stated the price.

The CHAIRMAN: I have a question myself. Mr. Minister, dealing with the regulations which provide for issuing of licences and so on, is section 12 confined to the definition of marketing in the interpretation section?

Hon. Mr. GREENE: That is right.

The CHAIRMAN: Senator Burchill?

Senator BURCHILL: May I ask a question not directly in connection with this matter? Mr. Minister, I am one of those from the Province of New Brunswick who enjoys the luxury of keeping a herd of dairy cattle and I do not know how long I am going to be able to afford it. I am not alone in that respect. There is no difficulty in selling all the milk we can produce at a good price. In fact, there is a shortage of milk in our section of the province. It would be unfortunate if one had to go out of business. However, the fact is that the cost of that luxury is becoming so high that we just do not know what to do about it. One of the big factors, of course, is the cost of labour, which is very high. However, the biggest factor affecting the whole dairy industry throughout Canada is the cost of the feed we have to import in order to produce this milk. My question is, is there any hope for the dairy industry in New Brunswick?

Hon. Mr. GREENE: With respect to feed, I think the eastern feed grain industry, which is mooted and on the order paper, is conceived with the idea of equalizing this problem of the cost of feed. It would be presumptuous for me to hazard now whether they will solve the problems of the dairy industry in New Brunswick. I think feed grain transportation assistance and feed grain storage that we embarked upon were geared to the same end. I agree that a perfect job has not been done, and whether this new entity will be able to do a better job, certainly this is the problem of New Brunswick, as I appreciate.

Senator BURCHILL: I want to assure you, Mr. Minister, this is a very pressing problem.

Senator DESCHATELETS: Am I right in assuming that there will be in the future a federal-provincial conference on agriculture?

Hon. Mr. GREENE: There will be a meeting of provincial ministers in Victoria on July 15, which I shall attend. I do not think you could grace it by calling it a federal-provincial conference, it is an annual meeting where all provincial ministers meet, and the federal minister, I understand, is going to "take his lumps."

Senator KINLEY: Over the years the question of butter or margarine has been much discussed in Parliament and we have had a surplus of butter for years. Do you say we do not produce enough butter for the home market?

Hon. Mr. GREENE: Last year we consumed 20 million pounds more than we produced, which we took out of surplus stock.

Senator KINLEY: Do you have a surplus stock of butter now?

Hon. Mr. GREENE: At the end of the dairy year on April 1 we had less than 10 million pounds, which is a very small surplus at the end of the year.

Senator KINLEY: I was interested in your definition of cream and milk. We who live in rural sections are rather shocked with the cream we get in the cities.

Hon. Mr. GREENE: Of course, you are spoiled. On your point with respect to stocks and surpluses, I know that when the housewife goes in to buy today's food products she has a tendency to think that the farmer is getting fat. This is not the case at all. Even with the new program for which the federal Government is assuming the responsibility, there is the possibility we will have a shortage of butter this year, and if we do we will have to import.

Senator KINLEY: What is the butter fat percentage required now?

Hon. Mr. GREENE: Three point five.

Senator KINLEY: What do you do when the cows yield up to 6 per cent?

Hon. Mr. GREENE: Well, they make that much more money.

Senator KINLEY: That is, they make that much more money at the creamery.

Hon. Mr. GREENE: I think it is standardized, senator, but our program is based on 3.5 milk.

Senator KINLEY: But I was under the impression that was not the percentage at the creamery.

Mr. WILLIAMS: This is set by provincial legislation. In general they have what is known as the butter fat differential which in Ontario, I believe, is 5.5 per cent. There are different differentials in different provinces, and the standards for milk vary from 3.5 per cent across the country.

Senator KINLEY: Practically every county has a different price for milk, and the city areas pay more and the rural areas pay less. It is not a provincial control but an area control.

Mr. WILLIAMS: That is right. In Nova Scotia it is, I believe, controlled by the Public Utilities Board, and some of the authority is delegated to municipalities in respect to this.

The CHAIRMAN: Any other questions? Do you wish to deal with the bill clause by clause?

Hon. SENATORS: No.

The CHAIRMAN: Shall I report the bill without amendment?

Hon. SENATORS: Agreed.

The CHAIRMAN: I wonder if I might ask the minister to deal with one item in Supplementary Estimates (A), which Senator Brooks raised in the committee the other day. It refers to the amount of $3,914,000 with respect to payments last year as a result of drought. I believe Senator Brooks wanted to know how that was distributed by provinces. Are you in a position to answer that, Mr. Minister?

Hon. Mr. GREENE: I might point out that this is a carryover from the drought assistance program of last year, but I think on a provincial basis Mr. Williams has the figures here and probably could help honourable senators with them.

Mr. WILLIAMS: This program covers a total of five provinces. This $3.914 million, I believe it is, covers—

Senator GROSART: What page is this?

The CHAIRMAN: This is Supplementary Estimates (A), page 4, under Vote 35a, the item fourth from the bottom in the amount of $3,914,000.

Senator GROSART: Thank you.

Mr. WILLIAMS: It provides funds to reimburse the provinces of Ontario, Quebec and New Brunswick for expenditures they made or are proposing to make under their drought relief program, and under this program the federal Government agreed to pay 50 per cent of the costs.

The total expenditures in the last year—and I think you gentlemen will appreciate this is a carryover from last year's program because the program was extended beyond the end of the fiscal year—in Ontario amounted to $2,700,000, in Quebec $2,726,901, and in New Brunswick to $109,044.

In the main Estimates of this year we have provided for, in Ontario a further $1,300,000, for Quebec a further $3,750,000, and for New Brunswick $200,000. This supplementary estimate will provide $3,623,099 for the Province of Quebec and $290,956 for the Province of New Brunswick.

The CHAIRMAN: Are there likely to be any further payments under Supplementary Estimates (A)?

Mr. WILLIAMS: We do not anticipate any further payments, but it is impossible to predict this accurately. These are based on provincial claims at this moment.

Senator O'LEARY (*Antigonish-Guysborough*): This 50 per cent of the cost, is that freight assistance, essentially?

Mr. WILLIAMS: It is not freight assistance—

Senator O'LEARY (*Antigonish-Guysborough*): It is not at all?

Mr. WILLIAMS: Well, it is not in the sense of the word our feed freight assistance policy is used. It is a slightly different program in each province, but in general a farmer was issued coupons by the provincial government. The number of coupons depended upon a provincial assessment of the extent of crop loss in his particular area and the number of head of livestock. These are forage-consuming livestock and not grain-consuming livestock—and hogs and poultry are not included in this—that a man had on his farm or normally had on his farm. He could exchange the coupons with the feed dealer for feed, the province then reimbursed the feed dealer, and we are now reimbursing the province.

Senator O'LEARY (*Antigonish-Guysborough*): It is really the cost of the feed itself?

Mr. WILLIAMS: Yes.

The CHAIRMAN: Honourable senators, if there are no further questions, on your behalf I thank the minister, on this his first appearance before us, for his very interesting and informative evidence, and I express the hope that he will return to visit us again one of these days. Thank you.

Hon. Mr. GREENE: Thank you very much.

The committee concluded its consideration of the bill.

First Session—Twenty-seventh Parliament

1966

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

No. 12

Complete Proceedings on Supplementary Estimates (A), laid before Parliament for the fiscal year ending 31st March 1967.

THURSDAY, JUNE 30, 1966

WITNESS:

Treasury Board: Dr. George F. Davidson, Secretary.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

30219—1

First Session—Twenty-seventh Parliament

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24219—1

THE STANDING COMMITTEE ON FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Burchill
Choquette
Connolly (*Halifax North*)
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
MacKenzie
McCutcheon
McKeen
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Thorvaldson
Vaillancourt
Vien
Welch
Yuzyk—(48)

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

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Monday, June 27, 1966:

"With leave of the Senate,

The Honourable Senator Connolly, P.C. moved, seconded by the Honourable Senator Leonard:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures set out in Supplementary Estimates (A) laid before Parliament for the fiscal year ending 31st March, 1967; and

That the said Committee be empowered to send for persons, papers and records, and to sit during sittings and adjournments of the Senate.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

24219—1½

MINUTES OF PROCEEDINGS

THURSDAY, June 30, 1966.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 12.15 p.m.

Present: The Honourable Senators Leonard (*Chairman*), Aseltine, Beaubien (*Bedford*), Brooks, Burchill, Croll, Deschatelets, Flynn, Gershaw, Grosart, Kinley, Macdonald (*Brantford*), McCutcheon, McKenzie, Methot, Molson, O'Leary (*Antigonish-Guysborough*), Paterson, Pearson, Phillips, Quart, Savoie, Smith (*Queens-Shelburne*), Vaillancourt and Welch. (25)

On Motion of the Honourable Senator Grosart it was Resolved to report recommending that authority be granted for the printing of 800 copies in English and 300 copies in French of the proceedings of the Committee on Supplementary Estimates (A).

Supplementary Estimates (A) for the fiscal year ending March 31, 1967, were read and examined.

The following witness was heard: *Treasury Board*: Dr. George F. Davidson, Secretary.

On Motion duly put it was Resolved to report that the Committee was satisfied with the explanations given to the Committee by the witness.

At 1.00 p.m. the Committee adjourned to the call of the Chairman.

Attest.

Patrick J. Savoie,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Thursday, June 30, 1966.

The Standing Committee on Finance, to which was referred the Supplementary Estimates (A) laid before Parliament for the fiscal year ending 31st March, 1967, met this day at 12.15 p.m.

Senator T. D'ARCY LEONARD in the Chair.

The CHAIRMAN: Honourable senators, we have Dr. Davidson on Supplementary Estimates (A).

The committee agreed that a verbatim report be made of the commitee's proceedings on the Supplementary Estimates (A).

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

As you know, Dr. Davidson is the one who can tell us—and we have had experience with this before—in general about the items, although when it comes to any particular item it may be necessary to go back to a department if we want further details or information that he does not possess. However, we have found in the past that he is very satisfactory, and we are not finishing these today by any means; it is a continuing discussion.

There are two things that I would like to say. First, perhaps, Dr. Davidson would like to touch on the high spots. Second, Senator Brooks, in addition to questions on payments on the drought problem, mentioned three other matters, and I think we must be sure to get the answers to those. Beyond that I would suggest Dr. Davidson could perhaps give us the highlights of the Supplementary Estimates (A). For his information I think I can tell him the three items.

One was with respect to payments by India with respect to wheat. Another one was the matter of a dollar item on page 26 dealing with the Public Works Department. And the third was an item of $20,000 with respect to hospital insurance. I think that he has that too.

Dr. George F. Davidson, Secretary of the Treasury Board: Mr. Chairman and honourable senators, I could touch very briefly on the overall dimensions of the supplementary Estimates, then deal with Senator Brooks' three questions, and then leave it to honourable senators individually to raise any particular questions they would wish to raise.

As you will see, these are the Supplementary Estimates (A), the first supplementary Estimates to be presented in this fiscal year. They are merely the forerunners of other supplementary Estimates which, on the basis of previous years' experience, will be presented to the houses of Parliament from time to time throughout the year.

I might just mention for your information that there is, I believe, the intention to table a further supplementary Estimates item consisting of two loan items only this atfernoon in both the House of Commons and the Senate. We cannot discuss that today because they are not officially before us, but I am

just noting this as the first of a number of sets of Estimates that will undoubtedly have to be presented to Parliament in the course of the year.

The total amounts to $295,466,791 which, added to the main Estimates, as recorded on the front page, brings the total of the Estimates as presented thus far this year to $8,245,926,269.

Senator ASELTINE: Do I understand we are going to have Supplementary Estimates (B) almost immediately?

Dr. DAVIDSON: Yes, to be tabled this afternoon.

Senator ASELTINE: What will they amount to?

Dr. DAVIDSON: These, senator, are not expenditure items. These are loan items which will come under the heading of Loans, Investments and Advances. Perhaps I should not have mentioned they were coming forward, because it would not be proper for me to give you any details of these in advance of their being tabled in the House of Commons and the Senate. Again, I stress these two items I have referred to in Supps (B) are not expenditure items which will add to the budgetary account. They are loan items which will add to the Loans, Investments and Advances listed here, which were $332,765,400 in the Main Estimates, to which we are now asking to be added $36,975,000, for a total of $369,740,400.

In addition to what I have said about the prospect that there will be further requirements submitted from time to time later this year, it should also be noted that there will be in some instances a short-fall of actual expenditure for one reason or another and not every dollar of the items voted will in fact be spent.

Members of the committee might wish to set opposite this Estimates figure we now have of $8,245 million the expenditure forecast which the Minister of Finance made in his budget speech on March 29, which indicated that as the Government saw requirements throughout the entire fiscal year the expenditures on budgetary account would run to an estimated amount of $8,450 million. So, this figure now being added by way of Supplementary Estimates (A) brings the total of the estimates that Parliament is being asked to approve to a figure which is still a couple of hundred million dollars less than the expenditure forecast that the minister made in his Budget speech on March 29.

I might at this point concentrate the attention of the members of the committee, Mr. Chairman, on the four largest items, in Supps "A", which taken together amount to $174.4 million of the $299.5 million that is now being requested. The first major item is to be found on page 6 in the Department of Citizenship and Immigration; it is for technical and vocational training assistance, Vote 15a, and it is an amount of $37,750,000. This is chiefly accounted for by the additional costs of carrying out the purposes of the Training Allowance Act of 1966 which has passed the House of Commons and which the Senate now has before it or possibly has disposed of. I am not quite certain of the timetable with respect to this particular enactment. We can come back to explain that if the members of the committee wish later on.

The second major item is to be found on page 9 in the Estimates of the Department of External Affairs under the External Aid office, Vote 35a, amounting to $45 milion. This is connected with the special program of food assistance to India and Pakistan.

The third major item is to be found on page 10 in the estimates of the Department of Finance, Vote 15a, contingencies, $45 million, which is to meet the expected costs this year of additions to departmental establishments, and of the salary revisions which take place throughout the fiscal year as different groups of civil servants are dealt with in terms of the biennial pay revision.

The fourth major item is in the Department of the Secretary of State, Vote 27a on page 27, and this has to do with university grants. The amount is $38.4

million, and it is for the purpose of carrying out the Government's announced intention to increase the formula by which financial assistance is provided for universities from $2 per capita of the population to $5 per capita of the population.

The four items to which I have briefly referred account, as I say, for $175 million, and all the other items in these supplementaries taken together account for $121.1 million, making the total of $295.5 million.

It will be noticed that on the front page there is a list, the last item of which is the departments for which no supplementary estimates are required and it shows the total of the expenditures of those departments in the main Estimates, which is $2.4 billion. Some or all of those departments, of course, may have to come in on a later supplementary if the circumstances require.

I will turn now, Mr. Chairman—

Senator BURCHILL: We shall reserve our questions to the end, shall we?

The CHAIRMAN: Yes, I think so, Senator.

Dr. DAVIDSON: I turn now, Mr. Chairman, to the three items that were raised by Senator Brooks, the first of which is found on page 9. I have already had an opportunity of speaking to Senator Brooks about this while the Minister of Agriculture was testifying before the committee. Vote 36a, in the middle of page 9, is for the purpose of providing funds which will have the effect of writing off or forgiving a number of loans that were made to the Government of India totaling $9.4 million for the purchase of Canadian wheat and flour. These loans were made under agreements that go back as far as February 20, 1958, October 22, 1958 and March 29 of this year. The amount involved in the write-off, as is to be seen here, is $9.4 million.

Senator PEARSON: Is that divided into so many years at so much each year?

Dr. DAVIDSON: This is the amount of payment that is now due under these respective agreements, each of which provided that periodic payments would be made by way of reimbursement by the Government of India against the loans that had been advanced to it.

Senator PEARSON: This clears that matter up?

Dr. DAVIDSON: This does not clear up all the obligations of the Government of India, but it disposes of the amount that it was deemed necessary to forgive at present in view of the Indian Government's position. As honourable senators will appreciate, this is strictly a bookkeeping item at the present time because the loans were made in previous years. The money was paid out in previous years, and this really is a request to Parliament to appropriate this amount of money to enable the Canadian Government to pay back to the loan account against India the amount of money that was actually disbursed several years ago.

The CHAIRMAN: I think one of Senator Brooks' point was as to why this type of transaction could not come in under the Colombo Plan.

Dr. DAVIDSON: It may, and I cannot speak with certainty of this because I have not gone back to the year 1958. It may, in fact, have been set up as assistance by way of a loan under the Colombo Plan at the time it was made. I am not certain of that.

Senator PEARSON: At the time the loan was made?

Dr. DAVIDSON: Yes, but I would not want the senators to think I am saying that that is the case. But, it may have been set up as a loan at that time if there was a loan program in effect under the Colombo Plan in 1958. I must frankly admit that I do not know that there was, but I do know that in 1958 there was a loan program which made it possible for the Government of the day to advance loans to India for different purposes. And this is simply an appropriation

by Parliament to enable those loans to be paid off out of a parliamentary appropriation since the Indian Government itself is not in a position to pay off those loans.

Turning now, Mr. Chairman, to the next item, which I believe is on page 18, $20,000 for the Department of National Health and Welfare. This is to plug a very minor loophole in the operation of the federal-provincial hospital insurance scheme. As the members of the committee will appreciate, there are provisions in the respective hospital insurance acts that each province has passed, and in the governing federal legislation, and in the agreements which tie these two pieces of legislation together, for what happens in the case of a person moving from one province to another. A person normally carries his entitlement to insurance with him for a three months period when he leaves a province, and he must wait for a period of three months before the province to which he has moved picks up from the first mentioned province the responsibility of providing hospital benefits.

This works out satisfactorily in perhaps 99.9 per cent of the cases, but there are circumstances in which, either because of disagreement between the provincial jurisdictions or for some other reason, some individual moves from a province to another province, or from a province to a territory, and finds that within three months of moving into that second province or territory he requires hospital care. He has paid his premiums consistently throughout but the province to which he has moved, or the territory to which he has moved, refuses to accept responsibility for the payment because he has not been there three months. The province which he has left might likewise refuse to take the responsibility for providing the money for the hospital service required. These cases are few and far between, but they are irritating and embarrassing from the administrative point of view for all concerned.

What has happened, therefore, is that after a great deal of negotiation between the provinces and the Department of National Health and Welfare an arrangement has been made whereby every province in Canada will contribute one-tenth of one cent, I think it is, for every person in the provincial population on a periodic basis—perhaps yearly; I have forgotten how it works—which goes into a fund. The federal Government contributes a matching amount and this amounts in total to $40,000 which will be used to pay off accounts such as I have described, which come into conflict for the reason I have mentioned. That is the sole purpose of the item on page 18, Health and Welfare.

Senator O'LEARY (*Antigonish-Guysborough*): It applies to all provinces where there is a provincial sales tax?

Dr. DAVIDSON: Yes.

Senator GROSART: Will this vote have to be repeated every year?

Dr. DAVIDSON: Yes, according to the estimated amount required.

Senator GROSART: So long as we keep the phrase "notwithstanding the act"?

Dr. DAVIDSON: I would be happy if that could be provided for on some statutory basis.

Senator GROSART: There are six or seven similar cases where the act is in effect amended or extended by these votes, by saying "notwithstanding anything in any act". One is page 26, Vote 57A. Is this a good way to legislate? Could there not be something more in line with our general legislation practice under our system of government? Are these amendments to acts incorporated in a consolidation of the acts? Is there any place an individual can go, in the federal Government or to any library, to be sure he gets a copy of an act which is amended by all methods of amendment?

Dr. DAVIDSON: The superannuation omnibus bill now before the Senate incorporates into the legislation provisions which in previous years were made in a vote item in an appropriation bill. This is done in an attempt to pick up in the process of legislative amendment what has been in effect legislation by way of a vote.

The Statute Revision Commission extracts from various appropriation acts the items we are talking about and incorporates them into the appropriate legislation whenever they consider there is a continuing on-going effect created by such a vote-wording amendment. They will not do that in this case, as this clearly applies only for 1966-67.

Senator GROSART: You said this was to plug a hole in the act. Will not that hole be there as long as the act exists?

Dr. DAVIDSON: This can be interpreted as an amendment to the Financial Administration Act. It authorizes the Government to put money into the Consolidated Revenue Fund in a special trust account which can be got out again without its having to be appropriated again by Parliament.

Senator GROSART: Notwithstanding the existing statute.

Dr. DAVIDSON: Section 35 of the Financial Administration Act says funds cannot be taken out of the Consolidated Revenue Fund without the specific approval of Parliament. This involves setting up an account and making it possible for these payments to be made out of the Consolidated Revenue Fund notwithstanding the normal provisions of the act.

Senator GROSART: Would you anticipate that the act will be amended to incorporate the provisions of, say, Vote 22, page 11 and Vote 35a, page 32, which are similar examples?

Dr. DAVIDSON: No, sir, not as on page 11, page 10 or page 18. I would not expect these to appear in the act in the Revised Statutes following the next statutory revision. Nor would that on page 32, Vote 35a.

It is conceivable that a government, finding it undesirable to ask repeatedly for vote authority of this kind, might decide to present amendments to Parliament to deal with the substance of the problem. It is conceivable for example, that a request might be made to Parliament to amend the Financial Administration Act so as to permit special trust accounts to be set up for special purposes authorized from time to time by Parliament. But even if that were done, it would still be necessary to get some form of parliamentary authority for the establishment of special trust accounts.

Senator GROSART: But within an existing statute.

Dr. DAVIDSON: Yes, or conceivably within a special statute. For example, in the case of the Hospital Insurance Act, it could be the Government's policy to present an amendment providing in that act that a special account could be set up in the Consolidated Revenue Fund, which would make this arrangement possible.

Senator GROSART: Why is there a different approach, in the case of the increased allowance available under the Student Allowances Act, where we passed an act to amend it to provide the extra money, and the provision here for extra money for universities, page 27, Vote 27a? One increased student loan, the other increased grants to universities. Why is one done by an act and the other by a vote in the supplementary Estimates?

Dr. DAVIDSON: Well, I would have to say, quite honestly, that this is a matter of judgment by the Government as to the urgency of a particular matter, and the chances of getting the legislation through the house at a reasonably early date. With respect to the university grants for example on page 27, I think a firm commitment had been made to the universities earlier this year, and there was a requirement to have the money paid out in

instalments throughout the year. Since this is an interim arrangement the vote wording, as distinct from actual legislation does not prejudice the Government's final intentions as to the future. Here we are saying in effect that we are asking Parliament to sanction this interim arrangement by a vote in the Estimates. On this point, Senator Grosart, could I stick out my neck even further and give an example of another situation which is more to the point than the one you mention. I refer to Public Works, Vote 57a on page 26.

Senator GROSART: That is another one of the "notwithstanding any other act" situations?

Dr. DAVIDSON: Yes.

Senator GROSART: I had noticed that one too, and I was saving it to the last.

Dr. DAVIDSON: This one, I must say from my point of view, is a substantive amendment of the provisions of the Trans-Canada Highway Act. I can only say that this opinion was put forward by me to my lords and masters, but there was a decision of the Government, which I must defend, to request the extended authority which is contained in this vote wording. The fact is that the Public Works department says that our Trans-Canada Highway commitments are alreay at, if not beyond, the limitation of the commitments given in the legislation. This being so, and taking into consideration, with great respect, the uncertainty of Parliament's legislative timetable and the length of time it takes to get legislation through Parliament, if all these things were to be done in the most desirable way as we have been talking about, it might be necessary to wait a great many months before you could accomplish this by way of the legislative process we are discussing. Therefore, the Government decides that it will ask Parliament to do by way of vote authorities in the supplementary Estimates certain things which would normally be done by way of legislative amendment. I would add just one thing, and that is that when we are asking Parliament to vote an item in the Estimates we are asking them to legislate just as truly as if we were asking them to pass an act. This is as truly a clause in a bill as if it were embodied in the Trans-Canada Highway Act itself. Parliament must be the final judge as to whether it is prepared to countenance these requests and also as to how long they will countenance them and whether they will countenance them from year to year. This is a matter Parliament has to resolve in its own way.

Senator GROSART: In fact we have instant legislation.

Senator O'LEARY (*Antigonish-Guysborough*): Just a brief point I want to make on 17a—about this three months' waiting period which is written in. This is by agreement with the provinces. So far as this fund is concerned, may any person who has moved from one Province to another and is there for a period less than three months avail himself of this assistance?

Dr. DAVIDSON: No, there would be much more than this required if that were the case. This is for the purpose of dealing with those cases where claims have been presented to both provinces which could be responsible and both have rejected responsibility.

Senator O'LEARY (*Antigonish-Guysborough*): In every instance if it were under three months, would not one province or the other receive the claim?

Dr. DAVIDSON: They should, but there may be some doubt as to the precise number of days. The individual may have been visiting in the United States between leaving one province and coming to another. I mention this because such cases arise, and we are going to have to leave them unprotected or put aside a small amount of money to meet the situations as they arise.

Senator MACKENZIE: If I may turn back to page 27, the case of university grants, for a moment. I am not sure that this is directly in point, Dr. Davidson,

because there is responsibility in other agencies. But I have in mind a situation which flows out of my work as Chairman of the University Grants Committee for the Province of Nova Scotia. The Premier received an assurance from the Prime Minister about the total grant of money the province was likely to get under this proposal, and using that and applying it to the formula we had devised, we worked out the contributions the province would make and the federal Government would make to meet the requests of the universities in question. Now the situation here is that the money will be distributed within the province among the various institutions on the basis of the agreement reached by A.U.C.C. and the department of state, and the agreement they reached at this late date is presenting us with some very awkward financial problems because they have, in a sense, departed from the formulas that had been in effect in other years. Now I am not suggesting there is anything you can do about this at this stage, but is it possible to have earlier information or, if possible, an approved formula which is likely to be continued to meet the situation? You will readily understand it is very difficult to deal with this situation if you don't know in advance how much money you are going to get and how it is going to be distributed. You see the money goes directly to the universities under this legislation, and in that sense the province and the provincial committee has no control, and I think this is right and wise, but it does affect the distribution of the provincial moneys.

Dr. DAVIDSON: Perhaps I can ask you a question, Senator MacKenzie. Is it a fact that the agreement between the Secretary of State and the Association of Universities and Colleges of Canada has been entered into?

Senator MACKENZIE: I don't think so, but I believe the association of universities have sent to the universities a statement as to what they are proposing to recommend, or something of this kind which has this effect. In other words "X" University has received word it is likely to get "Y" hundreds of thousands of dollars, and this is more or less than what it expected to get. In some cases it is more and in other cases less. However, you cannot take it back from those who got more because it has gone forward from the federal Government. And the budgets of the provinces have already been committed, so somebody is left holding the bag.

Dr. DAVIDSON: I can only say two things about this. One is that as long as there has not been an agreement entered into with the approval of the Governor in Council, there are still opportunities for representations to be made to the Secretary of State, but what the effect would be I cannot say. The second thing I have to say is that when you get information about the same matter from two different sources, you almost invariably get two different interpretations.

Senator SMITH (*Queens-Shelburne*): Isn't there another way to deal with this, and that is to have each of the other provinces do as Quebec has done and that is to ask for a tax abatement and this would solve all their problems.

Senator MACKENZIE: That would be unfortunate for the universities.

Senator MOLSON: I was looking at page 18 where we were discussing National Health and Welfare. In the middle of the page we come to, "Income Security Director Administration". I think that is a resounding name, and I am wondering exactly what it does.

Dr. DAVIDSON: It spends a good deal of your money, senator. It covers family allowances, universal old age pensions, the administration of the present old age assistance and disability allowances, and blind persons administration. It will be responsible to the Canada Assistance Plan when legislation is enacted for the administration of the Canada Assistance Plan. It is also responsible for

the administration of the Canada Pension Plan in so far as that is a responsibility of the Department of National Health and Welfare.

In other words, the Income Security Directorate of the Welfare Services Branch of the Department of National Health and Welfare is responsible for the administration of all those programs which involve the paying out of cash benefits to various segments of the population or of reimbursing provinces under joint federal provincial cash benefit programs—covering both means and non-means test types of program.

Senator MOLSON: Is "income security" a generic term?

Dr. DAVIDSON: That is the latest jargon.

The CHAIRMAN: Senator Phillips?

Senator PHILLIPS: I should like an explanation from Dr. Davidson on the $1 vote for the Prince Edward Island causeway, Vote 40 a on Page 26. For a $28 million project I find it difficult to get enthused over a $1 amount.

Dr. DAVIDSON: You will find the monetary provisions for this in the main Estimates, actually. But this vote wording seeks to do two things. Perhaps I should go back in history. In the 1965-66 main Estimates the vote wording gave authority for planning only. The vote wording in the original 1965-66 Estimates gave authority for planning a causeway and associated structures across Northumberland Strait, and that is the way it was worded when presented to Parliament in the early part of 1965.

As the planning work developed throughout the year and the government decided to proceed with actual construction work it was necessary in last year's Supplementary Estimates to ask Parliament for a vote wording that would extend the authority from planning to cover actual construction. That was fine so far as the authority for 1965-66 was concerned. However, in the meantime we had proceeded with the preparation of the main Estimates 1966-67, and either because of the timetable of the calendar, or through an oversight on our side—I do not know which—we did not get into the vote wording for 1966-67 the authority for construction as well as planning.

The purpose of this reference to the Northumberland Causeway is actually to add the authority to construct, to the wording that already exsits in the main Estimates giving authority to plan. In addition to that, there is included the request for authority to carry out certain repairs to the LaSalle Causeway at Kingston where some of the actual machinery which operates the lift span bridge has to be replaced. The sum of $100,000 is requested for that, but because the total amount of the appropriation if considered to be sufficient to carry this additional amount of expenditure, the item is reduced to $1.

The figure in 1966-67 Estimates for the Northumberland Causeway project is $10 million but it is part of Vote 40, the total of which is $16,675,000. I would assume that there is $99,000 that can be made available out of that total vote of $16,675,000 thus obviating the necessity of asking Parliament for more funds; despite this, however, we still have to come back to Parliament for the vote wording authority to do these things.

The CHAIRMAN: It also means that $10 million is available for the construction?

Dr. DAVIDSON: Yes, subject to Parliament's approval.

Senator PHILLIPS: I understand that tenders have been received but not opened yet.

Senator DESCHATELETS: The fact that public tenders have not already been opened yet has probably something to do with the $1 item, because it would be very difficult to express in the Estimates.

Dr. DAVIDSON: I would have to check on that, Senator Deschatelets. It may be that you are quite correct that the Public Works Department has not felt from the vote wording that it had authority to let a contract, especially when the vote wording in the main Estimates, for the reasons I have indicated, contains at this moment only the authority to plan.

The CHAIRMAN: Senator MacKenzie?

Senator MACKENZIE: Mr. Chairman, this is a rather loaded question, growing out of Senator Molson's question a moment ago, on National Health and Welfare, under Vote 40a, as to the amount recoverable from the Canada Pension Plan account. Am I correct in assuming that those over 70 years of age get nothing out of the Canada Pension Plan?

Dr. DAVIDSON: Correct.

Senator MACKENZIE: And do they in items of this kind contribute out of general texation?

Dr. DAVIDSON: No.

Senator MACKENZIE: Or is the Canada Pension Plan 100 per cent absolutely self supporting in every detail?

Dr. DAVIDSON: In so far as we are able to isolate costs that are attributable to the administration of the Canada Pension Plan either in National Revenue, in Health and Welfare, in the Comptroller of the Treasury operation or anywhere else, we set up a non-budgetary account, provide the funds on an advance basis, for which there is authority contained in preceding years' estimates and obtain reimbursement of these advances in due course from the Canada Pension Plan. You will see here the total amount to be paid out will be reimbursed fully out of the Canada Pension Plan.

Senator MACKENZIE: You hope to recover. I asked the question because it is a matter which I know causes a good deal of unhappiness, concern and resentment on the part of those over 70 who apparently do not benefit in any way under the Canada Pension Plan. They suggest that they are the forgotten group.

Dr. DAVIDSON: Certainly as far as the administration costs of the Canada Pension Plan are concerned they are fully reimbursable to the Consolidated Revenue Fund out of the proceeds of the contributions collected by the Canada Pension Plan.

The CHAIRMAN: Senator Grosart?

Senator GROSART: Dr. Davidson, may I ask you what is the purpose and effect of asking authorization for expenditures in subsequent fiscal years? I refer to Vote 7a on page 20, and Vote L51a, on page 36. The first one is Northern Mineral Assistance Grants, and the second, Indian Affairs.

Dr. DAVIDSON: On page 20 for example, Senator Grosart, the purpose of the vote wording is to make it unnecessary to come back to Parliament next year for a repeat of this authority. These are long term projects that are involved in this Northern Affairs item where a payment may be called for in this fiscal year or carried over into another fiscal year. Commitments may not be called until a succeeding fiscal year. That is the rationale of asking for commitment authority and for the authority to carry it over into subsequent fiscal years.

In the case of the health services item we discussed a few minutes ago, these are individual claims that either arise in this fiscal year or arise in the next fiscal year. They can be pinpointed in time, and therefore as of the time when this authority was sought, and when the vote wording was provided it was not considered necessary or desirable to ask Parliament to give a continuing statutory authority for subsequent fiscal years.

If we find ourselves coming back to Parliament year after year for a $20,000-item we will have to decide at some point whether we are going to

repeat this procedure year after year, or ask for continuing authority in a vote wording; or, if the hospital insurance legislation should for other reasons, come up for amendment to Parliament, we would undoubtedly want to consider whether we should include in the legislation at that time an amendment to cover this.

Senator GROSART: And this vote would never appear again?

Dr. DAVIDSON: If a reference to "current and subsequent fiscal years" is in there, the vote will never have to appear again.

The CHAIRMAN: Honourable senators, thank you very much for your time and attention. It has been a pretty busy and long morning. We could not conclude our consideration because these Estimates are before us until we make a final report.

Once again, thank you, Dr. Davidson, for your most valuable help.

The committee adjourned.

First Session—Twenty-seventh Parliament

1966

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

No. 13

Sixth Proceedings on The Estimates

laid before Parliament for the fiscal year ending 31st March, 1967.

TUESDAY, NOVEMBER 8th, 1966

WITNESSES:

Treasury Board: Dr. Geo. F. Davidson, Secretary; D. R. Yeomans, Assistant Secretary; J. G. Glashan, Acting Director.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24769—1

THE STANDING COMMITTEE ON FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird	Leonard
Aseltine	Macdonald (*Brantford*)
Baird	MacKenzie
Beaubien (*Bedford*)	McCutcheon
Beaubien (*Provencher*)	McKeen
Bélisle	Méthot
Burchill	Molson
Choquette	O'Leary (*Antigonish-Guysborough*)
Connolly (*Halifax North*)	Paterson
Croll	Pearson
Denis	Phillips
Deschatelets	Pouliot
Dupuis	Power
Farris	Quart
Flynn	Rattenbury
Gélinas	Reid
Gershaw	Roebuck
Grosart	Savoie
Haig	Smith (*Queens-Shelburne*)
Hayden	Thorvaldson
Hays	Vaillancourt
Hnatyshyn	Vien
Isnor	Welch
Kinley	Yuzyk—(48)

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

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 24, 1966.

"The Honourable Senator Leonard moved, seconded by the Honourable Senator Farris:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March 1967, in advance of the Bills based on the said Estimates reaching the Senate; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

24769—1½

MINUTES OF PROCEEDINGS

TUESDAY, November 8, 1966.

Pursuant to adjournment and notice, the Standing Committee on Finance met this day upon the rising of the Senate at 4.25 o'clock in the afternoon.

Present: The Honourable Senators Leonard (*Chairman*), Aseltine, Beaubien (*Bedford*), Bélisle, Burchill, Denis, Deschatelets, Flynn, Hnatyshyn, Isnor, Kinley, Mackenzie, Méthot, Molson, Paterson, Pearson, Pouliot, Smith (*Queens-Shelburne*) and Yuzyk. (19)

Present but not of the Committee, the Honourable Senator Walker.

Witnesses: Of the Treasury Board, Dr. George F. Davidson, Secretary; D. R. Yeomans, Assistant Secretary (Management Improvement Branch); and J. G. Glashan, Acting Director, Estimates and Supply Procedures Division.

The Honourable the Chairman referred to the terms of reference of the Committee and briefly reviewed the Committee's past proceedings on the estimates and supplementary estimates. He advised that the particular reason for convocation of the committee was to give members an opportunity to obtain any information they desired bearing upon matters in the interim appropriation bill expected to be received in the Senate shortly but presently in the resolution stage in the other place. He assured members that explanations could be requested of any items in the annual estimates even though contained in departmental estimates that had been entirely voted in prior appropriation acts.

Thereupon members questioned Dr. Davidson on the estimates and upon implementation of the Glassco Commission recommendations respecting the structure of the estimates. Dr. Davidson answered particular questions on the estimates and outlined the method of program structuring of the estimates, and its application to the first five departments. Mr. Yeomans continued the explanation of programming estimates by reference to and explanation of the brochure "Financial Management". This brochure, produced by the Treasury Board and based upon recommendations of the Glassco Commission, provides guide-lines to departmental officers for the implementation of program structuring of departmental estimates.

On motion of the Honourable Senator Isnor, a resolution was unanimously adopted expressing appreciation of the testimony of Messrs. Davidson, Yeomans and Glashan, and the work of Treasury Board officers in the compilation of "Financial Management".

At 6.07 o'clock in the afternoon the Committee adjourned to meet again at the call of the Chairman.

Attest.

R. J. Batt,
Chief Clerk of Committees.

MINUTES OF PROCEEDINGS

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Tuesday, November 8, 1966.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, met this day at 4:30 p.m.

Senator T. D'ARCY LEONARD in the Chair.

The CHAIRMAN: Honourable senators, I see a quorum. This is the first meeting of the committee since the recess, and we still have before us the reference of the Main Estimates and Supplementary Estimates (A).

We have dealt with the Estimates in general, to some extent. We had Dr. Davidson before us at two of our meetings. We have dealt also with some of the departmental estimates, and those of the National Research Council and the Department of Agriculture when we had bills which concerned them before us.

It is time, of course, to get started again in respect of the Estimates, and put ourselves in a position of making a report possibly before the Christmas recess.

However, the main reason for calling this meeting rather hurriedly at this particular time is that we are hoping to receive an appropriation bill this week. That bill has not yet been introduced in House of Commons, as far as I know. That House was still debating the resolution upon which the bill is based. If the bill passes the House of Commons it should reach us, perhaps, tomorrow or on Thursday, and it will be necessary for us to deal with it in the Senate with some despatch if the accounts of the Government are to be paid and the civil servants are to be paid.

Senator WALKER: What is the last day on which that bill must be passed?

The CHAIRMAN: Would you like to deal with that question, Dr. Davidson?

Senator WALKER: Please do not worry about it now, Mr. Chairman. I did not mean to interrupt.

The CHAIRMAN: Perhaps we can ask that as the first question when I am through.

Senator WALKER: Yes.

The CHAIRMAN: I think the feeling in the Senate and in the committee is that questions on financial matters normally raised in the Senate in debate can be dealt with in this committee. At any rate, it was thought quite proper that the Finance Committee should deal with that kind of question, and that is what we have been trying to do, and in so doing have been meeting with approval from the Senate as a whole.

So, any questions relating to financial matters that may be involved with the appropriation bill are quite in order now, and I would hope that any such questions will be raised so that they can be dealt with while Dr. Davidson and his staff are before us.

That is all I have to say, and I think Senator Walker might now put his question to Dr. Davidson, and ask him what the situation is with respect to the timing of the supply with which the appropriation bill will deal.

Dr. George F. Davidson, Secretary of the Treasury Board: I shall be glad to try to answer that question. May I introduce, first of all Mr. Donald Yeomans, the Assistant Secretary, Management Improvement Branch of the Treasury Board. He is one of the three senior officers of the Board, carrying the rank of Assistant Secretary, and is responsible for that portion of our work that relates to management improvement. On my immediate right is Mr. Jack Glashan, who is Acting Director of the Estimates and Supply Procedures Division of the Program Branch. Mr. Glashan was before the committee earlier this year, Mr. Chairman, and is a replacement for Mr. Carl Allen, who is known to a good many honourable senators, as the chief of the Division. Mr. Allan is on loan to the National Research Council on a special assignment, and Mr. Glashan is carrying on very capably in his absence. I will be turning to these two gentlemen for assistance from time to time as the meeting proceeds.

Turning now to Senator Walker's question, the answer is this, that for those departments which have not received full supply the critical date is the 10th of this month—that is Thursday of this week. By "critical" I mean to say that that is the very last date which will avoid the necessity of holding up civil service mid-month salary cheques.

I should go on to say that the critical date is not just the 10th; tomorrow it will be the 9th, today it is the 8th, and yesterday it was the 7th, and so on through a number of days that have already gone by, because a number of departments in respect of a number of votes are already out of supply. Some of the departments in respect of some of the votes have small balances left over from the interim supply that was voted before. But, suppliers accounts are already being held up because there is no supply covering the requirements for the month of November.

The reason I mentioned the 10th as the ultimate critical date is that it is the long-established practice to issue mid-month salary cheques on a staggered basis on three days ending the 15th of the month. This would mean normally the 13th, 14th and 15th, but because the 13th is Sunday and because the 11th is Remembrance Day, the sequence becomes the 10th, 14th and 15th, and this brings us to a pretty tricky and tight position so far as the deadline for the passage of the supply bill through the House of Commons and the Senate is concerned.

I should mention, of course, that in respect of the ten departments where full supply has been granted there is no obstacle to payments being made of salaries and other accounts. It raises the embarrassing problem of being in a position to pay certain accounts in respect of certain departments, and the salaries attaching to those departments, merely because of the coincidence of those departments having already gone through the whole supply exercise, whereas in respect of the 16 or 17 other departments we would have to hold over—

Senator PEARSON: How many departments did you say have not been granted full supply?

Dr. DAVIDSON: Sixteen or seventeen. I should say that when I refer to 16 or 17 other departments I may be referring to some Crown Corporations or independent agencies as though they were departments.

Senator WALKER: I presume you have the cheques already in the envelopes and ready to mail?

Dr. DAVIDSON: The cheque distribution has, to some extent, taken place across the country, because the pay cheques are issued from regional offices as well as from the Central Pay Office. But, the Chief Treasury Officers of the various pay points are under standing instructions that they are not to release those cheques until they have had word from the Comptroller of the Treasury's Office here.

Senator MOLSON: Are salary cheques issued by hand or by mail from these different distribution points?

Dr. DAVIDSON: That varies, Senator Molson. There will be a distribution by mail normally from the Regional Pay Office where the cheques are made up They will be cleared to the respective centres in the Province of British Columbia, for instance, and distributed to the offices and held there by the responsible officers until the normal date for release of those cheques is reached. They are all under standing instructions, in an interim supply situation, to not release any cheques in respect of any vote where interim supply still has to be granted or existing supply is insufficient for the month to which the salary cheque relates.

Senator WALKER: It would be real worry if you had to take it seriously, and if you did not know that at the last moment of the very last day the thing would go through? You get to know that, do you not, finally?

Dr. DAVIDSON: We are waiting for you gentlemen who hold the reins of power to pull a fast one on us one year. I do not know whether this deprives you of your stipends.

Senator BEAUBIEN (*Bedford*): As long as we pass the supply bill before the end of the month it is all right.

Dr. DAVIDSON: Perhaps we should introduce a system of paying the senators bi-monthly.

Senator PEARSON: If the bill is one day late the cheques will still go out?

Dr. DAVIDSON: How do you mean, sir?

Senator PEARSON: I mean that if this bill does not go through on the latest date you have given us, but on the next day—

Senator BEAUBIEN (*Bedford*): The cheques will go out one day late.

Senator PEARSON: If this bill does not go through in the house, or is one day late and eventually goes through?

Dr. DAVIDSON: Every civil servant whose expectation is that he will receive his mid-month salary cheque on the tenth, will receive it instead, let us say, on the 14th and will be correspondingly happy.

Senator ISNOR: If it goes through on the 10th will the banks cash the cheques?

Dr. DAVIDSON: Yes, the banks cash the cheques for the mid-month date—the date of issue. The reason for the spacing of issuance of the cheques is to convenience the banks and avoid the piling up of work for the banks on one particular day. That brings me to the point that if cheques are not issued until the 10th, then in a good many instances, where civil servants are accustomed to cashing their cheques at their banks or depositing them in the banks, they will not be able to get to the bank on that final day and make the usual deposit.

Senator DESCHATELETS: Did it even happen that these cheques were held back because the interim supply was not voted?

Dr. DAVIDSON: To the best of my knowledge, the actual situation has not arisen. It is like the cliff-hanging serial—the "Perils of Pauline"—which we used to see in the silent movies. Every interim supply bill finds us in this situation. I should remind honourable senators that we have responsibilities for the issuance of pay that extend to Europe and to a good many other parts of the world, to the extent that there are not some leftover funds from the previous interim supply all are held until authority is granted by the completion of interim supply procedures.

Senator MOLSON: How are they advised of the situation, by cable?

Dr. DAVIDSON: By cable.

Senator MOLSON: Are they advised by cable that there is no delay?

Dr. DAVIDSON: I don't understand your question.

Senator MOLSON: Let us say there is a delay in passing supply—if there had been no delay, would you have cabled them to say that it would pass.

Dr. DAVIDSON: I would have to check with the Comptroller of the Treasury, but I suppose that would be the case. They know supply has been granted only to the end of October, and they know how much they are in funds and how much they require in the way of funds, and they would know that interim supply had only been granted to the end of October and would not know otherwise until they received positive notification that there existed authority to honour commitments to the end of November.

Senator MOLSON: I wonder if this would create additional expense?

Dr. DAVIDSON: I would be prepared to say that it does, but I am not merely thinking of the cost of the cable. There is a great deal of lost time and motion in this on-again off-again situation in which the departments find themselves as they endeavour to finance their obligations throughout the year.

Senator DENIS: Would you have what one could call a reserve?

Dr. DAVIDSON: There is no reserve, Senator Denis, beyond what Parliament has voted. It is, of course, a fact that in certain individual situations after interim supply for, let us say, seven months has been voted, it may be that the rate of expenditure in respect to a particular vote during the first seven months has been a little bit slower than anticipated when supply was previously asked for, and there may be some fractional amounts of supply left over to meet the earlier accounts in the eighth month, but it is almost always—I was going to say invariably—the case that while the small balances left over at the end of the interim supply may be sufficient to pay miscellaneous accounts during the early days of the month, they are hardly ever sufficient to meet the mid-month salary requirement. That is where we come to the deadline.

Senator DENIS: When the house is not sitting, you receive the order through warrants?

Dr. DAVIDSON: When the house is not sitting or if the house is adjourned, then we ask the house and the Senate for interim supply that will carry us to the end of the month in which we know the house and Senate will be reconvened. But while the Financial Administration Act permits financing through special warrants during any period when the house is not in session, and that is defined to include any period when the house is adjourned for a period in excess of two weeks, it is not the policy or the practice of the governments under which I have served over the last 20 years to resort to special warrants except when the house has been dissolved and there is a financing requirement during the period when provision has not been made for supply.

Senator WALKER: Does this thing happen pretty regularly—going down to the last day and everybody gets excited over it?

An hon. SENATOR: It depends on the Opposition.

Senator WALKER: When we were in government I remember it was always that way.

Senator MOLSON: It takes at least three hours to pass legislation.

Dr. DAVIDSON: Let me put it this way, Senator, things have not changed all that much.

Senator ISNOR: Would your board, the Treasury Board, ever consider recommending to the Government the policy of granting 11 months' supply?

Dr. DAVIDSON: At the beginning of the year?

Senator ISNOR: Or when the budget has been decided.

Dr. DAVIDSON: This is essentially a question of political decision or political judgment. I think the situation is that opposition parties regardless of which government is in power would never agree to the Government being granted at the beginning of the year 11 months of supply. We, on occasions, would like to think we can get two months supply at a time, and when it is known the house is going to adjourn for the summer it is arranged to have three or four months supply to bridge the gap of the summer holidays. But I would draw your attention to the fact that before the end of this month there will have to be a second interim supply bill introduced into the house and the Senate to take care of December, and in that situation we will, of course, plan to include provision for January as well, otherwise we would run out on December 31 and would be obliged to ask that the House of Commons and the Senate be called back, on New Years' Eve to vote the necessary supply for January.

The CHAIRMAN: Any further questions on this?

Dr. DAVIDSON: Perhaps I could offer one other piece of information which I think is of importance and would be of interest to members of the committee. You will notice, gentlemen, in any resolution that is presented, reference is made to some votes getting extra proportions. For example, in the resolution that will be coming before the Senate shortly the first paragraph of the resolution asks for one-twelfth—that is supply for the month of November—for all of the items set forth in the main estimates except for certain items where we are not asking for anything. The reason we are not asking for anything in respect of certain named items is that we have already drawn in earlier supply bills, because of special requirements, 11-12ths of the total supply for that particular vote, and there is a standing assurance given at the introduction of every supply bill, except the final one for the year, that at no time will 12-12ths of the vote requirement be asked for, thereby always leaving the final one-twelfth for the house and the Senate to debate at the final supply stage. This explains why we initially ask for one-twelfth of all the items with the exception of certain ones where we have drawn as much as we can by way of interim supply. We go on and ask for three-twelfths for certain items identified, and two-twelfths for others and an additional one-twelfth for others. There is in each of these cases a specific explanation which indicates why the extra amount has to be drawn down in a particular period of the year in respect to that vote. This typically happens in the spring when our geological surveys and other similar parties are going out and the pattern of expenditure shows that typically two-thirds or three-quarters of their total years expenses occur in the summer months. Consequently if we are asking for interim supply in May we will have to ask for six or eight months supply for these votes as a result of the work to be done during the summertime. Therefore I come back to the point that for each of the items referred to in the resolution where we are asking for more than the normal one-twelfth, there is a specific explanation provided by the department to us indicating why that extra portion is necessary.

Senator ISNOR: I will come back to my question although I noticed it caused a smile on the faces of several senators. Why could we not deal with 11 months supply at the beginning of the year or when the budget is settled. We still have one-twelfth on which all the discussion necessary could take place.

Dr. DAVIDSON: That is correct, but it is also correct that the House of Commons and, I take it, the Senate also, are very jealous of their right to use supply motions as an occasion for airing grievances, and historically it has been demonstrated, particularly in the House of Commons, that they have been most reluctant until final supply is granted to do more than to keep the government of the day in funds on a hand to mouth basis as one means of ensuring that there

would always be an opportunity afforded to the Opposition to air their grievances.

Senator ISNOR: The opportunity is still there; at the end of the 11 months they have one month.

Senator WALKER: They want to grieve more than once a year; they want to every month.

Dr. DAVIDSON: Senator Isnor, you do not have to persuade me of the advantages of that.

Senator KINLEY: It would be a dangerous procedure; the power of the purse would be gone.

Senator PEARSON: This time you did not call it a smile; you called it a laugh.

The CHAIRMAN: Perhaps you might like to give the amount of the interim supply bill. You gave us roughly the figure of one-twelfth. We might be interested to know what the total amount involved is.

Dr. DAVIDSON: I think the members of the committee will be surprised when I say that the amount is $371,999,867.43. That does not sound like one-twelfth of the Government's total requirements, and it is not, because I would remind the honourable senators that the total of the estimates, including supplementaries that have been tabled to date, amount to something of the order of $8.245 billion. Of that, $3 billion to $4 billion, $3.4 billion, is statutory and requires no appropriation nor authority from the House and Senate in the appropriations acts, because the appropriation authority exists in the statutes that pertain to the particular legislation.

Therefore, of the $8 billion-plus that is required to finance the Government's programs during the year, only $5.4 billion, approximately, has to be appropriated, and ten departments have already had full supply granted; and, therefore, we are left with one-twelfth, or a little bit less or a little bit more, in some instances, of the votes pertaining to the departments which, up to the present time, have only had interim supply.

I could pull that picture together perhaps by indicating that in the first interim supply bill we requested and obtained authority for supply to May 31 in the total amount of $870 million. For June we got interim supply in the amount of $451 million—I am rounding these figures off. In Appropriation Act No. 6 full supply was granted for 10 departments for a total of $825.5 million. Then, before the House and Senate adjourned for the summer, we received interim supply covering the period from July 1 to October 31 for the other departments, other than those who had received full supply, and this interim supply bill amounted to $1,633 million. With the addition of this present supply resolution for the month of November for the remaining departments in the amount of about $372 million, we are brought to a position where, with the passage of the bill that will be introduced when the resolution has been approved, we will have authority up to the end of November for $4,181,664,660.04.

There will still be left, subject to appropriation authority being obtained on interim supply or on final supply, in the balance of the fiscal year an amount of $1,235,787,041.96.

Senator PEARSON: That would be one-twelfth?

Dr. DAVIDSON: No, that would be the remaining supply for the remaining departments for the months of December, January, February and March, and the period of payment that remains open until April 30.

Senator ISNOR: What about the payment of interest on bonds?

Dr. DAVIDSON: That is statutory, senator. There is no appropriation authority required for that, any more than for family allowances or old age security. Parliament has written into the legislation in those cases specific authority to pay

those funds directly out of the Consolidated Revenue Fund, and there is no appropriation authority required of Parliament in those instances.

Senator GÉLINAS: That is the figure of $3-1/2 billion?

The CHAIRMAN: For the benefit of senators who have been attending the other committee meeting and who have just come in, I might say that Dr. Davidson has just outlined to us the situation with respect to the deadline on the appropriation bill which will probably reach us this week, and also the terms of the resolution as it now is before the House of Commons with respect to the amount of money required for supply for November, upon which the appropriation bill will be based.

Are there any other questions along that line? Are there any questions relating to any of the items in the Estimates? I might say here that in the House of Commons when they passed in full the supply for the ten departments concerned those items are through. But Senator Connolly (Ottawa West) gave the assurance to the Senate and to this committee that we can still raise any question with respect to any of the items relating to those ten departments, even though the money had been appropriated in full. So it is quite in order to raise any question, and we will try to get the answers for them, and if there are any questions relating to any particular items this is a good opportunity to ask them.

Senator PATERSON: What proportion of the appropriation goes for civil servants' salaries?

Dr. DAVIDSON: There is at the back of the Estimates book Senator Paterson, a table that shows, broken down by standard objects of expenditure, the departmental requirements as included in the Blue Book for the fiscal year. While this table is incomplete, to the extent it did not and could not include at the time it was printed supplementary requirements which are reflected in the supplementary Estimates, the fact is that this table shows a detailed breakdown of $7.95 billion, and the supplementary Estimates amount to date to only $295 million. Consequently, this gives you a reasonable approximation.

This shows that for all departments for 1966-67 the bill for civil salaries and wages will be $1,087 million. Civilian allowances—those are special supplements to wages, which probably should be included in the pay package—amount to $23.4 million. The pay and allowances for the armed forces and R.C.M.P. total $580 million, approximately. And taking those three together, you will get about $1.75 billion, 1\frac{3}{4}$ billion out of the total of approximately 8\frac{1}{4}$ billion.

Senator PATERSON: A total of $8 billion?

Dr. DAVIDSON: No, 8\frac{1}{4}$ billion.

Senator PATERSON: That would be 20 per cent?

Dr. DAVIDSON: Yes, about 20 per cent.

Senator KINLEY: What percentage is that of the total revenue?

Dr. DAVIDSON: The revenue from all sources that are taken into budgetary accounts was estimated in the Minister of Finance's budget speech in March of this year as $8.3 billion.

Senator KINLEY: How much?

Dr. DAVIDSON: $8.3 billion.

Senator KINLEY: That is about 25 per cent.

Dr. DAVIDSON: It is a little less. It is closer to 20 per cent.

Senator ISNOR: Was that for salaries?

Dr. DAVIDSON: That includes Armed Forces and the R.C.M.P.

Senator KINLEY: The Armed Forces totals about $500 million.

Dr. DAVIDSON: Yes, $580 million—it is more than that, because of the pay increases awarded the Armed Forces in September of this year. However, that is the figure shown here.

The CHAIRMAN: Are there any further questions? I think Dr. Davidson might have more information available now than he had when he was before us in June. Perhaps you would like to give that to us now, Dr. Davidson.

Dr. DAVIDSON: Yes, Mr. Chairman. It is not so much with reference to the interim supply bill or the Estimates themselves, but with respect to some of our financial management developments.

The CHAIRMAN: Yes.

Dr. DAVIDSON: I think perhaps I have informed the members of the committee fairly fully over the past two years of what we are trying to do in the implementation of the recommendations of the Royal Commission on Government Organization, known as the Glassco Commission. We have, because of our responsibilities as the central management agency in the government, and in budgeting, given a great deal of attention to the recommendations of the Glassco Commission in respect of financial management. I have informed honourable senators on earlier occasions of the attempts to re-structure the relationships between the departments and the central agencies in the financial management field. The basic purpose of this is to make it possible for the decisions that are required in the management of the financial affairs of the various departments to be taken in the departments, by the departments, but within the framework of some centrally developed policy guidelines that it is the Treasury Board's responsibility to develop and to monitor.

Senator POULIOT: Now, Dr. Davidson, may I ask you a question?

Dr. DAVIDSON: Yes, sir.

Senator POULIOT: Would it be possible to have a tabulation showing the revenue and expenditure of each department and Crown company?

Dr. DAVIDSON: Yes, sir.

Senator POULIOT: I understand that many departments have no revenue, and that they get their supply from the Revenue Department. It would be interesting to see what is the revenue of each department and of each Crown company, and the total expenditure, showing salaries, et cetera.

Dr. DAVIDSON: That would certainly be possible, Senator Pouliot. The Public Accounts each year, as I think you know, do contain for all the departments and Crown corporations that are contained within the Public Accounts exactly the information you are asking for. There is a tabulation in the Public Accounts that shows for each department and agency that comes within the purview of the Public Accounts of Canada a statement showing the revenue and the expenditure in a given fiscal year for each of these agencies of government.

At the present time, of course, this is a year behind and, therefore, it would be necessary for us in advance of the appearance of the Public Accounts for 1965-66—the last complete fiscal year—to put together a table which would show precisely what is normally presented in the Public Accounts.

We would have to add to that the comparable figures for those Crown corporations whose accounts do not form a part of the Public Accounts of Canada. There are some, as you know, like Canadian National Railways, Air Canada, Polymer Corporation, and a number of others, where the accounts of the corporation do not form a part of the Public Accounts of Canada, but where the information is available in the annual reports of those corporations, and that information can be extracted and put together in a consolidated table.

Senator POULIOT: Yes, I know, but I wonder if my colleagues appreciate it. It seems to me that the information that is the Estimates and in the official books

is for each department, and we have to make a tabulation ourselves, and we have not the organization to make such a tabulation for all the departments and the crown companies. It will help us to understand the whole organization.

I have another question, Dr. Davidson, and it is about charts of the departments. I remember when I was on the Civil Service Committee that we got charts of the various departments showing the organization with the salaries. I wonder if it would be possible to supply each member with such charts so that they will have a bird's eye view of the whole government business. Would that be too much to ask?

Dr. DAVIDSON: I do not know, Mr. Chairman, what charts—

Senator POULIOT: Well, it is a chart—

Dr. DAVIDSON: Every department has an organization chart.

Senator POULIOT: Yes, an organization chart showing the *salaries*. The minister, the head of the department, is at the top. Then there are the deputy ministers, the assistant deputy ministers, the chiefs of the branches and so on down to the number of stenographers. It is not necessary to put each one in by name—that would be impossible, and it would make the chart impossible to consult—but if you could put in the chiefs of branches with the number of their personnel then it would give us an idea of the whole structure of the department. Suppose there is a chief of a branch who has 20 under him, and another one who has 40 under him, then you could put in beside their designations 20 subordinates or 40 subordinates—

Dr. DAVIDSON: Senator Pouliot, I must say to you that—

Senator POULIOT: You understand what I have in mind?

Dr. DAVIDSON: I understand what you have in mind, but I would have to say to you, with respect, that it would be well nigh impossible to produce charts of the kind you are suggesting. We can supply the members of the committee—it would take some time to assemble them because these are the responsibilities of the various departments—with organization charts which show the structures of the departments.

Senator POULIOT: That is right; it would be—

Dr. DAVIDSON: But this would not have the names, or the numbers of personnel.

Senator POULIOT: I do not want the names.

Dr. DAVIDSON: Nor would these charts contain salary data.

Senator POULIOT: That is right, but I would like to know how many people there are in a department, and in each branch of the department.

Dr. DAVIDSON: Could I then draw your attention to this—it is now in tabular form—at the back of the blue book of Estimates. There is an appendix there which we began to incorporate only the last year. It shows for each department under main branch or divisional headings the numbers of man-years in the current year's statement of requirements, and how this compares with the previous two years. It shows also the number of people in the past two years who were on strength as of October 1st in each of those two previous years.

Senator POULIOT: I must say to you honestly, Dr. Davidson, that I do not understand "man-years". I am simple minded. The only way I can understand the whole business is by going to the telephone directory that we used to have. It helped me a lot because in it were the branches and the sub-branches. By looking at the telephone directory for a department I could get an idea of the structure of the department. But, this man-year business is something that is not intelligible to me.

The CHAIRMAN: Would you like to leave that with me and Dr. Davidson, Senator Pouliot, and we will see what we can work out? You perhaps have seen a chart such as you have in mind—

Senator POULIOT: Yes, and you know, Mr. Chairman, I have some charts in one of my filing cabinets. They were charts of the civil service. I have the charts of the Treasury Board at the time when the head was a gentleman whose name started with "Mac", or something like that. It was something that was done in order to enable us to understand the divisions of the departments. At the top were the people at the top, and then the thing was divided into divisions. It was very interesting. I have charts for various departments, and I am sure my colleagues and you, Mr. Chairman, would be most interested to see them.

The CHAIRMAN: May I come up to your room to see it?

Senator POULIOT: I will go down to you. In the first place I will try to find it out. When is the next meeting of this committee?

The CHAIRMAN: We have not decided yet. Perhaps you will have a meeting of the steering committee after this one and decide. It will be some time next week or the week after. It will not be this week.

Senator POULIOT: Anyway I will try to locate it. I think I have photographs and charts. I will try to find it out and show it to you.

Dr. DAVIDSON: In the meantime perhaps we could put together two or three things and I will be glad to supply those in a package with the various things available and then you can clear it with Senator Pouliot.

Senator POULIOT: That will be satisfactory. Have you something else to tell us?

Dr. DAVIDSON: I was mentioning that we have been giving our attention to the restructuring of the financial management relationships, and also as I have explained on previous occasions to the restructuring of the Estimates book itself in a manner that is designed to carry out the recommendations of the Glassco Commission that members of Parliament should obtain at the time of presentation of the Estimates a clear statement of the requirement and the reasons for expenditures and the material that goes along with it. With this in mind we have been working away on a new form of presentation of the Estimates that will involve shifting over a period of time the present method of presentation by what are called standard objects of expenditure such as salaries, travelling expenses, postage and telegrams to a basis based on the concept of program budgeting.

I remember Senator Isnor, the first time I mentioned our plans in this regard, expressed some reservation and in deference to his view and to those of others who want to be sure we are moving in the right direction before cutting loose from the past methods, we are planning to produce some sample demonstrations, if the Public Accounts Committee of the house approves, outside of the Estimates book entirely which will enable members of the house and the Senate to see visually what the Estimates would begin to look like if presented on the basis of this new method of presentation. The last time I was before the members of the committee I showed you a dummied-up version of how the Estimates of the Department of Northern Affairs and National Resources, as it was named at that time, would look if presented on the basis of the program budgeting concept with the descriptive material annexed in the way we think Mr. Glassco and his colleagues intended. Having given an outline of what we hope to be able to present for the consideration of members of the House of Commons and the Senate along the lines of restructuring the Estimates book, I should add that in order to have this done effectively it is necessary for us to provide material to the departmental people to enable them to present their estimates material in the new way that is desired. With this in mind we have recently produced a

financial management manual which has been circulated, I think, to all members of the House of Commons and the Senate, and this manual is designed to put into the hands of the departmental people a basis on which they can proceed to structure their estimates and carry forward their financial management program within the department in accordance with the recommendations of the Glassco Commission.

I would like if the members of the committee are interested, to call upon Mr. Yeomans, the Assistant Secretary of the Management Improvement Branch to speak further on this question. He is the one who has put a great deal of effort into the preparation of this manual which is, I may say, receiving fairly warm commendation in a good many circles both inside and outside of the Government. We have had a considerable number of requests from private industry, and commerce, for example, from the Canadian Manufacturers Association, for copies of this because they feel it does provide a framework of instructions in the concept of program budgeting and responsibility accounting which will be useful for some of their people to follow as well as being useful as a guide in the context of the Government itself.

Senator ISNOR: How long is it since that has been put into circulation?

Mr. YEOMANS: It was issued publicly and formally in mid-October. An earlier draft was circulated to key departments informally about six months ago.

Senator ISNOR: It was only circulated to members of the House of Commons and the Senate in the last few days?

Mr. YEOMANS: That is correct.

The CHAIRMAN: Does the committee wish to hear further on this?

Senator ISNOR: Before going into that, which is quite a subject, I was wondering in view of the work being carried on by the Consumer Credit Committee and their criticism of the cost of private enterprise doing business, if Dr. Davidson could give us the percentage cost of labour and employees generally as compared to the revenue in the Post Office Department and in the Department of National Revenue. Would that entail very much work?

Dr. DAVIDSON: It would entail looking up the figures in the book.

Senator ISNOR: I would like it on a percentage basis.

Dr. DAVIDSON: In National Revenue, as you would expect, it is almost all salary cost, and I will have to give this—

Senator ISNOR: I would prefer if you could supply the Chairman with it later on. You understand what I want—the salaries on a percentage basis as compared to the revenue of the deparment.

Dr. DAVIDSON: It would depend on what you mean by the revenues of the department, particularly in the case of the Department of National Revenue.

Senator ISNOR: I took two departments that are pretty big.

The CHAIRMAN: In the Department of National Revenue this would mean things like income taxes and corporation taxes and in the Post Office Department it would mean revenue from the sale of stamps.

Senator ISNOR: Yes.

The CHAIRMAN: Any other questions along this line?

Senator PATERSON: Dr. Davidson mentioned a little while ago that certain cheques were issued outside of the Estimates and were not necessary to be passed by vote. These would be, I assume, pension cheques. Could the Doctor tell us what the amount would be compared to that $8 billion total annual budget?

Dr. DAVIDSON: Senator Paterson, the $8¼ billion now mentioned in the main and supplementary Estimates brings us to this point—this sum is divided, as the table in front of Estimates book shows, roughly along the lines of $3.5

billion statutory—I will come back to that,—and $4.750 billion to be voted. That is the distribution as shown in the main Estimates.

Senator PATERSON: The cheques issued without our voting them amount to six or seven hundred million?

Dr. DAVIDSON: They would amount to the $3.5 billion I referred to as being statutory, because this represents, for example, family allowance payments, and the Family Allowances Act says that these shall be paid out of the Consolidated Revenue Fund, and when that wording appears in a measure passed by Parliament it means that we never have to go back to Parliament to ask for an appropriation to pay family allowance payments. The same is true of old age assistance payments and a wide variety of others that are statutory. The payments required for redeeming the coupons on all the federal Government bonds of indebtedness—these come into the same category. If you run your eye down the general summary table at the beginning of the Estimates book you will see under the Department of Finance $1,859 million classified as statutory. This would include payments to the provinces under the B.N.A. Act and various tax agreements with the provinces. There is no need to come back to Parliament to get a year by year appropriation. Under the Department of National Health and Welfare there is a total of $1,144 million that is statutory. It means that there is money available and can be legally taken out of the Consolidated Revenue Fund for these purposes. On the other hand in the case of another big department, the Department of National Defence, where the total budget is $1,572 million less than $80 million is statutory, and $1,493 million has to be voted by Parliament. Consequently, Parliament can bring the Department of National Defence to a grinding halt if it does not appropriate funds, but with regard to these other programs, which are statutory apart from the administrative costs, the authority exists perpetually for these other statutory payments unless Parliament intervenes and changes the law.

Senator POULIOT: If you will permit a question, during the summer I was reading the newspaper and on the left-hand side of the front page of a paper I saw the pictures of three gentlemen who had been appointed by the minister to the Treasury Board. Are they with you today? The last three appointed to the Treasury Board by Mr. Benson, who were they?

Dr. DAVIDSON: I could not tell you what their names were, but they would be appointed by the Civil Service Commission. The appointments might have been announced by the minister, but they would be selected and appointed by the Civil Service Commission.

Senator POULIOT: I thought they had been named by Order in Council.

Dr. DAVIDSON: No, the only member of Treasury Board who is not appointed by the Civil Service Commission is myself. I am appointed by the Governor in Council and serve during pleasure, and can be fired tomorrow.

Senator POULIOT: They were transferred. Those gentlemen were transferred from other departments or other branches of the Department of Finance.

Dr. DAVIDSON: Or they may be recruited through the Civil Service Commission from outside.

Senator POULIOT: They were new positions, and those three gentlemen were appointed to fill three new positions in the Treasury Board.

Dr. DAVIDSON: They could not be appointed to fill new positions in the Treasury Board either by recruitment from outside or by transfer from another department without the approval of the Civil Service Commission.

The CHAIRMAN: Mr. Yeomans, I think you were going to explain something to the committee.

Mr. D. R. Yeomans, Management Improvement Branch, Treasury Board: Dr. Davidson explained to senators, in June, the proposed new form of the Estimates; a new form which he explained he expects will be shown in the Public Accounts Committee on Thursday.

The essence of this new form of the Estimates is to convert our presentation of expenditure proposals into what are called a program and activity basis.

I was interested to read just recently that in the United Kingdom the Public Accounts Committee has been asking for the Estimates to be presented that way, without success, since 1918.

Lying behind the presentation of the Estimates on a program and activity basis—that is really just the top of the iceberg—is a considerable amount of work, and the essence of this work is represented in a number of documents, one being the document Dr. Davidson just described, which is Financial Management in the Government of Canada. This document contains instructions to departmental management on how to reshape their financial controls in such a way to manage themselves on this new basis of program and activity.

In addition, the Treasury Board staff is working on the development of a new set of instructions to departments—and it is in its final draft stage—on how to prepare the Estimates on a program and activity basis. And finally, we are working on the development of instructions to departments on a new concept in planning, a concept that has only recently developed and been given a great deal of impetus in the United States by the work of Secretary Macnamara in the United States Department of Defence.

What are we really saying in this manual? What is the essence of it? Traditionally, as Dr. Davidson has already said, money has been voted by Parliament in terms of subjective sums—salaries, travel allowances, stationery and supplies; but Parliament did not really vote money for departments just to hire people or just to buy supplies. They voted money to departments to do things—to operate national parks, to run an immigration service, to carry out agricultural research; but the way the Estimates have been presented, and the way the Public Accounts have been presented, it was really very difficult to determine how much, in fact, was proposed to be spent on one of these objective areas, and eventually, in the Public Accounts, how much was spent.

So, really, this is a shift in concept away from the idea of voting money to departments for subjective items such as salaries to voting money to departments to carry out agricultural research, to run parks; that is, in terms of why money is going to a department, objectively.

How do we get there? This manual of Financial Management first talks about a new concept of organizational structure within a department, how a department should have a senior, chief financial officer. He is called a chief financial officer in government, but for those senators who are more familiar with the business world he is the comptroller in a large corporation. It goes on to describe his role in a department and his role in implementing this new concept of financial control. It talks about the kind of qualifications that this man and his staff should have.

Having set out how the department should be organized for financial management, it goes on to say what it is we are trying to do. The great emphasis here is on planning, because what we are really trying to do is to put departmental expenditures under better control. When departmental people hear this emphasis on control they say, "I thought Glassco said there should be a delegation of authority, that we should have more freedom to get on with a job." That is right, but delegated authority does not mean an abdication of responsibility. It does not mean you say, "Here is $10 million, go and spend it." The authority must be delegated in such a way that there is reasonable control over what is going on; and to be effective that control must be related to a plan.

Therefore, we are placing great stress on the planning, both short-term operational planning and long-term planning spread out over a five-year period or more, being done by departments; and we want to see their plans. We want to see their plans not just in terms of, "We are going to spend this much money over the next five years." We want to see their plans developed in terms of what they are going to do—new parks to be opened, parks to be maintained, parks to be expanded. We want to see plans set out in tangible terms; and then, finally, those plans translated into money.

So, there is a tremendous amount of emphasis in this manual on the whole question of planning by a program and its activities. The manual uses an immigration program as an example and there is a set of charts and illustrations in the manual designed to get this point across. It talks about the immigration program and breaks it down into recruitment and selection activity, and enforcement and control activity. The primary subdivision of program is being called an activity.

From the parliamentary point of view, this is what Parliament will be interested in: how much is being spent on immigration? However, this by itself does not tell enough. We want to know how much is being spent on recruitment and selection, and on enforcement and control; the two activities within an immigration program. This is the way Treasury Board will be interested in expenditure proposals and plans, and this is the way we expect Parliament will also be interested in expenditure proposals and plans.

The difficulty is that having presented it to Parliament that way the department may not be able to manage that way, because a particular immigration office, say, Paris, will perform both those activities. It will do recruitment and selection; it will also do enforcement and control. Therefore, for departmental management purposes we want to see plans subdivided into what are called responsibility centres; where there is a man in charge.

We want the departmental budget broken down, not in terms of salaries for the whole department but in terms of operating costs for running, say, the airport in Moncton. We want to know how the operating cost of the airport at Moncton—where there is a man in charge—fits into the operating cost of Air Services for the Maritime Region—where there is also a man in charge—and how the costs of the Maritime Region combines with the cost of other regions to become the whole air services program of the department of transport. The expeditures will then be related to people, because we want to know that someone is responsible. Departmental management should want to know who is responsible, and Parliament should want to know who is responsible.

In summary, we lay the stress on planning, and we have in this manual a great amount of detail as to how to go about planning; and then we explain how to convert those plans into budgets, and how to express those budgets in terms of responsibility centres, so that the department really does have its expenditures under control.

We go on, in the Manual, in considerable detail relating these concepts to the present pre-audit, to revenue control, to and how departmental expenditures by programs must be arranged, and how the budgetting process must flow from top to bottom in a department, and back up again. For example, Treasury Board must make general pronouncements on the global amounts that are available for any particular program as the budgetary plans are being developed after a department's long range plans have been received. This filters down eventually to the airport manager and he is told: All we can let you do in the next fiscal year is the following. You get busy and work on the details of your budget within this framework. Then we describe how his budget is assembled along with all the other responsibility centre budgets in a pyramidal style until the final assembly becomes the budget of the whole department.

Senator PEARSON: Is there any suggestion that this might reduce the cost of government?

Mr. YEOMANS: The principal cost of government is in the programs themselves. We are designing this system to present to both the ministers and Parliament information as to where the costs really are going. Then, it is up to the Government and Parliament to determine whether they are prepared to spend that much.

There is the question of common services. In recent years there has been introduced into the Estimates a statement of the cost of common services. For instance, most departments are housed by the Department of Public Works which has an enormous budget, but this budget for the most part is really for the housing of others. When we think of the Public Works budget we really should not be thinking in terms of whether we should permit Public Works to put that much money in more buildings and so on. The decisions were really made when somebody decided that we should get on with some new program. That new program involves people, and the people need accommodation; the Public Works budget tends, under those circumstances, to be a consequence of earlier decisions. Therefore, the costs of accommodation should be related back to the programs themselves.

It does not convey enough information to have such common service costs identified by themselves. The operations of the Comptroller of the Treasury is another example. The operations of the Civil Service Commission, in part at least, form a part of the cost the operations of the various departments. These costs should be charged, in my view, to the departments which are incurring them.

We have an interesting little example going on now in the Central Data Processing Service Bureau. The Government of Canada has installed on the ground floor of the Confederation Building what is probably the largest computer in Canada. This is being operated as a Service Bureau for all the departments.

The Service Bureau was set up with a working capital advance to finance its operations, but all of its services are charged to the departments, and the Bureau in turn must pay for all of the services it receives. It must pay for the work of the Comptroller; it must pay so much a square foot for the accommodation it occupies, and so on. Thus it is operating on a non-profit, break-even business. I think this is the direction in which some of these common services will move. This concept is covered in this manual.

Senator ISNOR: Why do you emphasize the non-profit aspect? Why not put it on a paying basis?

Mr. YEOMANS: Well, it is paying in terms of recovering all of its costs. This particular Service Bureau has no capital investment. We lease the computer.

Senator ISNOR: Yes, it has a capital investment in the machine itself.

Mr. YEOMANS: No, we lease it, sir.

Senator ISNOR: Well, the same thing applies.

Mr. YEOMANS: The capital costs of this particular operation are really minimal. There is no need to generate a profit. One interesting thing they are doing, however—Treasury Board approved a three-year budget for this Bureau; it was recognized that in getting started with a very large computer there would be expensive—

Senator ISNOR: I am not criticizing the thought. It is a good move. I am just pointing out to you that there is an investment there, whether you are paying for it through rental or by direct expenditure. You have an overhead that must be taken care of.

Mr. YEOMANS: To our knowledge, they are recovering all of their overhead, Senator Isnor.

Dr. DAVIDSON: Could I interject, Senator Isnor, and say that if we were serving non-governmental requirements there would be some point in charging a rate that would include a profit, but when all of our customers are government departments themselves it seems to me that there is not too much point in overcharging them in order to arrive at a profit position, because that would in turn be a charge on the consolidated revenue fund, and would be one means of inflating the Estimates.

By having this one large computer we expect to make it unnecessary for a number of departments to purchase their own smaller computers, many of which would, under those circumstances, be standing idle half the time. This is where the savings would be.

Senator MOLSON: But, the Government does operate a number of computers?

Dr. DAVIDSON: Yes.

Senator MOLSON: How many, do you know?

Mr. DAVIDSON: We have a record of this—

Mr. YEOMANS: Approximately thirty-eight.

Dr. DAVIDSON: One of the good, or bad, things about computers is that in respect of those purchased in the last ten years the rate of obsolesence is very, very rapid. It is our expectation that while large-scale computers may continue to be justified within a limited number of individual departments, a good many of the smaller computers purchased at an earlier date will not need to be replaced as they become obsolete.

Senator MOLSON: I take it that it prevents mistakes being made within government departments.

Dr. DAVIDSON: Quite apart from mistakes, senator, there is the further fact that if other departments were to acquire computers that suited their particular requirements then the problem of a common language would arise, and also the training of staff in the different systems. We believe that there are very real savings, Senator Isnor, in providing a common service from a central point. It will enable us to train most of our staff to a common system, and achieve economies in a good many directions that would otherwise not be possible.

Senator POULIOT: To put it in a nutshell, sir, a budget is a program of expenditure, is it not, and from a financial point of view planning concerns long term expenditures made by instalments.

Dr. DAVIDSON: Yes, you are correct.

Senator POULIOT: I wanted to put that on record.

Mr. DAVIDSON: Programs do not start and end with the fiscal year. That is your point?

Senator POULIOT: Yes.

Senator ISNOR: I would like to know when you think your new presentation will apply to every department?

Mr. YEOMANS: I cannot answer that, but I can say that there are five departments which have developed their estimates in the new form; and what we plan to do is—once we get an indication that this new form is reasonably acceptable and the direction in which we are moving—we will begin to move systematically across the service converting the departments' estimates, probably four or five a year. It will be some years before they are all converted.

Senator BURCHILL: But some lend themselves to the system more readily than others?

Dr. DAVIDSON: Yes.

Senator WALKER: What five departments are those?

Mr. Jack Glashan, acting director of the estimates and supply, procedures division of the program branch: Indian Affairs and Northern Development, Insurance, Post Office, R.C.M.P. and National Research Council.

The CHAIRMAN: Senator Deschatelets, you have another question?

Senator DESCHATELETS: I wonder if my question would be in order—it has to do with implementation of certain recommendations to the Glassco Commission. You were mentioning the Public Works department a few minutes ago. Could you tell me if it is envisaged to give to the Department of Public Works the responsibility of being the building agency for every department in the Government?

Dr. DAVIDSON: Perhaps I can answer that question by saying that on examination of this proposal we came to the conclusion that this would not be a desirable recommendation to accept. In fact the Glassco Commission, as you may remember, did make an exception of the Defence department in making that recommendation but it said that, apart from defence, all other construction activity should be vested in the Public Works department as the sole construction agency. I should go on to say that the reason why we did not feel that this was a recommendation that should be acted upon has to do with the tremendous variety of kinds of construction that the Government of Canada is involved in.

Under the Prairie Farm Rehabilitation Act you have a whole range of construction projects involving the creation of dykes and dams, and in the Maritime Marshlands Rehabilitation Act you have a similar kind of construction and under the Department of Transport you have remote sites for radio transmitters and meteorological observation stations to be installed. In remote northern areas you have a complete set of quite unique problems in terms of the nature of the construction requirement in the area. I think it would be really impossible to impose this large burden on a single department of Government and to charge them with the responsibility of putting under one direction all of the infinite varieties of construction projects the Government has to undertake. For example, External Affairs builds a building in some foreign country. What would be the situation there? We tend to the view rather that we can get all the values inherent in the principle of economies of scale by concentrating our construction programs essentially in perhaps three or four large departments which have specified requirements and have a large enough requirement to justify installing in that department a construction facility, for example the Department of Transport, the Department of Agriculture and the Department of Defence. Public Works has construction authority for all the other departments of Government. We wind up in the position that Mr. Yeomans referred to in connection with the Central Data Processing Bureau. We do not intend to create there a complete monopoly in terms of having one gargantuan machine to the exclusion of all others. We feel, for example, that National Revenue should probably have their own computer and the Comptroller of the Treasury should have his own. We think that having one large computing facility centrally available which can be linked up by long distance communication links with Toronto or Montreal can prevent the growth of a large number of small computer installations in departments which do not require large ones. Referring back to Senator Deschatelets' question, we believe Public Works should be responsible for a large number of departments and agencies, but there are certain departments which you have to treat separately because of their method of operation and their peculiar problems which justify a special agency of their own.

Senator WALKER: Mr. Yeomans' very able outline is really a projection of the recommendations of the Glassco report?

Mr. YEOMANS: Absolutely. The capsule history is that Glassco made his recommendation on financial management in 1962. In 1963 four management consulting firms were hired to study four major departments. The Glassco recommendations were very broad and the instruction to the consulting firms was to tell us if the Glassco recommendations were workable and, if so, to translate these recommendations into workable systems in a real department. The four consulting firms came back, on schedule, in June of 1964 and said that Glassco's recommendations were workable and told us how to work them. Treasury Board then told the four departments to take the consultants' recommendations and install them in a region or district, as a pilot operation in other words, and this has been going on in these four departments. This manual is the essence of the consultants' recommendations together with two years' experience in pilot operations.

Senator PEARSON: Does that cover the recommendation?

Dr. DAVIDSON: No, the financial management recommendations have been incorporated.

Mr. YEOMANS: If you were to go through the Glassco Report on financial management and compare it with this manual, you would find complete harmony between the two.

Senator ISNOR: How close is it to the Harvard Business Administration policy?

Mr. YEOMANS: This is certainly consistent with latest industrial management thinking about planning and control.

Dr. DAVIDSON: Could Mr. Yeomans just conclude by a brief reference to the part he has not been able to touch upon, the operational audit which I think is very essential to this picture.

Mr. YEOMANS: The final chapter in this manual deals with what we call operational audit. You may hear it described in terms like management audit, but we are calling it an operational audit. Glassco laid great stress on a broad operational audit by structuring such an audit right into the department's organization. He said the departmental management should be responsible for running their own affairs and one of the ways that senior officials can ensure the department is operating effectively is to have a properly developed operational audit team, one that is looking not just at the accounts, but at the operations as they relate to the department's objectives, to Government policy, to standards developed centrally by Treasury Board, to standards developed by the department itself—a full-fledged operational review. We are encouraging the implementation of this Glassco recommendation and the Treasury Board view on this subject is embodied in this manual.

Senator MOLSON: Similar to the internal audit in a large company?

Mr. YEOMANS: Yes, provided you are using the term internal audit in a very broad sense, because an internal audit can be concerned only with checking the financial controls, cash, and this sort of thing. We are using the term in a much broader sense.

The manual finally ends up with this postscript to the reader about Alphonso's sigh:

> History records that Alphonso X of Castile, called the Wise, was not only a man of piety but a great patron of astronomy. When he was initiated into the intricacies of the Ptolemaic system, with its epicycles, excentrics, and deferents, he sighed: "If the Lord Almighty had consulted

me before embarking on the Creation, I should have recommended something simpler."

Senator WALKER: Touché.

Dr. DAVIDSON: I hope no senator will ask what that particular page in this manual cost to produce! We think it was worth the investment to include that little reference.

Senator WALKER: Is the distinguished author Mr. Yeomans—does he repeat this?

Mr. YEOMANS: No, this Manual is the product of many hands.

In Dr. Davidson's opening he repeats a dedication in an earlier book:

A British author dedicated one of his novels to "My dear wife, without whose help this novel would have been finished in half the time."

Dr. DAVIDSON: The fact that there has been no criticism from any source of some of these rather unusual statements in a government document makes me suspect that nobody has read it yet.

Senator PEARSON: We just got it last night.

Senator WALKER: This is a milestone.

Senator ISNOR: It would be nice to put on record our appreciation to Dr. Davidson and Mr. Yeomans and the Treasury Board in general for producing this very fine manual.

The CHAIRMAN: Thank you, Senator Isnor.

I am sure we all endorse that, and I am glad to tender to Dr. Davidson, Mr. Yeomans and Mr. Glashan the appreciation of this committee for their work that has been done in that connection, and also for the evidence that they have given us, particularly today when we have trespassed on their kindness and have encroached on their dinner hour.

However, we are still open to further questions, if the committee feels we have the time for them.

Senator MOLSON: I would like to ask one question. I would like to ask Dr. Davidson whether there has been considerable progress in finding the people who are lacking in the departments to make possible the introduction of this change in program. I do not know whether you know this or not.

Dr. DAVIDSON: I think I can say, Mr. Chairman, in reply to Senator Molson's question, that we have made very considerable progress in the field of financial management, in the field of personnel management and in a number of other fields where it is crucial that before we embark upon an attempt to implement the recommendations of the Glassco Commission we have the knowledgeable personnel who know what the knobs on this new piece of machinery are for, and can make wise use of this new machinery that we are trying to develop.

We have been helped in this very considerably by the action of the Civil Service Commission in restructuring its internal organization and method of operation. They are now in the process of restructuring their organization in such a way that there is, for example, one senior officer who is given the responsibility for all that is involved in the recruiting and promotion and all the other staffing functions relating to the financial management field. This man develops, in the name of the commission, the standards of excellence that are required and the qualifications and levels of competence required for different types and sizes of department. Consequently, all the departments turn to this officer in connection with any problems they are encountering in staffing their financial management requirement. By the same token, they are doing the same thing in the personnel management field.

We are, therefore, getting resource centres, if you will, in the Civil Service Commission where departments know where to turn for the kind of personnel that are essential in the implementation of the Glassco Commission report.

This is in contrast to the former methods by which the Civil Service Commission used to structure its work, a method by which they would assign an officer to meet the requirements of a department as it were, from office boy to senior executive. This officer had such a variety of commitments to make for this department that I can understand that he did not have the expertise it is possible to develop under this new structural arrangement the Civil Service Commission has.

I think Mr. Yeomans would confirm my clear impression that after a year or so, in which there was difficulty getting off the ground, we are now succeeding as a result of this new relationship with the commission and as a result of improved salary levels, I must say, and as a result of the feeling on the part of people in outside business and industry that the departments of the federal Government are now becoming good places to work,—places where there is movement, there is something happening,—we are now attracting a calibre of man in the field of financial management and in the field of personnel management that, in my experience, we were utterly incapable of attracting two or three years ago.

Senator ISNOR: I realize it is 6 o'clock and we want to get away, but I was impressed with what Mr. Yeomans had to say concerning plans for immigration. It took two angles. I forget the terms you used—I think "selection" was one of them.

Mr. YEOMANS: Yes.

Senator ISNOR: Have you given consideration to results to be obtained from future citizens or immigrants coming into Canada?

Mr. YEOMANS: One of the things we stress in this new concept of planning is that we want the department to develop some kind of quantitative measure of performance of that plan.

Dr. DAVIDSON: And qualitative.

Mr. YEOMANS: Yes, both quantitative and qualitative. If there is going to be an immigration program, what is expected to be achieved in quantitative and qualitative terms, so that after the fact there is some measure of how the department achieved its objectives. Great stress is laid in this manual on trying to quantify what it is a department is doing. This is easier in a department like the Post Office than it is in a department like External Affairs, where it is very difficult to quantify in meaningful ways what that department is doing, but this is the direction in which we are moving. We will work on the easy departments first and get to the hard ones a little later.

I would like to elaborate on Senator Molson's question. This last point Dr. Davidson made is very important. I sit on selection boards for senior financial people who are coming in, and in the last year there has been this marked change. Word is getting about in the industrial community that the federal Government, in the financial and personnel area, offers the kind of challenge able men are looking for, and we are getting an excellent class of man. This applies to recruitment into the service from outside.

We have not overlooked, however, those who are already in the service, and we have made an arrangement with the Society of Industrial and Cost Accountants of Canada whereby their program, that leads to the Registered Industrial Accountant designation and which is normally taken at night, a couple of subjects a year, is being taken full-time on a crash basis, and we have three groups going through, a year apart. This arrangement will produce some 80 Registered Industrial Accountants for the public service. We recognized that in order to implement the financial management program we needed qualified cost

accountants in the departments, and we needed at least 100 to get started; and at that time there were only about 2,300 qualified cost accountants in all of Canada.

Senator PEARSON: Are you working with the universities at all?

Mr. YEOMANS: Yes, this program is being run concurrently at Carleton University in Ottawa and the University of Montreal. This course is being given for the first time in French at the University of Montreal.

Senator MOLSON: At the École des Hautes Études?

Mr. YEOMANS: Yes.

Senator DESCHATELETS: The civil servants we have now in the service will be given a chance to qualify?

Mr. YEOMANS: Oh, yes. We expect to produce 80 qualified industrial accountants by this program, and these people are being recruited from within the public service.

The CHAIRMAN: In all cases?

Mr. YEOMANS: Yes, in all cases. They enter this program and, if they pass the examinations of the society, come out as qualified industrial accountants.

The CHAIRMAN: Honourable senators, a motion to adjourn is in order. Thank you, Dr. Davidson, Mr. Yeomans and Mr. Glashan, for your courtesy and patience.

The committee adjourned.

First Session—Twenty-seventh Parliament

1967

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

No. 14

Seventh Proceedings on The Estimates
laid before Parliament for the fiscal year ending 31st March, 1967
and Supplementary Estimates "C".

WEDNESDAY, NOVEMBER 30, 1966

WITNESSES:

The Honourable E. J. Benson, President of The Treasury Board and Minister of National Revenue; Dr. George F. Davidson, Secretary of The Treasury Board; J. G. Gleason, Acting Director, Estimates and Supply Procedures Division, Treasury Board; Brigadier W. J. Lawson, Judge Advocate General, Department of National Defence.

APPENDIX

"E" A letter from Dr. George F. Davidson, Secretary of the Treasury Board to the Chairman.

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

First Session—Twenty-seventh Parliament

1966

THE SENATE OF CANADA

PROCEEDINGS OF THE STANDING COMMITTEE ON

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ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24771—1

THE STANDING COMMITTEE ON FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Bélisle
Burchill
Choquette
Connolly (*Halifax North*)
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
MacKenzie
McCutcheon
McKeen
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Thorvaldson
Vaillancourt
Vien
Welch
Yuzyk—(48)

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

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 24, 1966

"The Honourable Senator Leonard moved, seconded by the Honourable Senator Farris:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March 1967, in advance of the Bills based on the said Estimates reaching the Senate; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

24771—1½

MINUTES OF PROCEEDINGS

WEDNESDAY, November 30, 1966.

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

Present: The Honourable Senators Leonard *(Chairman)*, Aseltine, Beaubien *(Bedford)*, Brooks, Burchill, Connolly *(Ottawa West)*, Deschatelets, Gershaw, Grosart, Hayden, Isnor, Kinley, Pearson, Phillips, Pouliot, Rattenbury, Reid and Thorvaldson—18.

In attendance: R. J. Batt, Assistant Law Clerk and Parliamentary Counsel and Chief, Senate Committees Branch.

The Estimates for the fiscal year ending March 31st, 1967, and Supplementary Estimates "C" were further examined.

The following witnesses were heard:

The Honourable E. J. Benson, President of the Treasury Board and Minister of National Revenue;

Dr. George F. Davidson, Secretary of the Treasury Board;

J. G. Glashan, Acting Director, Estimates and Supply Procedure Division, Treasury Board;

Brigadier W. J. Lawson, Judge Advocate General, Department of National Defence.

A letter from Dr. George F. Davidson, Secretary of the Treasury Board to the Chairman was ordered to be printed as Appendix "E" to these proceedings.

At 12.05, the Committee adjourned to the call of the Chairman.

Attest.

Patrick J. Savoie,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Wednesday, November 30, 1966.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, met this day at 9.30 a.m.

Senator T. D'Arcy Leonard in the Chair.

The CHAIRMAN: Honourable senators, we have a quorum. No order in connection with printing is required.

I am sorry about the conflict with the Banking and Commerce Committee, which was scheduled to meet at this time, but through the courtesy of Senator Hayden, its Chairman, it has been arranged to postpone that meeting until a little later so that we can proceed with the Finance Committee in the meantime.

I have a letter from Dr. Davidson in connection with a question that Senator Pouliot asked at a preceding meeting, but I suggest that we deal with it later, if that is agreeable to the committee.

In addition to this meeting we have a meeting scheduled for tomorrow, at which the Auditor General, Mr. A. M. Henderson, is to be our witness. This meeting was arranged some weeks ago.

Honourable senators, I am glad to welcome to this meeting the Minister of National Revenue, the Honourable Mr. Benson, and Dr. Davidson, Secretary of the Treasury Board.

Our main business today is in connection with Contingency Vote 15 of the Department of Finance, and the Estimates, both main and supplementary.

I should have said we now have Supplementary Estimates (C) before this committee and this is the first occasion we have had to deal with Supplementary Estimates (C).

At the last meeting, Senator Walker asked Dr. Davidson what was the deadline date in connection with the payment of salaries—and that date was Thursday of that week, as I recall Dr. Davidson's evidence.

Subsequently, it developed that the salaries were paid out of Contingency Vote 15. This arose in the Senate, you will recall; and I said that there would be an opportunity, at a meeting to be called later, which is this meeting, for the explanation to be given.

We have the minister and we have Dr. Davidson. If there is no suggestion or comment, I would like the minister, the Honourable Mr. Benson, to proceed with a statement as to what happened since our last meeting with respect to Contingency Vote 15 and the payment of salaries. Is that agreeable?

Hon. SENATORS: Agreed.

The Honourable E. J. Benson, Minister of National Revenue and President of the Treasury Board: Mr. Chairman and honourable senators, in this particular instance, as was evidenced by the proceedings in the house, the interim supply debate was pressed on for an unduly long time. It went some 14 days, I think, before we obtained interim supply. Early in the month there was not any

particular worry with regard to interim supply passing, because the debate had often gone on for seven or eight days—it went eight days last year, once I believe—it was the longest previous period since Confederation.

Senator CONNOLLY (*Ottawa West*): Never in the Senate.

Hon. Mr. BENSON: No. This was in the House of Commons. It went to the eighth day and it appeared that what I might call a blockade in the House of Commons might not come to an end, although we still had hopes that it would come to an end.

As we had passed completely in the House of Commons ten departments, I felt that we should release those payrolls, because we had the authority to do so, of course. Then I said we should take a look at the unspent balances in the other votes, to see what other portions of payrolls could be met. This was done on Wednesday. A report came back to me that in many votes there were sufficient balances to meet the payrolls—the particular payrolls within the departments that were covered by that vote—and that there was a short fall in a few votes, I think about 15 votes, which amounted to about $2,160,000. This amount was available in Vote 15 which is the contingency vote which is used all the time to supplement pay rolls. Incidentally, if increases in pay are given, for example, these come out of Vote 15.

When I knew of this, I suggested to Dr. Davidson that a legal opinion be obtained from the Department of Justice with regard to the procedures we thought we might follow. We asked for a legal opinion on Wednesday night. We obtained that legal opinion on Thursday morning. At the Treasury Board meeting on Thursday afternoon we approved the transfer from Vote 15 of this $2,160,000 to the 15 votes, in order to have enough in them to pay their payrolls. As the Prime Minister indicated on Thursday night, we then proceeded to meet the payrolls as they came due.

Really, this is all there is to the story. I have tabled in the House of Commons, and it is available in the House of Commons *Hansard,* incidentally, the extracts from the Treasury Board Minutes showing the transfer of $2,160,000 roughly. That was on November 14.

I later tabled in the House of Commons, and it was printed in *Hansard* of November 15, the legal opinion obtained from the Deputy Attorney General.

Finally, so that all details would be available of how much was required in various votes, and the amounts transferred, and what total payroll was, I had a summary made of this and it was put in as an appendix to *Hansard* of November 17. We believe this was a proper use of Vote 15 and a purpose for which Vote 15 could be used within the law.

The CHAIRMAN: Are there any questions on the minister's statement?

Senator PEARSON: What would happen if the payroll, in another period, in those departments where they had the full amount voted, could not be met, if the Government had not been able to replace that money? What would happen?

Hon. Mr. BENSON: If this happened, and if there was nothing in the contingency vote to deal with this?

Senator PEARSON: Yes?

Hon. Mr. BENSON: I do not think that has ever happened in the past in Canada, but I think what would happen would be that Parliament would come to an end. If you have not paid your bills, the first and perhaps only alternative, although there might be other ways of getting around it, would be to dissolve Parliament.

Senator GROSART: That would not mean that Parliament would come to an end.

Hon. Mr. BENSON: You would dissolve Parliament and go to the people.

Senator GROSART: You said it would mean that Parliament would come to an end.

Hon. Mr. BENSON: Temporarily. That particular Parliament would come to an end.

Senator GROSART: I wonder if you take it that what was said was said seriously.

Hon. Mr. BENSON: I thought there was great abuse in this particular instance of the debate on the interim supply motion. This has been developing over a period of time. The first time that I recall that it went longer than was reasonable was possibly in 1962. In 1964 and 1965 the periods spent on interim supply were, I thought, unduly long. I do not know what the solution to this particular problem is. It would seem to me that some sort of limit on the time available for interim supply debate would be one solution to the problem. I do not believe that government should be forced to go to the people because sums are withheld to pay the bills. There are six supply motions in the year, at which time the Opposition has a right to move a non-confidence vote and refuse to refer estimates to the committee on supply and force the Government to go to the people. That is the purpose of supply motions. I do not think it was ever intended that interim supply, the purpose of which is merely to give money to enable us to carry on, was to be used as a means of breaking the Government's back.

Senator GROSART: Did you obtain an opinion as to whether this method was in keeping with constitutional usage?

Hon. Mr. BENSON: We obtained legal opinion as to whether, within the stated purposes of the vote, the action taken was proper.

Senator GROSART: If I may say so, that does not answer my question, because you could get legal opinion that the Governor General could order troops to Vietnam tomorrow. I am asking did you consider the question of constitutional usage, whether or not this was a breach of constitutional usage.

Hon. Mr. BENSON: No, I would not say that. We thought about the legality of the action we were taking and we referred the question to the Department of Justice. They gave us the opinion which is in *Hansard*. Vote 15 has been used to supplement payrolls before; not, to my knowledge, to supplement the ordinary payroll as it falls due, but to supplement payrolls where, for example, in a vote, the vote has to be supplemented because there have been increases in pay to the people who are paid under that particular vote. This is done all the time. So the use of funds under Vote 15 to supplement payrolls was not illegal in this instance.

Senator BROOKS: The minister has said that, because of the 15 days during which the Estimates were held up, the Government felt that it was being embarrassed and needed to put a stop to it, let us say, and did so by this means. Now, supposing they wished to do the same thing after five days or three days or six days, would this not establish a precedent for them to take the same action in such circumstances?

Hon. Mr. BENSON: These were unique circumstances in Parliament. For the first time in our history, we had 10 departments completely approved by Parliament. Ordinarily, if those 10 departments had not been passed completely, I doubt if there would have been enough money in Vote 15 to meet the payroll.

Senator BROOKS: This would place in the hands of a government a weapon which they could use at any time they felt embarrassed over a holdup of Estimates, and it would take a weapon away from the Opposition, in that they would not be able to discuss a matter which they felt was very important and should be discussed.

Hon. Mr. BENSON: Well, I think in this particular instance, when the opposition were trying to push the Government to a crisis, the Government found it had a counterweapon.

Senator BROOKS: Could the Government not have given the opposition the opportunity to discuss the very matter which they were discussing at that time?

Hon. Mr. BENSON: They had every opportunity to discuss this particular matter, and, as a matter of fact, personally I do not believe it was properly discussed on interim supply, because there is a bill on the Order Paper covering it on which there will have to be first reading, second reading and, probably, it will get referred to a committee and then there will be third reading of the bill. There is every opportunity to discuss this particular matter.

Senator BROOKS: Did your legal advisers express the same opinion that you have expressed here?

Hon. Mr. BENSON: I did not ask for a legal opinion in this regard, because the bill was on the Order Paper and the Speaker had ruled that the discussion could take place, or he had allowed it to take place. After all, I do not question the Speaker's authority.

Senator BROOKS: The point I wanted to make was that the Government took this action on a legal opinion of the Department of Justice.

Hon. Mr. BENSON: That is correct.

Senator BROOKS: And you are saying that the Government took this action on the legal opinion and felt that they were justified in doing so.

Hon. Mr. BENSON: That is correct.

Senator CONNOLLY (*Ottawa West*): Mr. Chairman, like Mr. Benson, I am a member of the Cabinet, and I should add a word to the answer that has been given by Mr. Benson to Senator Brooks. On the point as to whether or not there was another opportunity to discuss these items that were brought up at the time interim supply was before the house, in addition to the opportunities that were mentioned by Mr. Benson there was a further supply motion which was brought on, I believe, immediately after interim supply was passed.

Hon. Mr. BENSON: Just before.

Senator CONNOLLY (*Ottawa West*): And this, of course, also provided an opportunity for discussion.

Hon. Mr. BENSON: There was a supply motion which was brought on before interim supply was passed, on Monday, which allowed the opposition, if they had wanted to, to discuss this particular matter and move a vote of non-confidence in the Government with respect to it. They chose not to do this.

The CHAIRMAN: Mr. Minister, provided sufficient funds are in that vote 15, the same thing can happen again, and the payroll that is due in the first part of the month can be met out of Vote 15. Is that the situation?

Hon. Mr. BENSON: I believe so, as the law exists, if there was a short fall in the departmental votes and it was necessary to get out the mid-month payroll and the debate on interim supply was stretched to that period. The Government always tables its interim supply bill early enough in the month so that it can normally be well cleared. 10 days is normally sufficient, and there is certainly no worry, if it had been passed in 10 days. It is usually introduced in time for this to be met normally and for interim supply to be granted in the House of Commons.

If a similar situation arose again, under the wording of Vote 15, it would be possible for the Government to take the same kind of action.

The CHAIRMAN: Vote 15 in the past was just used, as you have indicated, for increases in pay that could not be foreseen or allowed for in the votes with respect to each department. Is it your thought, then, that Vote 15 should be intended by Parliament and continue to be used by Parliament to supplement

the ordinary payrolls of departments, which are supposed to be included in their Estimates?

Hon. Mr. BENSON: Perhaps the best way is to read what the wording of Vote 15 is:

> To supplement other votes and to provide for miscellaneous minor and unforeseen expenses not otherwise provided for including awards under the Public Servants Inventions Act, subject to the approval of the Treasury Board, and authority to re-use any sums repaid to this appropriation from other appropriations.

Now, one could not but assume that this was an unforeseen expenditure in the sense that the Government could not foresee that the House of Commons would hold up supply to a point where it could not meet its payroll, because this had never been done since Confederation.

Senator BROOKS: You are confusing two things: unforeseen expenses and unforeseen holdups.

Hon. Mr. BENSON: The first part of the wording is "to supplement other votes," and these words are followed by the word "and". That is precisely what we did. We supplemented other votes.

Senator PHILLIPS: Mr. Benson, I believe that at one point the opposition made an offer to allow the amount of money needed to meet the payroll to pass. I wonder why the Government did not accept this offer instead of resorting to Vote 15?

Hon. Mr. BENSON: If you were to do this, it would mean that you could meet payrolls, but you would not have money through interim supply, at any rate, to pay contractors. Many of the contractors employed by the Government do not have very much money, and they expect to get their money on time in order in turn to meet their payrolls. Is it fair that the Civil Service payroll should be met but that the cleaning contractors, who are paying $1.00, or $1.25 under the minimum wage law, cannot pay their workers, who need the money just as urgently as the civil servants do? That is why we felt that the bill should not be split. If you split the bill, you hold up the contractors for a great deal of time and you put a hardship on many people who are marginal in their operations and in their income in this country.

I should add that negotiations with the other parties went on until 6 o'clock Thursday night in order to try to find a way of breaking this roadblock that existed in the House of Commons. Agreement had not been reached at that time, however, so the Prime Minister announced that we were going to meet the payrolls.

Senator PEARSON: Both sides were very adamant, then.

Hon. Mr. BENSON: Yes. I can only speak for my side, but I think the opposition were very unreasonable. I think it was a flagrant abuse of interim supply to carry it on for 14 days, and I honestly think that the thing that really needs to be looked at is whether or not this is the purpose of interim supply. After all, I believe supply motions are there to serve a purpose. If there is a lack of confidence in the government, a supply motion is available for the opposition to defeat the government. It should not be allowed to break the back of a government by holding up one month's supply in order that the government may not pay its debts.

Senator BROOKS: It may be a question of changing the rules.

Hon. Mr. BENSON: Perhaps.

Senator GROSART: Mr. Minister, I respect your opinion that this was a flagrant abuse by the opposition, but no doubt it was their viewpoint that it was a flagrant abuse of the Constitution. I suggest, jus to balance the epithets, that that was their viewpoint.

Hon. Mr. BENSON: I am not able to express the viewpoint of the opposition.

Senator GROSART: I say would you agree that that was their view?

Hon. Mr. BENSON: I do not know what their view was in this regard. They are quite capable of expressing their own view.

Senator GROSART: Well, you heard their view.

Hon. Mr. BENSON: I read it in the paper.

Senator GROSART: You did not hear it?

Hon. Mr. BENSON: No.

The CHAIRMAN: Mr. Minister, in the light of what has taken place, and in terms of a precedent for the future, do you feel that the wording of Vote 15 should stay the same or should there be any change in it, in your view?

Hon. Mr. BENSON: The wording of Vote 15 was just changed two or three years ago. The previous wording I have here as well, but I do not really think the problem or its solution lies in a change in the wording of Vote 15. The problem, as I see it, concerns a limitation on the time allowed for ordinary interim supply. This is the crux of the problem. If you had a limitation on that debate, at the end of which they could vote to give or not to give interim supply—and there are votes on this in the House of Commons—then the kind of situation which forces the use of Vote 15 for this purpose would not occur.

Senator CONNOLLY (*Ottawa West*): Mr. Chairman, we have discussed these things in a general way in the Senate on occasion. I am very glad to hear this discussion here this morning, because I think we have placed sufficient emphasis on the point in the Senate.

Interim supply is of a different category from the supply motion; it is of a different category from the final appropriation bill; and it is simply a payment on account, and the opportunity to deal with any item in the Estimates always remains, even though interim supply is granted.

This is one of the reasons why it has been possible in the Senate to deal with interim supply in what I consider an orderly and responsible way. The understanding of the word "interim" in this respect we have constantly emphasized over the years, and I think to our own advantage.

Hon. Mr. BENSON: I should perhaps point out one other thing that I think happens with the interim supply being as it is presently. There are only 30 days under the present rules in force this year in the House of Commons in which to discuss all of the Estimates in the House. There are committees—and there were over 100 committee meetings on the Estimates, as I recall. They went to committees where they could be examined in detail. As I say, there are only 30 days allotted in the house in which to discuss the departments the Opposition wish to discuss in the house, and whether a certain department is to be discussed at length or not is up to them. But by using interim supply to discuss one item for 14 days, the house is not given the opportunity to examine the departments in orderly fashion during the 30 days available in the House of Commons.

I think this is another strong reason why there should be some limitation on the length of debate on interim supply, because it uses up supply time.

Senator BURCHILL: Mr. Chairman, I was going to ask the minister if he has any knowledge as to how the problem is handled in the British House of Commons.

Hon. Mr. BENSON: No, I have not, off hand; but I understand that interim supply is a routine matter in the British House of Commons, something that goes through in 20 minutes. The Government simply is asking for a month's money, every item is left open, and the money is granted automatically. I stand to be corrected, but I have never heard of the type of debate going in the British house that we have here.

The CHAIRMAN: I understand there is some debate, but after a certain time it must go through.

Senator BROOKS: There are exceptional cases, just as this particular instance might very well have been.

Senator PEARSON: Do you think that if you had a time limit on interim supply the Opposition might just become a rubber stamp?

Hon Mr. BENSON: No. The Opposition does not need to become a rubber stamp because there are six supply motions, on each of which the Opposition can bring in a vote of no confidence in the Government.

Senator PEARSON: But there is a time limit.

Hon. Mr. BENSON: Yes, there is, of two days in which they can move a motion of no confidence in the Government and, perhaps, defeat the Government. In fact, before interim supply was granted we put a supply motion in the middle of it so the Opposition could move a vote of lack of confidence in the Government and defeat the Government on it, if they could muster enough votes, and they just could not do this.

Senator CONNOLLY (*Ottawa West*): Mr. Chairman, I am going to say something to the minister on behalf of our house that I think is valid criticism. This has not simply happened this year but has been going on for a long, long, time, and I think that senators have a ground for complaint. It is that very often we get interim supply and appropriation bills at a very late date, and I am sure that Senator Aseltine, Senator Brooks, Senator Macdonald (Brantford) and others who have led the Government in the Senate would agree that it is bad parliamentary practice to hurry interim or any other kind of supply unduly, particularly when we have to ask for three readings in one day. This goes against the grain of every legislator, and I hope that some day it will be possible to convey that message in a meaningful way to the House of Commons.

Hon. Mr. BENSON: Well, senator, I do not think that this is for the reason that interim supply is introduced too late. After all, the Government can introduce a measure into the house, but it cannot pass it; it is up to the Opposition when it gets passed. The reason that this pressure builds up to the point that it is vital for the Senate to deal with it very quickly is because of the undue length of time that has developed on interim supply debates in recent years.

Senator CONNOLLY (*Ottawa West*): I must admit, of course, there are times when interim supply is required at a time when the Senate happens to be in recess because it has not received any work from the House of Commons. In a case like that there is really nobody but ourselves to blame, because we do not happen to be in session. This is always explained at the appropriate time. However, if there could be a more orderly set of rules devised in the House of Commons, perhaps the suggestion the minister has made this morning might make it easier for Parliament generally to function in respect of interim supply.

I think you should know, as the minister responsible for Treasury Board and being most concerned about appropriation bills, that the establishment here of the Finance Committee and the reference to the Finance Committee as soon as they are tabled of the main Estimates and of each set of supplementaries as they come to us, happens the day of the tabling. That means that before this committee the main Estimates and the sups. are always open for inspection, and I think this has worked generally to the satisfaction of all senators, because they know they can come here and get information on any of the items that they want.

I want you to know, and I want the House of Commons to know, that we have devised this means to get away from the criticism that the Senate simply rubber stamps the appropriation bills when they come to us.

It has taken a while to do it, but we have succeeded in doing it, and I was particularly delighted—and I repeat this today, though I said it yesterday—when Senator Aseltine commented very favourably on this the other day; and I think it is a good practice that we have adopted.

The CHAIRMAN: The minister has an appointment at 10.15 a.m., which he told me about when he came in. There are a few minutes left, if there are any further questions to be asked of him.

Dr. Davidson and Mr. Glashan are going to stay. We have not touched on Supplementary Estimates (C), and Mr. Henderson is here too, and we will decide as to whether we will carry on or adjourn until tomorrow. I see that Senator Hayden has just come in, and he very kindly consented to let this meeting go ahead and postpone his for some length of time.

If there are no further questions of the minister, I will express the thanks of the committee to him for his kindness in coming here and for the evidence he has given to us. Thank you very much, Mr. Minister.

(*Whereupon the Honourable Mr. Benson withdrew*).

The CHAIRMAN: Dr. Davidson, would you like to come forward with Mr. Glashan?

Before we go into Supplementary Estimates (C), I am going to ask Dr. Davidson if there is anything further he wishes to add in connection with the matter we have been discussing, Contingency Vote 15. He has listened to what the minister has said, and the only reason I ask him is that he was before us before and discussed this same matter and, as I say, replied to the question of Senator Walker on the deadline date. Dr. Davidson, if there is anything further you want to say before we discuss Supplementary Estimates (C), we would be glad to hear from you.

Dr. George F. Davidson, Secretary of the Treasury Board: Mr. Chairman, there is nothing I think I need add to what the minister has said with respect to this morning's discussion. I will be glad, if it is the wish of the committee, to answer any further questions that have to do with that portion of the transaction which is bureaucratic rather than parliamentary in nature. I would just say to the committee that after reviewing the evidence I gave on the afternoon of November 8 I realized that in what I said I had perhaps misled the committee, through pure inadvertence, in my answer to a question put to me by Senator Denis. Before any honourable senator raises this I want to raise it myself, and set the record straight. In the discussion following a question put to me by Senator Walker, Senator Denis asked me whether there was any reserve available from which salaries could be paid. I answered that there was no reserve. I realize now that this was misleading, and I want to say to the committee that I was answering that question in the sense that there are no funds available to the Executive for the payment of the mid-monthly salaries or any other portion of the government's requirements except the funds as they are appropriated by Parliament. I confess that when I made that reply I was overlooking completely the extent to which the Contingencies, which is part of the funds voted by Parliament, could be used for purposes within the limits we have been discussing. I did not want honourable senators to think that I had deliberately or consciously misled them in the reply I gave to Senator Denis at that time.

Senator BROOKS: What would the limits be, Dr. Davidson?

Dr. DAVIDSON: Firstly, the limits are in the vote wording, Senator Brooks, and, secondly, there are limits in the amount that Parliament at any given point in the year has voted by way of interim supply.

Senator WALKER: I do not think anybody would doubt your statements at any time, or your sincerity, but, in any event, you yourself had no idea at that time that there was enough money in the Contingencies vote to take care of the payroll?

Dr. DAVIDSON: That is correct.

Senator WALKER: I do not think our questions were directed to that. Thank you very much.

The CHAIRMAN: Are there any other questions on that particular point? If not, I think we should proceed to a consideration of Supplementary Estimates (C). This is the first occasion on which we have had them before us, and the first opportunity we have had of hearing Dr. Davidson on them.

Do you wish to initiate a statement in connection with them, Dr. Davidson? Perhaps you might proceed to describe the major items, or those that you think should be brought specifically to our attention.

Dr. DAVIDSON: Well, sir, perhaps I should start off by indicating to the committee the position that will be arrived at once Supplementary Estimates (C) have been added to the previous main and supplementary Estimates, and once full supply has been voted by both houses of parliament.

If you will refer to the blue book of Estimates you will find that the main Estimates presented at the beginning of the fiscal year amounted to $7,950.5 million. There have been supplementary Estimates (A) and (B) presented up to the present time. Supplementary Estimates (A) were presented in the amount of $295,466,791 as budgetary expenditures, plus $36,975,000 by way of loan items. Supplementary Estimates (B) related solely to two loan items in the amount of $177,027,000, and they do not enter into the picture so far as our budgetary items for the year are concerned.

Supplementary Estimates (C) now before you involve a request to add to the appropriation authorities $289,759,632 on budgetary account, and $17,436,000 on Loans, Investments and Advances account.

With the addition of Supplementary Estimates (A), (B) and (C) to the main Estimates as originally presented we are now in a position to indicate to the committee that the total requirements for the year to date, all-inclusive, amount to $8,535,685,901 on budgetary account, and a total of $564,203,400 on Loans, Investments and Advances, or on non-budgetary account.

I would recall again to the committee the estimate made by the Minister of Finance in his budget speech on March 29, 1966. At that time he estimated that the total budgetary expenditures for the fiscal year 1966-67 would amount to $8,450 million. It will be seen that our Estimates are now some $85 million over the expenditure forecast that the Minister gave at that time, but I would remind the committee that there is usually, in the course of the year, some short-fall of expenditure in certain items which are estimated, and where the estimate proves in the event to be higher than what is required. I think I can, therefore, say that as of the present the picture would seem to indicate that the actual expenditure that we will eventually make this year will not be too far off the expenditure forecast of $8,450 million that the Minister of Finance forecast in March of this year.

Senator BROOKS: May I ask you, Dr. Davidson, if that includes the Old Age Security Payments?

Dr. DAVIDSON: Old Age Security, Senator Brooks, is kept as a non-budgetary account in a separate fund, which is part of the Consolidated Revenue Fund. It does not appear in our budgetary estimates, but it does appear as an item on pages 4 and 5 of the general summary in the Main Estimates, where the total expenditure for Old Age Security is listed separately. But, it is financed from special revenues, and it is carried as an expenditure out of the special account.

Senator BURCHILL: How does that figure of $8,450 million compare with that of last year?

Dr. DAVIDSON: The comparable figure which the then Minister of Finance used for his budget speech in April, 1965 was $7,650 million.

Senator BURCHILL: And did that work out at about—

Dr. DAVIDSON: Our actual expenditure for the fiscal year 1965-66 was $7,737 million, or some $87 million higher than the expenditure forecast made by the Minister of Finance some twelve months earlier.

In the last two years it has been our experience that the actual expenditure that is eventually made on budgetary account in a fiscal year comes within one per cent, or a little less, of the expenditure forecast made by the Minister of Finance in his budget speech a year earlier. I hope that we will be able to keep within that margin of one per cent in the current fiscal year.

Senator GROSART: Are these figures, the $7.6 billion and the $8.5 billion—

Dr. DAVIDSON: $8,450 million.

Senator GROSART: Yes, the $8.5 billion which the Minister said was $8.4 billion—are these exclusive of transfer payments to the provinces?

Dr. DAVIDSON: No, sir, those would include—the expenditure forecasts of the Minister of Finance in his budget speech include all of the budgetary expenditures of the government for the fiscal year to which he refers, and they would include the amounts of any transfer payments that are chargeable to budgetary account, and all of them are chargeable to budgetary account.

Senator GROSART: Recently I noticed that the Minister has been using as an expenditure figure the total expenditures less the transfer payments in making comparisons between expenditures at various levels of government.

Dr. DAVIDSON: Yes, I understand the point. He is really making a comparison there between the expenditure levels of the provincial governments versus the federal government, and there is an elimination of the transfers between the governments, because the purpose of this is really to try to establish what the tax level requirements of the respective governments would be. I can assure you that these figures, which are a reflection of the budgetary expenditures of the government as forecast—the $8,450 million that the Minister of Finance forecast last March as being the expenditure for the current fiscal year —includes all of the transfer payments to the provinces.

Senator GROSART: Will this mean, then, as an estimate, that the total actual federal government expenditures—that is, less the transfer payments —will be about the same this year as the total of the other two levels of government?

Dr. DAVIDSON: I would have to check that in order to be able to give you a reliable answer, Senator Grosart. I have not in my mind, I am afraid, the expenditure figures for the combined provincial and municipal governments with which this figure of $8,450 million would compare.

The CHAIRMAN: I think that that is a good figure to have, and perhaps we could have it recorded at our next meeting, Senator Grosart.

Senator GROSART: Yes, because the relationship between the two seems to be changing very quickly again. The total federal Government expenditures as a percentage of the whole appears to be increasing, and has been for a long time. They were decreasing but I think they have been increasing for a long time.

Dr. DAVIDSON: My impression would be the contrary, Senator Grosart. It is true that the federal expenditures are increasing, but I think it is also true that the provincial/municipal expenditures are increasing more rapidly than the federal, although I speak subject to correction.

Senator BROOKS: May I ask another question, with respect to Bill C-248, at page 44 where, for instance, we have another one of these $1 items. That item refers to operation and maintenance and construction or acquisition of buildings, works, and so on, items which I am sure would be very heavy expenditures and run into many millions. In your estimate to date do you include an item like these expenses, say, or do you take it as a $1 item and have it in the budget.

Dr. DAVIDSON: Could I explain the purpose of this item?

Senator BROOKS: I know what the items for $1 are, but how does it work out when you estimate the cost?

Dr. DAVIDSON: This arises from a change in policy with respect to the methods of paying the Armed Forces. Up to the present time, until the month of September this year, the policy has been to pay the Armed Forces on a basis of pay and allowances and to provide quarters for members of the Armed Forces and accommodation and rations outside of the pay package as part of the cost of operation of the Armed Forces themselves. This meant that when a man or an officer was living out of quarters rather than in quarters an extra allowance was paid to compensate him for the fact that he was not getting rations and quarters.

I hope Brigadier Lawson will correct me if I am wrong, but I think that is a correct statement of the initial position.

When we adopted a new method of paying the Armed Forces in September and October this year we shifted over on the recommendation of the defence authorities from what I have described and what I might call a net basis, to a gross basis. Now we pay all the members of the Armed Forces what you might regard as their gross pay rather than their net pay, so that a member of the Armed Forces who is living in quarters and receiving rations now has to pay back out of his gross salary to the Government the value of his rations and quarters.

Under ordinary circumstances, the effect of this would be to add several millions of dollars in the way of payroll costs to the Defence Department, because they would now have to pay a larger sum of money to the man living in quarters than they had paid before, and he would then have to pay that extra amount of money back in payment for rations and quarters, and this repayment under the normal provisions of the Financial Administration Act would go back to the Consolidated Revenue Fund.

The purpose of this vote wording is to make it possible for the Defence Department to pay the gross salary rather than the net salary to the man living in quarters and to enable him to repay the amount he has to repay for rations and quarters and to have that come back into the vote that is available to the Defence Department rather than to go into the Consolidated Revenue Fund so that the Defence Department vote will operate really on a net basis.

Senator BROOKS: One cancels the other?

Dr. DAVIDSON: One cancels out the other; otherwise we would have had to appropriate an additional several millions of money to the Defence Department.

In our judgment, it should not be necessary to ask Parliament to appropriate a bookkeeping item of this magnitude of several millions of dollars if the authority can be obtained with equal propriety through a vote wording such as we have now.

Senator POULIOT: What is the proportion of the total expenditure of the department for administration?

Dr. DAVIDSON: My recollection of the amount involved here in the additional pay out and the corresponding repayment in respect of rations and quarters is—and this is set out in the Supplementary Estimates on page 8—is that the amount involved is about $26 million.

Senator POULIOT: What is the cost of the checking and accounting? It must be a considerable amount?

Dr. DAVIDSON: I would have to check with the defence Department on this as to whether they have made any estimate of the cost, but they have not requested any additional funds for the administrative expenses, whatever they are. I would assume, and in fact I would be fairly confident, that the other simplifications that were introduced into the pay structure of the Armed Forces at the time that we introduced this feature, would have at least offset any additional cost that might arise from the introduction of this new system of recovery of rations and quarters.

You may wish to know that in the new pay structure for the Armed Forces, instead of paying in the basis of net salary plus married allowance and subsistence allowance, we now have substituted payment on the basis of gross salary for married and single officers alike, which is much less complicated, from which we deduct from rations and quarters where they are provided.

Senator AIRD: Do you mean there is no allowance for the married man?

Dr. DAVIDSON: The salary of the married man and a single man are now equal, that is, of a married and single man of equal rank.

The CHAIRMAN: Senator Brooks, you asked a question in the house yesterday about NATO, concerning buildings, and so on, and also with respect to the National Art Gallery. The deputy leader undertook to obtain the answers for you. However, I wondered whether or not you might want to ask Dr. Davidson while he is here if he has any information available.

Senator BROOKS: When I was overseas we visited the troops of NATO, and as you know, they will be moving out on April 1 of next year. I would think there have been extensive expenditures in regard to our various headquarters over there. My question was regarding the expenses that have been involved in the erection of buildings, schools, quarters, and so on, and whether we shall receive compensation by reason of the change, or whether we shall just move out, leave the buildings as they are and then go to the expense of putting up new quarters in Germany, or wherever our troops will be sent. Possibly Dr. Davidson could explain the situation to us.

Dr. DAVIDSON: I can only say, Senator Brooks, that so far as I am concerned my understanding is that all these matters are still to be resolved and negotiated and worked out, and that we have no firm and final answer to give on this at the present time.

If there is more than that to be said, I would ask the representative of the Defence Department, the Judge Advocate General, who is here, to take his place at the table and give you what further elaboration he can on that point.

Senator BROOKS: I understand that it runs into many millions of dollars.

Dr. DAVIDSON: I would like Brigadier Lawson to answer, if he would care to do so.

Brigadier W. J. Lawson: It is out of my field. I know something about it, but I am certainly not an expert on this subject, and I do not wish to make any statement.

Dr. DAVIDSON: I am satisfied, Mr. Chairman, that the answer to Senator Brooks' questions are not available, that we ourselves, through the appropriate channels, are trying to work out with the other authorities what the right answer to this will be.

Senator BROOKS: There will probably be agreement between the two governments?

Dr. DAVIDSON: Yes.

The CHAIRMAN: Senator Pouliot?

Senator POULIOT: I wonder if I may ask a question on a different matter.

The CHAIRMAN: Yes. I do not know whether Senator Brooks wanted an answer to his other question.

Senator POULIOT: I do not want to interfere.

The CHAIRMAN: On the other question, Senator Brooks, I imagine it will be answered in due course.

Senator BROOKS: Let it stand.

Senator POULIOT: Thank you very much, Mr. Chairman. Dr. Davidson, you are familiar with the Aging Committee of the Senate and with the fact that the committee recommended a minimum of $105 a month for old age, if I am not mistaken. The policy of the Government now apparently is to make an investigation of the needs of the recipients of the pension, who will ask for more than the present amount of $75 a month. Those getting $75.00 a month will ask for $105.00. Their means would be scrutinized. I wonder how many people it would take to inform the Government about the means of the old people, whether or not they have revenue of some kind.

The reason I ask is that, through the help of Mr. Monteith, who was then Minister of Health, I succeeded in having the services of a charwoman for the wife of a good Canadian who was suffering from cancer and who could not work and had to use a chair. Through the goodwill of Dr. Monteith I succeeded in having a charwoman for her, paid by the provincial Government of Ontario.

An investigation was made about the needs of the husband, who was a civil servant, and they found that he had put away an amount of $4,000 that he kept for the burial of his wife and himself.

I do not know how it happened, but the agency, whether federal or provincial, insisted on a refund of the salary of the charwoman—which I paid myself, because I was glad to help them.

I wonder if such things will happen with an investigation system of old age pensions for those who apply for $105.00. What will be the rule for that?

The CHAIRMAN: I do not know whether Dr. Davidson feels that this is the kind of question he could answer.

Senator POULIOT: It is a $64,000 question. The federal Government will have nothing to do with that. I mention it to illustrate the difficulty departments will have to face in cases like that. Is there any regulation with regard to the amount that one can have for his burial?

Dr. DAVIDSON: You may be aware that the Minister of National Health and Welfare has introduced a resolution covering the proposed legislation on this subject in the House of Commons. It is on the Order Paper in the House of Commons. The minister has yet to unveil to the House of Commons or to the public of Canada generally the details of this legislation. Even if I knew the details, which I do not, it would be less than proper for me to explain any proposed provisions in advance of anything that the minister might wish to say to the house.

Senator POULIOT: As you know, there is a well-known principle to give and to take back amounts to nothing.

Dr. DAVIDSON: The one thing that can be said, and this is a matter of general knowledge, is that this new provision concerns itself only with income of the individual. It does not concern itself with the savings or capital that they may have acquired. I would think that this pretty clearly answers your question on the score of the funds that are set aside for burial purposes, but I would really not be in a position, for reasons you can appreciate, to talk about a measure that the minister has not yet explained in the house and is on the Order Paper.

Senator GROSART: As a member of the Committee on Aging—the designation we prefer to Aging Committee—it may be useful to say that, as I recall the

discussions in that committee—and Senator Fergusson, who was vice-chairman, perhaps could speak more fully on the matter—my impression was that we were very careful not to make any suggestion of income in the sanction in which the word was used in the early days of the old age pension before it became the universal old age pension.

As I recall it, the proposal was that those people would fill out a statement of income, an income tax statement, as other citizens do, and if their income—and Dr. Davidson very properly made the point—did not total $105 a month, the suggestion of the Committee on Aging was that the Government would in favour of a means test.

I do not know what was in the resolution but that was the suggestion of the Committee on Aging. We were very careful to avoid any suggestion that we were in favour of a means test.

Senator ISNOR: May I refer to the answer Dr. Davidson gave in regard to the revision of the wage schedule of the armed forces. Was the purpose of that revision to show the public in general, as well as the personnel of the armed forces, the gross earnings, in comparison to the gross earnings of labour in general?

Dr. DAVIDSON: I should ask Brigadier Lawson to comment on this. The proposal came from the Defence Department, of course, in the first instance. It was proposed after a very extensive review of their pay practices and policy generally. They set up a special group as a task force, which went from coast to coast getting the views of the officers and men in the various commands. As a result of this, they came up with a substantial simplification of the previous pay pattern.

The previous pay pattern was becoming increasingly complicated. There had been a salary base to start off with, which was supplemented by subsistence allowances if a man lived outside, by marriage allowance if the man was married and by many other allowances dealing with close to 100 different kinds of trades pay for different trades and skills. It was a very complex system.

The defence authorities came to the conclusion—rightly so, I think—that a more simple system should be devised, if it was to remain intelligible. This led them to conclude that they should shift over to a system of remuneration comparable to that used in industry and in civilian life, whereby a man receives equal pay for equal work, whether he is single or married. He receives gross pay and has to pay for his own board and lodging. These considerations prompted the Defence Department to shift to this new basis.

Senator ISNOR: That is a very good answer. It is about the answer I expected. The system is to put them on such a level that the public in general can make a comparison as to the wages and salaries earned by personnel of the armed forces, in comparison to those earned in industrial life.

Dr. DAVIDSON: This was not the sole consideration but I am sure this entered into the picture.

Senator ISNOR: You emphasized the bookkeeping angle and I suppose it is more complicated. I was thinking of the comparison with outside labour.

Dr. DAVIDSON: I am not in a position to say authoritatively that that was the main consideration.

The CHAIRMAN: Does Brigadier Lawson wish to add anything?

Brigadier W. J. Lawson, Judge Advocate General, Department of National Defence: As Dr. Davidson said, the new system was introduced in order to simplify accounting, to make effective use of computers and modern mechanical accounting devices.

The CHAIRMAN: Thank you. Does that answer your question, Senator Isnor?

Senator ISNOR: Yes. I was making a comparison of the gross amount as compared to the gross amounts paid in outside labour fields.

The CHAIRMAN: I think the fact is that it does now bring it in line with methods used in ordinary business. Is that not so?

Dr. DAVIDSON: That is correct.

The CHAIRMAN: As far as I know it is.

Senator ISNOR: The figures that have been published were rather astounding to the average person who did not realize that the armed forces were paid the gross amount that they were actually receiving.

The CHAIRMAN: Honourable senators, I said at the outset of the meeting, when Senator Pouliot was not here, that Dr. Davidson had written a letter to me in reply to the question asked by Senator Pouliot with respect to certain organization charts. I have not had an opportunity of discussing this with Senator Pouliot, and he has not seen it, but, at the same time, with the consent of Dr. Davidson and Senator Pouliot, I would like to have the letter, without its postcript, which has nothing really to do with it, as an appendix to these proceedings, and then it can be discussed later. Is that agreeable?

Senator POULIOT: Yes, thank you very much.

The CHAIRMAN: Is that agreeable to you, Dr. Davidson?

Dr. DAVIDSON: I have not seen my letter since I wrote it to you.

The CHAIRMAN: I think you will find it is agreeable. While Dr. Davidson is studying the letter, are there any further questions with respect to the particular items of supplementary Estimates of Item C?

Dr. DAVIDSON: Before anyone else makes reference to the supplementary items, let me get away from discussing $1 items, which Senator Brooks led us into, and draw attention to some larger items, including one for $50 million, which is also part of Finance Vote 15. I want that on record before anyone accuses me of having hidden it.

The CHAIRMAN: All right, go ahead.

Dr. DAVIDSON: I have said it now.

The CHAIRMAN: Is it agreeable to have this letter printed as an appendix to these proceedings?

Senator POULIOT: Will you please summarize the letter in one sentence?

The CHAIRMAN: It directs attention to certain places in the public accounts reports, where at least some information with respect to your question is set out, and which, I think, will be helpful to all of us. There may be further evidence still required, but this gives the information as to expenditures and revenues of various departments and as to the number on staff in the various departments.

Senator POULIOT: I asked for two things. I asked for a list giving the revenue of each department and the expenditure of each department. It was to be done in two columns, showing the revenue of, for example, the Post Office Department and the expenditure of the Post Office Department.

The CHAIRMAN: That is set out in these accounts. That is what this answers.

Senator POULIOT: But I wanted that in tabulation form on one sheet of foolscap paper.

The CHAIRMAN: You wanted that copied out?

Senator POULOT: It is not for me to work that out. I am not part of the organization of the Comptroller.

The CHAIRMAN: We will put this on file first, then.

Senator POULIOT: Further to that, I wanted the charts showing the ramifications of the Office of the Comptroller of the Treasury in each department. And I might say that I have found that very chart that I got many years ago, which I will show you or of which I will have a copy made.

The CHAIRMAN: Do you mean this chart?

Senator POULIOT: Yes, but it was more extensive than that, because it was done more than 20 years ago and it had three large pages. Now it must be a full volume. But now there is another question that I wanted to ask.

The CHAIRMAN: First of all, let us settle the question of this letter, if we may. Does the committee agree that this letter be put on record as an appendix to today's proceedings?

Some hon. SENATORS: Agreed.

(For text of letter see Appendix "E")

Senator POULIOT: Now, I have another question, Dr. Davidson, and I will change my seat so that you may see me more easily. I do not want you to have to turn your neck.

Dr. DAVIDSON: I hope you do not want to turn my neck or to twist it either, Senator Pouliot.

Senator POULIOT: We do that to chickens, not to a man like you. Now, you told us two years ago what was the setup of the head office of the Treasury Board, and at that time the minister in charge was the Minister of Finance. Now it is the Minister of National Revenue according to the changes. Am I right?

Dr. DAVIDSON: It is the President of the Treasury Board who happens to be also the Minister of National Revenue.

Senator POULIOT: Well, it is a kind of new department.

Dr. DAVIDSON: That is correct.

Senator POULIOT: With the Minister of National Revenue being the No. 1 gentleman of the Treasury Board.

Dr. DAVIDSON: I do not want to be quibbling about details, Senator Pouliot, but the fact that the President of the Treasury Board is also the Minister of National Revenue is merely a coincidence of the Prime Minister's selection of Mr. Benson as the first President of the Treasury Board. It could equally well be a separate minister who has no other ministerial responsibility or it could equally well be a minister who, in addition to being President of the Treasury Board, is also a minister of some other department.

Senator POULIOT: Well, we do not need to discuss that. I want to know who presides over the Treasury Board, who the top man of the Treasury Board is. Whether he is a minister without portfolio or a minister in charge of a department makes no difference to me, but I want to know who is the present head of the Treasury Board.

Dr. DAVIDSON: The President of the Treasury Board is Mr. Benson.

Senator POULIOT: Yes, Mr. Benson.

Dr. DAVIDSON: That is correct.

Senator POULIOT: But before that it was Mr. Gordon.

Dr. DAVIDSON: It was Mr. Sharp and before that it was Mr. Gordon.

Senator POULIOT: Mr. Gordon and Mr. Sharp, yes. Who are the other ministers who sit with the President on the Treasury Board?

Dr. DAVIDSON: Mr. Drury, Mr. Sauvé, Mr. Nicholson, Mr. Sharp and Mr. Laing. Those are the members of the Treasury Board. Then there are alternate members of the Treasury Board who may sit in replacement of any of the members of the Treasury Board.

Senator POULIOT: Substitutes.

Dr. DAVIDSON: Substitutes, yes. These are Mr. Cardin, Mr. Teillet, Mr. Robichaud, Mr. Hellyer, Mr. Turner and Mr. Marchand, Mr. Pennell and Senator Connolly.

Senator POULIOT: How many are there?

Dr. DAVIDSON: The Treasury Board, under the law, consists of six members.

Senator POULIOT: Six members, who are all members of the Cabinet.

Dr. DAVIDSON: All members of the "Queen's Privy Council" is the way the law reads.

Senator POULIOT: Oh, yes, the Privy Council. Then how many substitutes are there?

Dr. DAVIDSON: There are eight substitutes listed here, but the law provides no definite number of alternates, Senator Pouliot. It provides merely that the Governor in Council may name alternate members, without specifying the number, and they too must be members of the Queen's Privy Council.

Senator POULIOT: So there are six and eight, and these numbers may be completed by others by an order in council. The six members and the eight substitutes are not the only ones who can sit. There may be others appointed by an order in council.

Dr. DAVIDSON: Correct.

Senator POULIOT: What is the quorum?

Dr. DAVIDSON: There is no provision in the law for a quorum of the Treasury Board.

Senator POULIOT: Is there a regulation?

Dr. DAVIDSON: No, there is no regulation either. A new provision was included in the Government Organization Act which was given effect on October 1 of this year, by which the law provides that the Treasury Board may set its own rules of procedure, subject to the approval of the Governor in Council. That is the way the law reads. Traditionally, there has been no written or ordered regulation that governs the determination of a quorum. In practice,—and I can only say that this is a practice and a tradition,—in practice the Treasury Board will not function unless there are three ministers present and sitting and, therefore, by practice rather than by any written regulation or rule, the quorum for a Treasury Board meeting is traditionally three.

Senator POULIOT: Well, if you have not got a so-called quorum of three, but there are only two ministers there, if you then show the report to another minister and he signs it, it is the same thing as if he had been present.

Dr. DAVIDSON: The practice is to have the Treasury Board meet on Thursday afternoons. If there are only two ministers there at 3.30, the practice is to wait until a third minister comes and not to carry through the proceedings of the Treasury Board until that third minister arrives. There is also a practice which has existed for a considerable number of years under both the previous and present administrations; it is the practice of what they call a *pro forma* board in addition to the regular meeting of the board, where the board may be convened for a specific purpose in order to deal with one specific Treasury Board submission that has for one reason or another some particular urgency.

Senator POULIOT: At the present time, does the Treasury Board have any regulations besides the provisions of the act?

Dr. DAVIDSON: No, sir, the Treasury Board has not yet adopted any rules of procedure formally for the conduct of its own affairs.

Senator POULIOT: It is like the Constitution of Great Britain.

Dr. DAVIDSON: Senator Pouliot, I do not need to remind you of this, but Treasury Board is a committee of the Queen's Privy Council and it is, in a sense, a committee of the Cabinet, exactly as the committees on Defence, External Affairs, Transport and Communications or numerous others are; and the practices and procedures for meetings of Cabinet and meetings of Cabinet committees have grown up rather than having been formulated in terms of precise rules and regulations which govern Cabinet and Cabinet committee practice. Treasury Board is in the same position as Cabinet itself, but there are provisions in the Government Organization Act which do provide that Treasury Board, with the approval of the Governor in Council, may determine its own rules and procedure, and I would expect that now we have this new authority the Treasury Board will begin to formalize its procedures by developing its own rules which will govern the conduct of its affairs.

The CHAIRMAN: Senator Pouliot, may I interrupt a minute to make an announcement?

Senator POULIOT: You are the boss.

The CHAIRMAN: Sometimes I wonder, Senator Pouliot. I have been asked by the clerk of the Standing Committee on Banking and Commerce to announce that the Banking and Commerce Committee will meet in room 256-S, which is the one below this, at 2 p.m. today. We will be glad to have Brigadier Lawson and Group Captain McLean remain with us, but that frees you, gentlemen, if you would like to go.

I want Senator Pouliot to pursue his line of questioning as far as he wants to go ahead, but Mr. Henderson is waiting and Dr. Davidson has still to deal with our Supplementary Estimates (C). I will leave it in the hands of our good friend Senator Pouliot how much further he wants to pursue this interesting matter.

Senator POULIOT: I think everyone in the committee is entitled to an equal chance, and I do not want to take the time of anyone, but I am fascinated by this business and I try to get some enlightenment so that I understand the working of it. Sometimes I have difficulty in getting the proper information. In fact, the other day I asked for some information concerning the fees paid to lawyers in the Province of Quebec by the Government of Canada, and what I got was a "haystack," and I had to put the information in order.

The CHAIRMAN: You had to find the needle!

Senator POULIOT: The name of each firm had to be put on a small piece of paper, and after they had all to be classified. Now I have done that work, but it was not for me to do it. I thought the return sent by the Department of the Secretary of State should have been presentable and understandable.

There was another thing about which I had to complain. It was the fact that the official who is now in charge of the organization for the redistribution of constituencies, tabled the new description of the constituencies without mentioning the population, because the population was the basis of the redistribution. It was very easy for him to check it up and make the necessary addition with the help of an I.B.M. machine. It was not done. Nobody complained about it. It was put before the House of Commons, and no one in the House of Commons apparently cared about it. It took the Senate to remind him that his return was incomplete and shapeless and that the addition had to come in. It took four months to get it.

That individual is paid a very high salary. The next time we meet I will ask you to bring me some data about his salary, his hours of work, and all that, and, if you know, what he is doing, whether he is turning his thumbs or doing anything.

The CHAIRMAN: We can always call him ourselves, Senator Pouliot.

Senator Davidson—

Dr. DAVIDSON: Thank you very much; I accept!

The CHAIRMAN: I am sorry. Dr. Davidson, let me bring you to Vote 15, the extra $50 million which could presumably carry us through.

Senator POULIOT: I will not insist about it, but I told you about my difficulties, and the members of Parliament should be concerned.

Today I had a voluminous monthly entitled "Canadiana," containing a list of monthly publications. It is perfectly useless and it could be cancelled and the expenditures could be reduced by that amount.

The CHAIRMAN: We will probably have to get the actual department that is responsible and have them appear here.

Senator POULIOT: I told you two years ago about the Printing Bureau and sent you a mass of publications.

The CHAIRMAN: You presented me with quite an array of material.

Senator POULIOT: My contention is that we members of the Senate and the House of Commons should be the first served with the official publications. I had to fight with the Dominion Statistician to get the Canada Year Book for such a year but I will probably have to report him to the Minister of Trade and Commerce to get it. It is always like that, and those people seem to have quite an animosity with regard to parliamentarians.

The CHAIRMAN: We can follow this up. Dr. Davidson, to get back to your regular job—

Senator POULIOT: Thank you, Dr. Davidson.

Dr. DAVIDSON: I do not know what you wish me to do now, Mr. Chairman.

The CHAIRMAN: Would you explain the vote of $50 million for Finance Vote 15?

Dr. DAVIDSON: You may wish to know that in the Main Estimates for 1966-67, Vote 15 is shown as an initial requirement of $15 million. To that should be added the item which appears as Finance Vote 15b in Supplementary Estimates (A), where an additional $45 million is requested, bringing the total for Vote 15 at that point to $60 million. The addition of this amount requested in Sups. (C) of $50 million will bring the Finance Vote 15 to a total of $110 million.

If you wish me to put it on the record, Mr. Chairman, I have here the basis for arriving at that estimate of requirements. Would you wish me to put this in?

The CHAIRMAN: Yes, I think we should have that, Dr. Davidson.

Dr. DAVIDSON: First of all, I should explain that this vote, as the vote wording indicates, consists of two items: salary requirements which are not provided for in the individual votes; and non-salary requirements in terms of what is labelled "Miscellaneous, Minor and Unforeseen Contingencies."

Formerly, up until about three years ago, there were two separate votes in the Finance Department to cover these two separate requirements. One was Vote 50, which was known as the "Miscellaneous, Minor and Unforeseen Contingencies" vote; and the second was known as the "General Salaries" vote. These are now combined into one general contingencies vote.

In terms of proportions, the overwhelming requirement is now, and has been for some years, to use this vote to supplement salary requirements; and, in fact, I think I am correct in saying that only $9 million of the $110 million, that is

now the sum total of what has been asked for for this vote, is for non-salary purposes. That $9 million is treated, in effect, as a revolving fund; and, as you will see from the wording of Vote 15, that vote wording contains authority regarding any moneys advanced from this Vote 15 and refunded to Vote 15, to use it over again to meet any additional contingency requirements. Therefore whenever we issue an amount of money from Vote 15 for non-salary purposes, you can be sure that later on in the year there will be a supplementary estimate included, asking for the money to be provided by Parliament to enable that money to be refunded to Vote 15. That is not, however, the practice in respect of a general salaries vote, and it never has been the practice.

In the case of monies advanced from Vote 15 to meet payroll requirements, the money is advanced from Vote 15 and is paid out of Vote 15, and it is not refunded back to Vote 15. The item does, however, appear in the Public Accounts. If you run through the Public Accounts for a given year you will see there listed under each of the vote headings the amount that the vote has received from Vote 15 in order to meet its payroll requirements.

Senator ISNOR: Do you mean, Dr. Davidson, that an additional 90 or 95 per cent of the amounts shown in Vote 15c are for new salaries or increased wages?

Dr. DAVIDSON: I will now proceed to tell you what the breakdown of this requirement is. If honourable senators will keep in mind that the total of $110 million that is requested for this vote includes the amounts previously appropriated and the amount now included in Supplementary Estimates (C), and that $9 million of the total is to meet additional non-salary requirements, I will proceed to indicate—

Senator DESCHATELETS: Just a minute, Dr. Davidson. I thought that Vote 15 was a kind of revolving fund; that the money used to pay for unforeseen expenditures would be repaid.

Dr. DAVIDSON: This has been applied to only that part of Vote 15 which represents non-salary items.

Senator ISNOR: In other words, you put in $15 million first, add treble that and then you add a further amount of $50 million to make it up to $110 million.

Dr. DAVIDSON: Yes, and $9 million of that has been treated in effect as a revolving fund, because that is the portion that represents the requirements for miscellaneous, minor and unforeseen expenditures. The $101 million represented by general salaries requirements has never been treated as a revolving fund item.

Senator DESCHATELETS: You could not have a $1 item to cover the salary revisions?

Dr. DAVIDSON: No, because parliament must appropriate funds. The funds must come from somewhere, and, therefore, parliament must appropriate them, unless parliament were, by a $1 item, to provide a statutory authority which would continue on from year to year. But, that has never been considered.

Senator GROSART: Dr. Davidson, you stated what the practice is, but is it correct to say that the authority is to use any sums repaid for any contingency?

Dr. DAVIDSON: From the vote wording as it stands I would have to agree, Senator Grosart. In my opinion, it would extend to permitting the use of the entire fund as a revolving fund, including the general salaries fund. I might say that to my knowledge it has never been the practice to do that.

Senator GROSART: For how long has this wording been in the Vote?

Dr. DAVIDSON: In its present form it is new this year, but if you look at the Vote wording for the previous two years you will see that there are no essential changes in so far as the question which has been at issue is concerned. I can read

to you, if you like, the Vote wording that was contained in the Blue Book for the last two years, 1965-66 and 1964-65. I think I am right in stating that the Vote wording for those two years was exactly the same. Vote 15 read:

> Subject to the approval of the Treasury Board, (a) to supplement the paylist provisions of other Votes; (b) for miscellaneous minor or unforseen expenses; and (c) for awards under the Public Servants Inventions Act; including authority to re-use any sums repaid to this appropriation from other appropriations.

Senator GROSART: Is there any significance in the change in wording from "Subject to the approval of the Treasury Board" which is in the main Estimates, to "to be administered by the Treasury Board" in the supplementaries?

Dr. DAVIDSON: That is not, I think I am correct in saying, Senator Grosart, included in the Vote wording. That is merely a notation made in the detail of the Estimates.

Senator GROSART: No, it is in the main Vote wording.

Dr. DAVIDSON: May I say, then, that it is not in the heavy black print in the main Vote wording. It is not, I think, in the bill, is it?

Senator GROSART: Vote 15 in the Blue Book page 119 reads: "Subject to the approval of the Treasury Board", whereas here it says: "to be administered by the Treasury Board".

The CHAIRMAN: No, may I interrupt you, Senator Grosart? The wording in Supplementary Estimates (C) is exactly the same as that in the main Estimates.

Dr. DAVIDSON: Yes, but I see Senator Grosart's point. The words "Subject to the approval of the Treasury Board" are in heavy black print, and that is what is carried into the appropriation bill itself. Then, there is set below that: "to be administered by the Treasury Board". That is done to explain the fact that while this item has appeared in the supplementary Estimates of Finance, because it started out in the beginning of the year in Finance, the Government Organization Act has transferred this function to the Treasury Board. This bracketed note is to explain that the administration of this Vote has been by law transferred to another department.

Senator GROSART: On that same general subject, Dr. Davidson, would you explain to me the difference between the total of figures for departments as they appear in the main Estimates, and those on this white sheet. It must be just an accounting matter. For example, the total estimated expenditures of External Affairs is $150 million in the main Estimates, and here it is $300 million odd. That difference, I presume, is the expenses of the External Aid Office.

Dr. DAVIDSON: From where are you getting your figure of $300 million.

The CHAIRMAN: On what page is it?

Senator GROSART: Page 116—no, I am sorry.

The CHAIRMAN: In 1965-66 it is $366 million, but in 1966-67 it is $502 million.

Senator GROSART: Well, let me put it in this way. Where are the expenditures of the External Aid Office shown? You see, this figure on the white sheet shown as the estimated expenditures of External Affairs is $150 million odd.

Dr. DAVIDSON: That corresponds to the total shown on page 95 of the Blue Book of estimates.

Senator GROSART: Yes. Now then, where do the expenditures of the External Aid Office show?

Dr. DAVIDSON: Do you mean on the white sheet?

Senator GROSART: Yes.

Dr. DAVIDSON: They would show all the way through these primaries that are listed under the line "External Affairs". To take an example, Senator Grosart, the $16 million for civil salaries and wages should correspond to the totals shown in External Affairs and the External Aid Office for civil salaries and wages.

Senator GROSART: But the total of External Aid for this year was about —well, it was close to $300 million.

Dr. DAVIDSON: You must remember that there are loans in the External Aid program as well as budgetary expenditures, and you must remember also that the money voted to the External Aid Office are set up in a special account which does not lapse from year to year. So, you cannot ensure on those accounts that there is a complete correspondence between what is actually spent in a year for external aid from loans and otherwise and what is appropriated, but it remains literally true that the details shown on the white sheet for External Affairs under each of these primaries tally with the breakdown as shown in the details of Estimates for the different funds of External Affairs plus the External Aid Office.

Senator GROSART: The 50-year old loan without interest would still show as a loan, would it?

Dr. DAVIDSON: It would show as a loan until such time as the determination is made as to how that shall be brought into the budgetary accounts.

Senator REID: How many pensioners are receiving pensions from the South African war, do you know? Of course I know that is a long time ago.

Dr. DAVIDSON: I would not be able to say, Senator Reid, offhand how many pensioners are receiving pensions from the South African war.

Senator REID: It would be interesting to know.

The CHAIRMAN: I believe you have a question, Senator Isnor?

Senator ISNOR: It is not a question. I believe Dr. Davidson was going to enlarge on his remarks.

The CHAIRMAN: Yes, he was going to explain what the $101 million is for, I believe, for salaries. Perhaps he will explain that.

Dr. DAVIDSON: I might explain, first of all, that when we set up the main Estimates for the year we have had to decide each year whether or not we were going to ask or allow the departments to build into their own estimates a forecast as to what their additional salary requirements might be if there were increases in salary or reclassifications or other changes in the level of salaries paid in the year ahead. It has been our practice to cost the salary requirements of individual departmental votes as realistically as possible, making a forecast as to how many positions are likely to remain vacant in the course of a year, trying to forecast what the cost of any reclassifications would be during the year, trying to forecast to what extent there would be vacancies in that departmental establishment during the year that would not require moneys to be appropriated in the salary vote, and soon. We have tried therefore to get as realistic an estimate as we could of what the dollar requirements of the departments would be vote by vote for salaries during the year. We have not, however encouraged them either to try to predict what salary increases might be given in the course of the year ahead or to assume that every last position on their establishment is going to be filled, and a salary payment required in every case from the 1st day of April of the fiscal year to the 31st day of March of that same fiscal year.

We have felt that it was sounder to hold in reserve in one central vote what you might regard as the contingency requirement for the year ahead. For instance, in October of last year we had no idea what we were going to have to award by way of salary increases to the postal workers. In October last year we had no idea, no firm idea of the salary increases that would have to be awarded

to the RCMP in September 1966, nor had we any idea what the salary requirements would be to meet additional payroll costs for the Armed Forces in 1966. Therefore, we have used this contingencies vote as a means of making it unnecessary for the departments to include in their respective votes any provision for future salary awards or other matters of this kind.

Consequently, at the beginning of the year when main Estimates are presented to Parliament you might very well ask why we included a sum in contingencies as small as $15 million of which $6 million is for salaries. The answer is, first of all, that we know perfectly well at that point in time that our salary requirements from the general salaries vote will be greater than the $6 million; but we do not think it is wise for us to announce by the amount of money that we budget in our main Estimates 12 months ahead of time what we think all of the salary increases may be that have not yet been decided upon for the full year ahead. In other words, we do not think we should telegraph ahead of time what the salary adjustment decisions of the Treasury Board may have to be in the course of the year ahead.

If there is justification for this practice in the past I think the justification becomes even more evident as we move into the era of collective bargaining, because we would not want to be faced with the argument against us that Parliament has already provided a sum of money in the Estimates with a view to taking care of certain salary requirements and that therefore the collective bargaining agreement should fall in line with what the estimated amount might be.

Senator DESCHATELETS: So that has to be considered.

Dr. DAVIDSON: That is why, Senator Deschatelets, after putting an item of $15 million in the main Estimates—which it must be remembered have to be printed in January of the year we come along in let us say May and say we need $45 million more. I think members of Parliament would be quite entitled to say to us, "You must have known you wanted more than $15 million, why didn't you put it in the main Estimates then?"

I am endeavouring to make it clear to the members of the committee what our thinking is, right or wrong, which justifies in our opinion asking Parliament to supplement the amount only when firm requirements arise.

Senator ISNOR: Does this cover the automatic increases in salaries of the various departments, or is this a separate item?

Dr. DAVIDSON: I think I am right in saying that we ask the departments to provide in their own main Estimates for annual increments for civil servants salaries which are known to be due and payable at some point in the year, because the Civil Service Act in effect requires those annual increments to be paid unless there is established justification through poor performance for not paying them.

Senator POULIOT: Most of those expenditures in the Estimates are asked for by the Canadian people?

Dr. DAVIDSON: I would have to say yes, sir.

Senator POULIOT: That point has never been stressed, and it should be.

Dr. DAVIDSON: I now put on the record the following tabulation. For cyclical salary revisions and reclassifications already approved as of the date when this Supplementary (C) Estimate was made up. The requirement was set at $22.6 million. For establishment changes already approved, that is to say, the number of persons required to carry out certain new functions that have not been budgeted for in the main Estimates or additional Estimates, $1.5 million, making a total of $24.1 million in all.

I have not broken these down in departments, although I have the departmental totals.

This was the amount we started off with. Then we had to add to this the following known requirements as of the date when the estimate was made up, these being known requirements even though they may not have been formally approved in detail by Treasury Board at the time. Additional salary requirements reported at the time Supplementary Estimates (A), which were not covered in the main Estimates—$40.7 million. Revisions for administrative support classes of employees, such as stenographic and clerical—final salary revision in June 1966, total of additional requirements, $10.1 million. Revisions for employees in the administrative and foreign service category—$8.4 million. This award was finally made, I believe, in September of this year. And a miscellaneous item of ½ million. In addition to all this, covering our known additional requirements up to the time we submitted Supplementary Estimates (C), we have to look forward to the balance of the year. At the time we made up this estimate we did not know what would be required, for example, for group D employees, which includes the postal workers, where the settlement was arrived at only on November 15, and the other 29,000 group D employees for whom the interim settlement was arrived at on October 1, but the final settlement has not yet been arrived at. $8.3 million is anticipated to cover these groups.

I ask the committee not to press me for the basis of arriving at that figure. It has already been proven to be too low because the settlement of the postal workers was higher than the settlement we had budgeted for at the time that we made this calculation. Another adjustment amounting to approximately $2 million is to cover compensation for employees who were red-circled during the entire year, October 1965 to September 30, 1966, and for whom a special non-recurring lump-sum adjustment of pay was authorized by Treasury Board in October or November of this year. Finally, for the balance of departments which have not yet reported to us their final salary requirements for salary adjustments in the administrative and administrative support categories—some of those are outstanding because of the delays in converting to the new classification system—there is a requirement of $8 million. The figures I have given add to a total of $103.1 million, to which we have added non-salary requirement, miscellaneous, minor and unforeseen, $9 million; making a gross total of $112.1 million.

We had requested provision in the main Estimates of $15 million and the Supplementary Estimates (A) of $45 million, for a total of $60 million. Our mathematical requirement therefore, as calculated at this point in time, was $52.1 million. This led to a request for $50 million by way of Supplementary Estimates (C).

It remains to be seen, frankly, Mr. Chairman, whether this requirement will in fact carry us through for the rest of the year or not. I have in mind, in saying that, the fact that we requested some $2 million less that we calculated our requirement to be at that point in time. Since that time, the postal workers settlement has been more expensive than anticipated. This might have implications which I would not care to discuss, in other adjustments which may have to be made between now and the end of the fiscal year.

Senator POULIOT: Without mentioning a figure, Dr. Davidson, during this session or the previous session, there was a meeting of this committee, presided over by Senator Gouin. An official of the External Affairs Department came here and said, about External Aid, that Canada was giving more than her share, that when there was an average that was established for gifts, Canada always did better. I wonder if it is true or not. He said it and I complained about it at the time, although it was to the scandal of some of my colleagues.

Dr. Davidson, is it true or not that the External Affairs Department gives more in external aid than is being asked for?

Senator ISNOR: On a percentage basis?

Senator POULIOT: No. Well, on a percentage basis, yes.

Senator ISNOR: On population.

Senator POULIOT: On a percentage basis—not only that, more than the request and more than the average that is paid by other countries. He gave a list that is an appendix to one of the reports, showing the aid given by other countries and they pay less. That man came here and boasted of that, just as if the money from taxes were his own, saying he is generous, "I do more than the other". I say that, for his own charity, "I do more than my neighbour". It is the language of the Pharisee which is mentioned in the Bible, which dates back a long time.

Taxes are paid by everybody, by you and by me, and I do not think one can be over-generous with the money that comes from the pocket of the people. I find it strange to hear from that man that Canada is doing more than her share. There is an established share. We do what we can to help our neighbours. I want to know if that man's statement, that Canada was doing more than her share, was true or not.

Dr. DAVIDSON: This is a question, Mr. Chairman, that I would not find it possible to answer, because it is based entirely on the opinion—

Senator POULIOT: No no, it is not an opinion. It is the practice.

Senator DESCHATELETS: As far as Canada is concerned today, the external aid would represent about one per cent or 2 per cent of the gross national revenue.

Dr. DAVIDSON: External aid today represents, according to my recollection, considerably less than one per cent of G.N.P.

Senator GROSART: The latest figure given by the External Aid office was .6 per cent, which is an estimate only, because for various reasons it is hard to arrive at since, as Dr. Davidson said, there are loans.

Senator ISNOR: It is not all charity. There are loans.

Senator GROSART: A great deal of it is in loans. If I may answer Senator Pouliot's question, I think he must have misunderstood the official. The official spent a great deal of time on this matter. Officials have discussed over and over again the figure set by the United Nations as the desirable target for all aid-giving nations, which is one per cent of the gross national income. The average of all present aid-giving nations is said to be about .5 per cent, that is, half of one per cent. And ours may be a little more than the average.

Senator POULIOT: Dr. Davidson, if you will permit me, I will explain what I have in mind. Last Saturday I read in the columns of an Ottawa paper a very interesting story about a potentate of Africa who got $1,250,000 from the Canadian Government and used $1 million to buy a jet plane. I wonder if we are to supply jet planes to African potentates. Naturally, you cannot answer me, but I would like to ask the Department of External Affairs if they knew about the use of the money before making the grant. I think that a good buggy would have been all right for him. I do not see why he should have a jet plane. I mention this to illustrate what I have in mind. I do not ask you any questions. It is just to make you understand my point of view.

Dr. DAVIDSON: Senator Pouliot, I hope you will appreciate that I am not sufficiently familiar with the detailed administration of external aid.

Senator POULIOT: You probably read that.

Dr. DAVIDSON: I read it, yes.

Senator BENIDICKSON: I read it.

Senator POULIOT: You have the same reaction—not a jet reaction.

Senator GROSART: I do not think we should refer this back, because the policy of External Aid has been explained over and over again in the House of Commons and in the House of Commons committee and in this committee. It is that they must approve the purpose in detail of every loan and grant. The main point is that any loan or grant of external aid from Canada must be part of a national development plan of the country to which the aid is given. Not only that, it must be co-ordinated with the aid given to other countries. I would say I am satisfied that our External Aid office takes the greatest pains to make sure there is no misuse of these funds. I would very much doubt that there was any substance to the report mentioned.

Senator POULIOT: You must remember, Senator Grosart, that the officials said here that Canada was doing more than her share.

The CHAIRMAN: If we were to pursue this subject further, we would need to have someone from the External Aid office and take that up as a special subject for consideration.

Senator ISNOR: I raised a question about the amount involved in additional salaries and so on. I want to thank Dr. Davidson for giving such a full explanation of it. It does not take care of any large increase in employees, does it?

Dr. DAVIDSON: It does not, of itself, take care of any large increase in employees, Senator Isnor, but I made reference to an item of expense having to do with establishment changes, and it is true that if there were establishment changes approved in the course of a year, and those establishment changes led to a requirement for additional salary funds that were not in a the vote to which those establishment changes related, the general salaries vote, Vote 15 of Finance, would have to be used to supplement that vote to meet the payroll costs arising from those additional establishment changes.

Senator ISNOR: The figures you gave us happened to be a very small amount.

Dr. DAVIDSON: On the list I gave you, yes.

The CHAIRMAN: Are there any further questions on Vote 15?

Senator BENIDICKSON: On Vote 15, the sum for the present year, totalling $110 million, seems to be a lot more than I recollect was the pattern in recent years. I wonder if Dr. Davidson could tell us what the totals were for the last couple of years, particularly since the two items were combined.

Dr. DAVIDSON: Yes, sir. I can give you that for the last four years, five years or as far back as you want to go. The total for this year is $110 million. That is to date.

Senator BENIDICKSON: To date, yes.

Dr. DAVIDSON: For 1965-66 it was $71 million; 64-65, $46 million; 63-64, $109 million; 62-63, $47.8 million.

Senator BENIDICKSON: That is satisfactory, thank you. There was a similar figure three or four years ago, then, when it was $109 million.

Dr. DAVIDSON: Yes. It was $109 million, sir, of which $99 million was for general salaries and $10 million was for miscellaneous minor and unforeseen expenditures.

May I interject that in that year it was still in two separate votes, so that the $99 million was appropriated in that year to what was then Vote 70.

Senator BURCHILL: Dr. Davidson, you intimated that the amount appropriated, the $110 million, might not be sufficient to see us through. What makes you say that?

Dr. DAVIDSON: Perhaps I am suffering from an excess of frankness, but I do not want to have this interpreted as though I am saying that this is the last amount. It may or may not be, but, if it is not sufficient to meet our require-

ments, we will have to come back to Parliament in March with a request contained in final Supps, and it will then be for Parliament to decide what it is going to do about it.

Senator BURCHILL: That is the answer I expected.

The CHAIRMAN: Are there any further questions on Vote 15?

Senator POULIOT: I have a question concerning royal commissions.

The CHAIRMAN: What is your question?

Senator POULIOT: Looking at page 9 of the Estimates, I wish to refer to the expenses of the royal commissions.

The CHAIRMAN: That is of the Privy Council Vote 15c, is that right?

Senator POULIOT: Yes. Dr. Davidson, is it not true that the B. & B. Commission has been the most expensive of all.

Dr. DAVIDSON: I think that it is probably correct to state that the expenditures of the Royal Commission on Bilingualism and Biculturalism have reached a level, certainly with this estimate, greater than any previous royal commission that I am aware of.

Senator POULIOT: I have a list of the commissions for the last few years. There are many of them, and I have some complaints about their reports which were physically impossible to handle. I speak of the Porter Commission, and the Hall Commission on Health, for example. These were huge, heavy books with expensive binding. I will ask some questions about that in due course, but I wonder, Dr. Davidson, if the cost of each commission is available. I presume it is.

Dr. DAVIDSON: Oh, yes, sir.

Senator POULIOT: I had a list of the members of the commissions and I wanted to know about all the expenses they incurred, travelling expenses, and so on. I also wanted to point out to you that the cost of printing and binding the reports of the Hall Commission and the Porter Commission must have been very high. Moreover, it was impossible to read those papers except on a lectern. Those books had to be put on a lectern to be read, just as if they were holy books. It makes no sense at all. It was pure extravagance. I have other comments to make, but I will make them at another time.

The CHAIRMAN: Are there any further questions on Vote 15, or on any other vote now, if we are finished with Vote 15.

Senator GROSART: Mr. Chairman, concerning Vote L12c, as a result of the statements made by the Leader of the Government in the Senate yesterday, do you have any comment to make on that?

The CHAIRMAN: Vote L12c is the vote to advance $6 million to the Canadian Broadcasting Corporation. I do not know if Dr. Davidson was aware of the debate or the question in the chamber.

Dr. DAVIDSON: I am not familiar with this at all.

Senator GROSART: I was asking the question of you, Mr. Chairman, in view of the fact that the Leader of the Government made a statement that this subject might be or would be dealt with by this committee.

The CHAIRMAN: Yes. Well, I had a discussion with him after the Senate adjourned last night. He is undertaking to discuss the matter with proper officials of the Government, with a view to this committee hearing evidence with respect to the matter that was discussed by various members of the Senate dealing with the Canadian Broadcasting Corporation.

Senator GROSART: Thank you.

The CHAIRMAN: As far as the chairman is concerned, I am very glad to have the matter aired in this committee in the proper way.

Senator BENEDICKSON: Mr. Chairman, this is just one item out of several under the overall head of Loans, Investments and Advances. Is this very realistic? For instance, in the case of the C.B.C., we usually regard a loan as something that is going to be paid back. Are these items, generally, in a proper category or should they be put in the regular budget for the year and considered as an expenditure for that year rather than something that stays on the books as a loan?

Dr. DAVIDSON: Mr. Chairman, there have been a great many arguments about this, and the one concern that I have is to get some consistency throughout the picture.

One argument is that, if you are lending money to an agency that you know will never be in a position to pay it back, you should make it a grant and be done with it. If that argument had been applied to the Canadian National Railways over the last 30 years, the Canadian National Railways would not be suffering from the burden of debt that it is suffering from now, and, incidentally, there would not be any accurate reflection in the financial accounts of the Canadian National Railways of what the real dead-weight burden of debt being carried in respect of its past operations really is.

Likewise, if you turn to the C.B.C., the argument can be advanced that this corporation has no conceivable chance of being able to repay the capital investments that are being made in it, and, therefore, they should be made as appropriations from year to year and forgotten.

The other argument is that they should not be forgotten, but that, even though there is no expectation of these loans being repaid, in order to keep continually before Parliament the full magnitude of the cost of the corporation, there should be contained in the annual operating budget of the corporation items that will reflect the carrying charges and the repayment schedule of these debts. They should not be forgotten about, if for no other reason than to remind Parliament that it is costing a great deal more to carry forward the operations of the Canadian Broadcasting Corporation, when you take into account their capital repayment obligations, than would appear to be the case if you were to write off these debts the minute they were incurred and budget the corporation merely on the basis of what you might call its cash-flow operating requirement.

Now, frankly, I am not a bookkeeper, I have no preference one way or the other. This applies to the problem of the National Capital Commission just as it applies to the Canadian Broadcasting Corporation and to the Canadian National Railways, to give only three instances. And, of course, it applies indirectly to the question that Senator Grosart raised: how do you handle, in the accounts, "soft" loans that are made on a 50-year basis to developing countries through External Aid at rates of interest that are less than the going rates of interest.

Senator GROSART: Or without interest?

Dr. DAVIDSON: Yes, or without interest, for part or all of the period. All I am saying is that it would be desirable, in my opinion, to have a consistent practice and policy formed with respect to all of this; and which of the two practices you follow really depends on whether you want to look at these loans realistically, write them off and bury them and, to that extent, understate in future years the real cost of carrying on the affairs of these Crown corporations; or whether you want to set them up on an accounting basis that may be unrealistic from the point of view of the expectation that these loans will be repaid, but that will continue to remind future parliaments of the true carrying costs of the capital structure of these corporations as well as their day-to-day operating costs.

Senator GROSART: If that is so, why not carry the whole $113 million in the same category? What is the difference between the $113 million that the C.B.C. is given to "carry on the responsibilities of the national broadcasting service" and

the other? It is important to get this figure before Parliament of $6 million, or any advance. Why should not the whole thing be put in that category?

Dr. DAVIDSON: Well, the whole thing is put in that category, Senator Grosart. The $113 million has to be appropriated by Parliament this year.

Senator GROSART: Why do we call this one an advance and the other something else?

Dr. DAVIDSON: First of all, this is really not a capital item at all, but an enlargement of a working capital advance.

Senator GROSART: Is there any interest charged on it?

Dr. DAVIDSON: That I could not say, from my own knowledge.

Senator DESCHATELETS: If you change the heading from "Loan" to "Grant" or "Subsidy" for the C.N. or for the C.B.C., this would affect the budget?

Dr. DAVIDSON: Yes, but it affects the budget either way.

Senator DESCHATELETS: Does a loan affect the budget?

Dr. DAVIDSON: Yes, a loan affects the budget. I am not here, at this point, referring to this working capital advance; that is something different again. But in the case of a loan to the corporation, let us say, to enable it to construct a new capital facility, the loan is made in the first instance to the corporation and it is then obliged in future years to budget for interest payments on that loan to Government and to budget also for repayment of that loan to the Government. If it were not for this practice the $113 million, which is shown as the actual budgetary requirement of the C.B.C. in the current year's estimate, would be several million dollars less than it is. That is why I say it really depends upon whether you want your annual budgets to reflect the carrying costs of this capital debt structure or whether you do not.

If you had given all the past loans to the C.B.C. as grants, I think I am correct in stating that the $113 million shown as the annual budgetary requirement of the C.B.C. would be reduced by several million dollars, because that $113 million budget contains the provision that the C.B.C. has to make for the repayment of interest on the loans that have been made and for the repayment of capital on some portion of those loans that are being repaid.

Senator DESCHATELETS: Otherwise they will not be able to repay it?

Dr. DAVIDSON: Otherwise they will not be able to repay it. It is true the Government is giving the C.B.C., in the annual budget, the money they use to repay.

Senator DESCHATELETS: Is any interest paid on these loans?

Dr. DAVIDSON: On the capital loans, as distinct from the advances, I think I am right in saying that—I am subject to correction by the Auditor General who is sitting here, but my understanding is that the loans are advanced to the Canadian Broadcasting Corporation as repayable loans; that the C.B.C. then includes in its budget presentation to the Government whatever is required in the coming year to meet the interest payments of its capital debt structure, and to meet the repayments that fall due on this capital debt in the course of the year for which the budget is being submitted. This, of course, means that the Government, which is the creditor, has initially to provide in the operating budget it gives to the C.B.C. the additional amount of money that will be required for the C.B.C. to meet its commitments with respect to its capital obligations.

One could say, "This is a ridiculous procedure. You are giving them the money to pay back the debts they owe you, and this is a completely artificial arrangement." And, frankly, let us face it, it is a bookkeeping arrangement. But the rationale of the bookkeeping arrangement—and, I am not here to say whether it is sound or not—is that the annual budget of the C.B.C. should be

required to reflect not only the pay-out for salaries and ordinary operating expenses, but the carrying charges of the capital structure with which the C.B.C. has been provided.

Senator ISNOR: In that case, would you show the building as a capital investment?

Dr. DAVIDSON: Yes, that is shown in the books as a capital investment.

Senator BURCHILL: You make a distinction between loans for capital purposes and loans for working capital?

Dr. DAVIDSON: I am, at this moment, between these two, yes. One is an investment loan and the other is an advance, a working capital advance that is designed to put the corporation in funds to carry forward on a revolving fund basis certain of its inventory requirements. The working capital advance fund has to be reimbursed from the operating budget of the C.B.C. for any amounts that are advanced from the working capital advance fund for operating purposes.

Senator POULIOT: Both kinds though are in the column of assets, are they not?

Dr. DAVIDSON: As far as the Public Accounts are concerned, I think the capital loans are, and I think this has been the object of some criticism, on the grounds that it is unrealistic to include these as real assets in the assets and liabilities statement.

Senator POULIOT: Grants are in the column of liabilities?

The CHAIRMAN: No.

Dr. DAVIDSON: They would not appear on the balance sheet at all.

Senator GROSART: I would like to get you to discuss that rationale with my banker!

Dr. DAVIDSON: I am not defending it, gentlemen; I am merely explaining the arrangement that has been in existence for some years. This is the rationale of the arrangement, and you have to judge yourselves whether it is a rationale that makes sense, or whether it would make sense if you worked it the other way.

Senator POULIOT: I asked you that for one reason. It is because years ago, when Mr. Mayhew was Parliamentary Assistant to the minister, I asked him why there was a difference of millions of dollars in the Estimates and the reason, in part, was that the Air Training Plan at first was a loan and as such was considered as an asset; and then it was changed into a gift and became a liability. The amount was $500 million, and so it made a difference of a billion dollars. And there were several cases like that.

Dr. DAVIDSON: There is no doubt that if any of these loans, at any point in time, have to be written off, it will be necessary for the Government to include in the Estimates for a future year or years an amount as an expenditure to enable it to write off that loan as an expenditure.

This will come up, if I may say so, in the predictable future with a corporation such as Expo '67, which has been funded up to the present time entirely on a loan basis. This is a special type of activity which is tripartite, in the sense that the federal, provincial and municipal governments are all in on it. The arrangement under which it was set up is that it will be provided with funds on a loan basis, but that at some point in time in the future when the extent of the—I will not say of the "losses" are known, but the difference in the amount invested and the amount to be returned is known,—a decision will have to be made as to writing into the expenditure accounts of the Government of Canada the amount that will be necessary to pay off that portion of the loans which is attributable to the federal account. This will mean that in future years, after Expo has presumably gone out of existence, items will be appearing in the

Estimates for paying out as an expenditure the amounts of money that will be required to write off the federal share of the loans that are carried in the loan account.

Senator DESCHATELETS: But what happens before Expo winds up?

Dr. DAVIDSON: One never knows.

Senator POULIOT: Senator Deschatelets, you must have every reason for being proud of your part in making Expo '67 an international affair.

The CHAIRMAN: Yes, we must be optimistic.

Senator POULIOT: Now, if we are through, as the dean of the Senators present I have a word or two to say. I must tell you, Mr. Chairman, that you are an ideal chairman because you keep your smile, and I must tell Senator Davidson—

Dr. DAVIDSON: Thank you.

Senator WALKER: Is that a prediction?

Senator POULIOT: We all know how arduous his work is, and we appreciate the answers he has given us to the questions asked of him.

Dr. DAVIDSON: May I say to Senator Pouliot that he can reward me in no better way than by making his prediction come true.

The CHAIRMAN: Honourable senators, it is now 12:00 o'clock and the meeting of the Standing Committee on Banking and Commerce, which was postponed on our account, will be held at 2:00 o'clock.

Mr. Henderson is here. He has a statement he is going to make before us, and copies of it have been circulated to every member of the committee. I think it would be rather unfair to Mr. Henderson, and to the committee members, if we were to proceed with his evidence at the present time. I think it was the consensus when we commenced this morning that after hearing Dr. Davidson the committee would adjourn until tomorrow morning at 9:30. If that is still the view of the committee I would suggest that we do adjourn until that time, when Mr. Henderson will be present and we can proceed with his evidence.

Hon. SENATORS: Agreed.

The meeting adjourned.

APPENDIX "E"

SECRETARY OF THE TREASURY BOARD
LE SECRÉTAIRE DU CONSEIL DU TRÉSOR

OTTAWA 4, November 18, 1966.

The Honourable T. D. Leonard,
The Senate,
OTTAWA.

Dear Senator Leonard:

I have been giving some thought to the requests made by Senator Pouliot during the last Senate Finance Committee meeting.

His first request was that a list be made of the expenditures and revenues for each department and corporation. As you can appreciate this involves considerable effort. You might wish to consider first drawing to Senator Pouliot's attention the tables on pp 8.62 to 8.65 of the 1964-65 Public Accounts listing the expenditures for each department and agency dependent completely or to some extent on appropriations. Similar tables on pp 8.66 and 8.67 give the revenues for each department.

There is no such convenient set of tables giving complete figures for Crown corporations, but a section of the 1964-65 Public Accounts (Volume III) gives the financial statements for each Corporation. If this will not serve the purpose, a tabulation can readily be made.

The request for organization charts of the kind you sent me today could not be met except by asking each department to prepare and submit such material as the Committee might require. This, I am sure you will agree, would be an onerous task and I could not recommend to you that such a request be made to departments. I am enclosing a copy of the "Organization of the Government of Canada, 1966"; a very useful publication in that it contains organization charts for each department, a list of the principal officers, and a concise statement of the department's activities. Included in it is a chart showing all of the Government agencies grouped under the Minister responsible for them.

Finally, the enclosed Appendix to the 1966-67 Blue Book of Estimates entitled "Public Service Employment" constitutes a useful list of the establishment and strength for several years by each branch in departments and for each Crown corporation.

I will be glad to discuss with you whether the material enclosed and the suggestions made herein would meet with the approval of Senator Pouliot.

Yours sincerely,

Encl.

George F. Davidson.

First Session—Twenty-seventh Parliament

1956

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

The Honourable T. D'Arcy Leonard, *Chairman*
The Honourable H. de M. Molson, *Deputy Chairman*

No. 15

Eighth Proceedings on the Estimates,
laid before Parliament for the fiscal year ending 31st March, 1957.

THURSDAY, DECEMBER 1, 1956

WITNESSES:

Auditor General's Office: A. M. Henderson, Auditor General; G. R. Long, Assistant Auditor General.

APPENDIX:

"I" Statement by the Auditor General of Canada.

EDMOND CLOUTIER, C.M.G., B.A., L.Ph.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1956

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ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

24773—1

THE STANDING COMMITTEE ON FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Choquette
Connolly (*Halifax North*)
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
MacKenzie
McCutcheon
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Thorvaldson
Vaillancourt
Vien
Welch
Yuzyk—(47)

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

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 24, 1966:

"The Honourable Senator Leonard moved, seconded by the Honourable Senator Farris:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, in advance of the Bills based on the said Estimates reaching the Senate; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

Extract from the Minutes of the Proceedings of the Senate, Thursday, November 17, 1966:

"With leave of the Senate,

The Honourable Senator Leonard moved, seconded by the Honourable Senator Kinley:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures set out in the Supplementary Estimates (C) laid before Parliament for the fiscal year ending 31st March, 1967; and

That the Committee be empowered to send for persons, papers and records, to print its proceedings upon the said Supplementary Estimates (C) and to sit during sittings and adjournments of the Senate.

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MacNEILL,
Clerk of the Senate.

24773—1½

MINUTES OF PROCEEDINGS

THURSDAY, December 1st, 1966.

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

Present: The Honourable Senators Leonard (*Chairman*), Aseltine, Baird, Beaubien (*Provencher*), Belisle, Brooks, Burchill, Denis, Gershaw, Grosart, Isnor, Macdonald (*Brantford*), MacKenzie, Pearson, Pouliot, Quart, Rattenbury and Welch. (18)

The Estimates for the fiscal year ending March 31st, 1967, and Supplementary Estimates "C" were considered.

The following witnesses were heard:

A. M. Henderson, Auditor General

G. R. Long, Assistant Auditor General.

On Motion of the Honourable Senator Pearson it was *Resolved* to print a statement by the Auditor General as Appendix "F" to the proceedings of the Committee of this day.

At 12.20 p.m. the Committee adjourned to the call of the Chairman.

Attest.

Frank A. Jackson,
Clerk of the Committee.

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THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Thursday, December 1, 1966.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, met this day at 9.30 a.m.

Senator T. D'ARCY LEONARD in the Chair.

The CHAIRMAN: Honourable senators, it is 9.30; we have a quorum, if we can proceed now to business. As I informed you before, and as arranged, we have as our witness today the Auditor General of Canada, Mr. Henderson, and with him is his assistant, Mr. Long. There were distributed to you yesterday copies of a statement which Mr. Henderson prepared for the Public Accounts Committee, I think, of the House of Commons. I know some of you have had a chance to read it, but unless there is some other comment to be made before we start I am going to suggest that Mr. Henderson takes this statement and proceeds to speak to it. Is that agreeable?

Mr. Henderson, would you like to proceed now in your own way with this statement or with whatever other evidence you would like to give us?

Mr. A. M. Henderson, Auditor General: Thank you, Mr. Chairman and honourable senators. I should like to make clear at the outset the circumstances under which this statement was prepared. It was done at the direct request of the Public Accounts Committee, because one of the items open in my 1965 report had to do with the pattern of votes, in which I had indicated what had transpired during the year 1964-65, which was the first year in which the new pattern of vote consolidation had taken place, and because, as I mention in the statement, I shall have further comments about this in my forthcoming 1966 report dealing with the vote pattern during the year 1965-66. I thought, therefore, that it would do no harm to outline what had taken place clearly, and to put it into focus, so to speak, in order that members could see precisely what in fact they had approved as members of Parliament.

I had no hesitation in saying that if I had been in Dr. Davidson's place I would have done precisely the same. It does point up however, the problems of presenting the Estimates, the necessity for having a very clear presentation of them in order that the people who are charged with approving the expenditures clearly understand what it is they are approving. This is in line with what I have been saying in my reports to the house since 1960, and accordingly I sought to set it down again with its general background.

I do not know, Mr. Chairman, whether it is necessary for me to read the statement. I will run over the paragraphs, and I suggest that if there are any questions you stop me and Mr. Long and I will be delighted to deal with them or give you illustrations or examples.

I took the last three years simply because it was three years ago this month that the Public Accounts Committee was asked by the executive, the Minister of Finance of the day, if they would approve the new pattern of the Estimates, and I give the general background here.

On page 2, you will notice that the executive asked for a reduction in the number of votes. We had had 495 up to that point, as the Glassco Commission had pointed out, that was three times the number employed in the United Kingdom Parliament; and Glassco made the proposition—I think you will agree, quite reasonably—that

> rationalization and a reduction of the number of votes would make the definition, planning and control of activities more effective, and would give management—

namely the executive—

> greater flexibility in achieving its objectives.

The Treasury Board brought this proposition to the Public Accounts Committee and a subcommittee was formed. Mr. Long and a number of my officers met with the subcommittee and with the staff of the Treasury Board and went over their plans to cut the number of votes down to 243. I was very careful to point out at the time that this, of course, could reduce parliamentary control of the spending because it would mean fewer votes to discuss. However, providing greater explanations were given and various other improvements made, I agreed that it was certainly common sense to go ahead with it.

Senator PEARSON: Why this particular number, 243?

Mr. HENDERSON: It just happened that that was the number with which the final consolidation emerged. They were consolidating two votes into one, maybe reducing five votes to three and so on. There is another reason for my feeling that this is an opportune time to study this matter. Its importance is indicated by the fact that today the Estimates before you call for nearly $5 billion of expenditure or 23 per cent more than was the case four years ago.

Senator GROSART: Mr. Henderson, just to question you as you go along, I must confess that when this proposition in the Glassco report was put to us by Dr. Davidson I had very strong misgivings as to how a reduction in the number of votes would add to rationalization and so on. I allowed myself to be persuaded by Dr. Davidson's charming logic, and I now ask you: How can the reduction in the number of votes in any way make the planning and control of activities more effective? Common experience in business would indicate the very opposite; the more detail you have when a project is presented to you for approval, normally the more precise your decision on it would be. You said that having looked at this it seems to make common sense to go ahead, but I take it that you were never really convinced that the recommendation of the Glassco report would add to—leaving out for the moment the control of Parliament—the effectiveness of the decision of Parliament to approve the Estimates?

Mr. HENDERSON: I think that the recommendation of Glassco here from the standpoint of management—that is to say, the executive—who have the responsibility of running this tremendous undertaking, was that it would make life a lot easier for them to have to come and get only 243 approvals from their masters who provide the money than to get 495. There are half as many opportunities to have to explain the case. They have got much more elbow room.

Senator GROSART: It would make it much easier if they had only one.

Mr. HENDERSON: Precisely, and that is made clear where I point out that one of the votes today, for national defence, is $1.5 billion. The Department of National Defence is in a position to enjoy considerable elbow room here with only one vote compared with the number they used to have.

Senator GROSART: Is not that the case with the C.B.C. vote?

Mr. HENDERSON: The C.B.C. vote is described as a grant required to run a national broadcasting service, and despite what I have said in my reports since 1960, and the Public Accounts recommendation that the items making up the

$100 million, be shown, this has not been done yet, and Parliament is still asked to approve over $100 million without any detail in the Estimates Book. I have asked if the budget making it up, the broad general areas of spending, could not at least be shown on that page in the blue book so that you know what the money is for.

Senator GROSART: And with no responsible minister.

Mr. HENDERSON: Well, there is a responsible minister for it, although—

Senator GROSART: I wonder if you would give us some comment on that? My understanding is that there is no responsible minister. There is a minister through whom the C.B.C. reports to Parliament.

Mr. HENDERSON: That is quite right, Senator Grosart. I would not presume to define the finer points of that line of responsibility. The minister reports for the corporation, and it has seemed to me in watching the debates in the number of years I have been here that most of the minister place their own interpretation, quite properly, on how to exercise that responsibility. But that is a matter for Parliament to decide in its organization, as I see it. That minister sponsors and explains the estimates to the House. The point I am getting at is that if I were asked to approve $113 million as a grant to operate a national service I should like to have a few figures explaining what it is for, at least the broad general areas where the money is going to be spent. The Public Accounts Committee supported this over the past years in recommendations to the House, but still no details appear in the blue book so this is one of the recommendations not yet implemented. I think this illustrates the importance of making these votes more intelligible to the people who are charged with approving them.

The CHAIRMAN: May I ask one question on the same line? Is the C.B.C. different from other Crown companies in this respect?

Mr. HENDERSON: Some do furnish more information, Mr. Chairman, but generally speaking the agencies, the Crown corporations, are not required to furnish this type of detail in the Estimates. The position I have taken, and which the Public Accounts Committee has supported, is that any agency that is coming to Parliament requesting money is, after all, in very much the same position as a company which goes to its bankers and requests money, and it does not seem unreasonable that it be required to indicate in some detail what it needs the money for; not detail which might embarrass it with competitors or with the public, or anything of that kind, but just the broad general areas of its operations.

Senator GROSART: The other principle that Dr. Davidson, speaking on behalf of the Treasury Board, regarded as important was this decentralization, with the greater control of spending and greater responsibility at the departmental level. It seems to me that this reduction in the number of votes works almost counter to that principle. Surely if a department is to assume responsibility for carrying out the will of the department vote by vote, the more votes the better the control of the discharge of that responsibility. Is that so or not?

Mr. HENDERSON: That is true, but if you are going to subscribe to the principle that decentralization of authority is a good thing—and I am in agreement with Dr. Davidson when he advocates that—then you have to give them the tools with which to discharge that responsibility, and that means more latitude; you have to trust them and they have got to demonstrate that that confidence had been well placed, and so forth. If Parliament in its wisdom sees fit to approve of that decentralization of authority, then providing proper checks and balances exist, I think that it is perfectly sensible to go ahead.

Cutting the number of votes down to 243 is directly in line with what the Government requires in order to decentralize this authority. They want to see a greater consolidation of votes so as to give managements of the departments

more elbow room; they will not have to come back to Parliament so often for money; they will be able to move more freely. I see nothing wrong in that, provided that it is justified by the behaviour of the people entrusted with the responsibility and there are, as I say, adequate checks and balances at all times.

It was in that spirit that the Public Accounts Committee agreed to go along with the request of the Treasury Board in reducing the number of votes, and they stated that their approval was subject to the reduction being carried out according to certain improvements suggested by the Auditor General to the committee. These had to do with points made in the discussions and undertakings given by the staff of the Treasury Board that in consolidating this vote with that certain wording would remain, and so forth. We have a record of this.

As I say on page 4, I have accordingly made it my business to continue to check this and see that those undertakings were carried out. It is with some regret that I have to point out here that they have not all been carried out. In some instances they have gone further. One of the examples is the National Defence vote, wherein you have capital, income, maintenance and everything rolled up into one vote. That is going further than our understanding at the time. And I give you some other examples.

Senator GROSART: May I just ask you one more question on this? I am really concerned with the wider latitude given to the transfer of funds from one anticipated project to another at will. If I may take the C.B.C. as an example again—and only as an example; I am not picking on the C.B.C.—would it not make more sense if the C.B.C. came to Parliament and said, "We ask you to vote us $110 million. We intend to spend so much on programming, so much of it will go on salaries, so much of it will be for capital construction"? They do break that down in a kind of way, but that is the only one. Would not this be the normal way in business, to break down your anticipated expenditure so that at the end of the year whoever has the decision to grant you funds again would at least be able to say you are a good planner? Let me put it this way to you. Is it the case that the C.B.C. having been given a vote of $110 million can, in effect, use that any way they like?

Mr. HENDERSON: I do not know whether they would agree. As far as Parliament is concerned they can. I should explain to you that under the Broadcasting Act the Corporation is required to submit both operating and capital budget approved by the minister each year. These budgets are required to be tabled in the house but unfortunately the tabling never coincides with the issuance of the blue book. My request is simply: could not the two be brought together so that you could see them in one place all at the same time?

These estimates are submitted within the pattern which you describe—so much for programming, they put it down by objects of expenditure, or they used to; I believe it may be in the broad areas of spending now, but they used to have it by objects—so much for salaries, so much for line rentals and the rest of it. Then they have a capital budget.

The Treasury Board do not provide this detail in the blue book and thus explain the figure when they seek approval for the money. At a later date the budgets are tabled pursuant to the requirements of the Broadcasting Act; they are laid on the table and it does not attract considerable attention. I think it would be more informative to members, when they are considering $113 million, if this summary budget were shown, and were perhaps compared against last year's performance so that they could see the picture just as you would in business.

Senator MACKENZIE: My question is along the lines of Senator Grosart's, and it is to this effect. I think there is a real difference, and an important difference, between bodies like the C.B.C. and the Canada Council, or universities for that

matter, and the normal departments of government in terms of the nature and extent of control that Parliament should exercise and try to exercise over them. I quite agree with what you say about Parliament determining how much money should go to any one of these agencies. I quite agree that when presenting their applications for grants they should indicate in a general way how, in effect, they spend that money, and at the end of the year, or whenever required, should present, if desired, some detailed reports on how the money has been spent.

While I think it is reasonable to accept a very large measure of control over government departments, it does not seem to me to make sense to have a Board of Governors under an existing Act of Parliament with authority to control, and then more or less undermine that authority by insisting on detailed approval or disapproval of practically every item, or even sections of items. This is, I know, a difficulty.

Mr. HENDERSON: The suggestion I am making is simply for the purpose of enlightening the people who are asked to approve the $113 million as to its make-up under about six or eight categories and nothing more than that.

Senator MACKENZIE: This I would agree with and approve of.

Mr. HENDERSON: I could not approve $113 million for anything unless I was shown where it was going. Otherwise I would feel my approval meant little.

Senator MACKENZIE: Then I would agree with you completely, as long as the detailed components were not expected.

Senator BURCHILL: I think the idea of decentralization is sound, but do not you think that dropping the votes from 495 down to 243 in one jump is a bit drastic? Do not you think they have gone a bit overboard in reducing those votes? Is not there a happy medium which would meet some of the objections this system has?

Mr. HENDERSON: Possibly there is, Senator Burchill. The mere arrival at a figure of 243 was more the accident of the occasion than anything else, both on our part and the Treasury Board's. They naturally were interested in achieving the maximum reduction and I was watching their proposals on behalf of Parliament, as I was requested to do by the committee.

The reduction in the number of votes, you must understand, primarily passes the responsibility to the Treasury Board, not necessarily to the departments; it places a degree of authority in the hands of the Treasury Board, and that is borne out by what I say here, particularly when we come to the question of the contingencies vote, which is in fact to supplement other votes, leaving it up to the Treasury Board.

As you know the departments thus far have not been given the authority that Dr. Davidson and his associates are working towards. They are hoping to be able to launch it, but so far there has been no change. The central agencies remain substantially as powerful as they were. But that is due to all the detailed study that has to be given to such a large project. However, basically I do not see anything wrong in getting going with this decentralization. I think you often do not know the measure of men until you give them responsibility. I have a high regard, as I am sure you have, for our deputy ministers, and it seems to me that if you give them the authority to make big and broad decisions you should give them the tools, and if they make mistakes get others. That is the way business approaches it. I think the measure of performance you might see would be a very fine thing.

Nevertheless, you have to see to it that from the top down you have a good system of checks and balances. I think the administration of most of our Crown corporations is excellent. They are not under these central agencies; they have their outside auditors, like me in many cases; they make their reports, and I think the standard of performance generally has been very good. I am thinking

of corporations such as Eldorado and Atomic Energy. There will always be some that will not measure up, but that is life, isn't it.

The CHAIRMAN: I might point out, Senator Burchill, that this drop from 495 to 243 is as between the 1962-1963 Estimates and the 1966-67 Estimates, so it is spread over three or four years.

Senator GROSART: We were discussing the question of whether there was ministerial responsibility in respect of the C.B.C., and I would like to read you a statement, as reported in the *Globe and Mail* this morning, made by Secretary of State Miss LaMarsh, replying to some questions about this very subject from members. The statement is quoted as follows:

> Short of requiring, somehow, the resignation of those who manage the corporation, I cannot see in what way the Government, or myself, could cause any change apart from that which will be caused, I am sure, by the many letters and telephone calls which the corporation will have received.

Now, from the point of view of the Auditor General only, not policy, does that sound to you as though we have responsible government there?

Senator RATTENBURY: I do not think that enters into it. After all, they were appointed by the corporation, not by the Government.

Senator GROSART: Who were?

Senator RATTENBURY: The officers of the C.B.C.

Senator MACKENZIE: You cannot have two people running the show. It is either the Government running it or the Board of Governors running it. Parliament, in its wisdom or foolishness, delegated responsibility to the Board of Governors. If you do not like it you can cut it in half and give them only half as much money, but unless you want to take the C.B.C. back and make it a department of government you have got to leave the responsibility there. I think the minister is quite right in stating that she cannot control, and should not control, under the present system of legislation, what happens in C.B.C.

Senator GROSART: With due respect, I do not agree, because we require ministerial control of the R.C.M.P.

Senator MACKENZIE: That is very different.

Senator GROSART: It is not very different. Here we have the expenditure of public funds under a system which is not responsible government.

Senator MACKENZIE: But you cannot have detailed control—

The CHAIRMAN: Well, we can debate that among ourselves.

Senator GROSART: If I may make one comment as a former student of Senator McKenzie, I well remember his teaching me that that was the kind of thing that Sir Francis Bond Head used to say.

Senator MACKENZIE: All right; it is still law. It may be bad law, but it is still law.

The CHAIRMAN: Mr. Henderson, would you like to continue where you left off?

Mr. HENDERSON: As I say on page 4, I have considered it my duty to follow the implementation of this particular recommendation. The first results are to be found in paragraph 51 of my 1965 report. This dealt with the revised vote pattern and what was taking place, and I drew it to the attention of the house. It so happens that this paragraph is still awaiting discussion on the agenda of the Public Accounts Committee; they have done a great deal of work, but we have been moving from subject to subject and had not covered it before this meeting on November 23.

As I say in that note, the vote pattern actually adopted for the 1964-65 Estimates turned out to be different in a number of cases from the pattern that had been seen and approved by the committee. There are examples of transfers of funds between services which would not have been possible under the previous vote pattern, and I brought them to the attention of the house. The correctness of my facts are not disputed. They have been seen by the Treasury, but to date the Treasury Board has not replied to these statements. In fairness to Dr. Davidson, he has not been able to speak to the Public Accounts Committee yet about paragraph 51. When we were meeting in regard to this matter on November 23 we were dealing largely with the subject of my statement.

Then I turn to examples from the defence votes. As I say at the bottom of page 4, there are only ten votes there now; one of them is $1,420 million, and that constitutes 95 per cent of all the National Defence spending or 18 per cent of the Government's total main Estimates, all in one vote. Their action here exceeds the Treasury Board's undertaking to the Public Accounts Committee three years ago.

Senator RATTENBURY: You are not objecting to the one vote, Mr. Henderson; you are objecting to the lack of detail in the one vote?

Mr. HENDERSON: It was understood in the discussion that they would not consolidate all of the items, that they would probably have had two or three votes under this heading and broken it down. No, I am not objecting to the detail in this case; I think they give a fair amount of it. But it was understood they would not be consolidating maintenance with capital construction and so on. As you see from this wording, they have it all grouped into one vote and that, of course, gives the department tremendous elbow room.

The CHAIRMAN: The essence of the thing is that with respect to this one vote changes can be made as to any of the details with the approval of the Treasury Board?

Mr. HENDERSON: Yes, and I go on in this paper to point out that the Treasury Board have abdicated that responsibility and given it to the Department of National Defence, so that they can make their own changes without going to the Treasury Board.

The CHAIRMAN: Whereas if there were two votes the Treasury Board and no one else but Parliament could authorize the transfer from one vote to the other vote. Is that correct? So that by consolidating them control is passed from Parliament to the Treasury Board, which in turn, you say, delegates it.

Mr. HENDERSON: On page 5 I point out to you the section of the law which requires that the Treasury Board alone can approve the allotments, that is the movement of money within the vote. Last October I pointed out to Dr. Davidson how transfers between the allotments into which the appropriations of the Department of National Defence had been divided were being approved by the deputy minister of the department instead of by the Treasury Board. In other words, the Treasury Board had turned that responsibility over, and I asked Dr. Davidson—

Senator PEARSON: Why did the Treasury Board turn it over?

Mr. HENDERSON: That was my question to Dr. Davidson. My question was, would he please advise me of the authority the Treasury Board relied on for this action? because it is contrary to section 29 of the Financial Administration Act, and I had to tell the committee that that letter has not yet been answered.

Senator PEARSON: Is there any follow up to try to get an answer from the Treasury Board?

Mr. HENDERSON: Oh yes, we shall be pursuing that. No doubt they are consulting their legal people, and we will have a reply.

The CHAIRMAN: Dr. Davidson is aware of this statement being made by the Auditor General?

Mr. HENDERSON: Yes; it was made to the Public Accounts Committee. But that is one of my responsibilities, to enquire into matters like this, because the law is quite specific in assigning that responsibility to the Treasury Board.

Mr. G. R. Long, Assistant Auditor General: I might just say that National Defence has a certain authority given by Parliament to enter into commitments beyond the current year, and the Treasury Board does control the allotments in which those commitments are entered into. This is going beyond the current year, and this is why the Treasury Board feels that perhaps the deputy minister of the department could control the actual transfer of the cash when it comes to pay for these commitments. We do not know what the authority is for this, but this is the reason.

Senator GROSART: Mr. Long, when you use the word "allotments" are you referring now to the subheadings within a vote?

Mr. LONG: Yes.

Senator GROSART: I wonder if you or Mr. Henderson would from the estimates give us an example of the kind of transfer that can be made within a vote without the authority of Parliament? Some of these votes range over a fantastic number of projects. Does it mean that within a vote there may be a transfer made, without reference to Parliament, from one project to another which is completely unrelated?

Mr. HENDERSON: Let me give you three examples that I quoted to the house in my 1965 report, I said that the revised vote pattern made possible a number of transfers of funds between the services with the Treasury Board's approval which would not have been possible under the previous vote pattern. The first example is the Department of Northern Affairs and National Resources. An amount of $55,000 was transferred within Vote 15 to national parks and historic sites and monuments, of which $40,000 was made available from branch administration and $15,000 from the Canadian Wild Life Service. In Vote 30, for water resources administration operation and maintenance etc., an amount of $100,000 was transferred to the water resources branch out of an amount of $950,000 which had been included in Supplementary Estimates (A) for Nelson River, expenditures in connection with investigations etc.

There is a good example, perhaps, under the Department of Transport within Vote 20, which provided for railways and steamships, construction or acquisition of buildings, works and land, dock and terminal facilities and vessels and related equipment etc., an amount of $1 million was transferred from the provision for Nova Scotia east coast, Newfoundland terminal development to ferry vessels and equipment.

It is in the power of the Treasury Board to approve of all transfers between allotments. For example, in my own office I have my allotments broken down. It so happens that in my own office about 96% of its spending is on salaries. I have a certain amount for postage, a certain amount set aside for the production of my report and various other things. Last year the bill for my report turned out to be more than we had bargained for and we had to look around and see whether we had some money left over in the other allotments. We found some, filled out the requisite Treasury Board form, they approved it and we transferred it from one allotment to another allotment so that I would have enough in that to pay for the report, because I must not finish up the year spending any more in each allotment than has been provided, any more than I should finish up the year spending more than Parliament has given me. Does that answer your question?

Senator GROSART: It answers my question, Mr. Henderson, but it does not allay my fears, because it would seem to me now that this reduction in the number of votes is going to increase the degree of transferability of the spending of money from the specific project for which it was approved by Parliament to another project for which it was not approved. Is that correct?

Mr. HENDERSON: Yes.

Senator GROSART: Yet we were told that one of the main reasons—and I believe this is also in the Glassco report—for this decentralization was to provide for a greater degree of accountability of performance by project. This seems to be an absolute contradiction.

The CHAIRMAN: I just wonder whether it was by project. Was not it by department?

Senator GROSART: No, by project. This was emphasized.

Mr. HENDERSON: Program or project.

The CHAIRMAN: Program.

Senator GROSART: Well, program or project, but it was emphasized that one of the purposes was to break down the mumbo-jumbo of the Estimates, that had developed over the years by departments merely saying what were the votes, what were the allotments last year and filling in figures, into projects and then requiring very strict accountability of requirements of the department in respect of each project. Yet here, as I understand it, we are now saying we may require accountability by project, but you get the money anywhere you like; if you have got it you can transfer it from one project to another. It seems to me to be a contradiction.

Senator MACKENZIE: What is the difference, Mr. Chairman, between "project" and "program"? I would think "program" was a much broader statement.

The CHAIRMAN: Perhaps we could ask Mr. Henderson. My interpretation was that it was something that was spread out over more than one year, whereas I would think a project was some specific part of a program.

Mr. HENDERSON: Yes, I think, Mr. Chairman, that would be right. But within the context of this particular discussion relating to the Estimates, when they speak of project budgeting or program budgeting, they are practically one and the same thing.

Senator MACKENZIE: They mean the same thing?

Mr. HENDERSON: Yes.

Senator GROSART: Yes, I would think so.

Mr. HENDERSON: The idea is, instead of handing you Estimates showing objects of expenditure—salaries, the number of people, postage, advertising, office stationery and so forth, it would be more meaningful if they presented the Estimates on the basis of what it is the department is charged with doing by projects or programming, so that for example you can see what the whole administration of canals and waterways of Canada within the Department of Transport is expected to cost, along with appropriate descriptive detail. That is more meaningful. In turn, they can hold the people responsible for the canals and waterways to account for the proper discharge of their responsibility.

Senator MACKENZIE: This would seem to make sense.

Mr. HENDERSON: I think it does, but you have to be satisfied that the responsible cross checks and balances exist.

We were dealing, Mr. Chairman, with section 29, which I quote on page 5, which is the procedure followed by the Treasury Board under the law regarding the handling of allotments and transfers.

On page 6 I refer to some more defence votes, in particular a position that I have taken in regard, for example, to the Department of Defence Production. They have a revolving fund; they have nearly $2 million in this revolving fund which they are keeping there, because they are profits they made and they think they may suffer some losses one day in the future, and therefore they would like to keep the profits in the fund so as to offset the losses.

We have discussed this with the deputy minister and the officials of the department before the Public Accounts Committee; the department put up a strong defence, they think it is in order for them to hold on to this. I cannot agree with this, because I think that under the legislation, the Financial Administration Act—and the Financial Administration Act is quite clear, although the Defence Production Act is not so clear on the point—Parliament intended that the profits in a revolving fund should be turned over to the consolidated revenue fund, and as and when they incur losses they come to Parliament and ask for the money.

Senator RATTENBURY: What types of operation would incur a loss?

Mr. HENDERSON: They are holding some stockpiles of strategic materials, on which they do not expect to realize their cost value. But it is all at some indeterminate future date, and my point is that as and when that occurs they should come to Parliament. In the meantime, the Financial Administration Act is specific in saying that profits occurring in the revolving fund have to be paid over to the consolidated revenue fund.

Senator PEARSON: And the $2 million profit is really an over-taxation. Is not that so?

Mr. HENDERSON: It represents interest that the department has collected under certain aircraft contracts over a period of years.

The CHAIRMAN: I take it that this particular incident of the Department of Defence Production is contrary to the general practice, and in your view to the law, of other departments and of organization?

Mr. HENDERSON: This is rather unusual. Other departments having this would have no choice legally but to turn it over, but the Department of Defence Production operates under the Defence Production Act, and it is a fact, I think—I am speaking now subject to verification—that the act is silent on this particular point. The Financial Administration Act, though, is not; that is very definite. Therefore we move into the realm of legal opinion, and that point has not been resolved yet.

In my statement I told the committee that I do not believe Parliament intended the executive to keep this money, and perhaps it would be a good thing to air and to discuss, because, as I say here, I do not think it intended that the executive should be relieved of its dependence on Parliament for funds to cover losses which it might suffer. If you are going to countenance that, then you set up a precedent, it seems to me, in a lot of other directions. Perhaps that is Parliament's will; I do not know.

The CHAIRMAN: What happens to the profits of the Central Housing and Mortgage Corporation?

Mr. HENDERSON: They are paid over to the Receiver General.

Senator MACKENZIE: Would this affect the attitude of the people in the department towards efficiency if they feel that if they make a profit it is theirs in a way?

Mr. HENDERSON: It would relieve them of having to explain any losses later; it would avoid the necessity of coming to Parliament to ask for money to cover the losses.

Senator MACKENZIE: So it works both ways?

Mr. HENDERSON: Yes, there are arguments on both sides of the coin, I have no hesitation in saying that, and I think the department argued its case very ably.

Senator BAIRD: Would this be an active account?

Mr. HENDERSON: Oh yes. I do not know whether Mr. Long recalls the size of the Defence Production revolving fund.

Mr. LONG: The authorization is something like $100 million, but it is not used to that extent right now. There are two things in this account now. Certain aircraft were sold, and the interest received under the sales agreements has been retained in case they do not collect the full amount of the sale price. The other more active part of the account covers strategic materials which are being bought and sold. I do not think the retention of a profit will affect the profit that is realized; I think the market will determine the final profit or loss on strategic materials.

Senator POULIOT: Mr. Henderson, I would be very interested in getting some information about the practice. We heard about the theory based on the law, and I imagine that the Financial Administration Act is a new edition of the old Parliament Act. Is that so?

Mr. HENDERSON: The Financial Administration Act was enacted in 1952.

Senator POULIOT: It amounts to practically the same thing, with a few changes. But that is not the point I am coming to. I understand that when any kind of work is decided on and the Government considers it favourably, some report is made by the officials of the department to the minister concerned, who submits it in the first place to the executive council. Then the cabinet, or executive council, approve or disapprove the suggestion of the head of the department. If they do not approve, it is finished. If they approve, it is sent to the Treasury Board for a second approval. Am I right?

Mr. HENDERSON: I am not very clear about your reference, senator, to "executive council". The relationship really is between the top departmental officials and the deputy minister through their own minister with the Treasury Board. The minister will speak to it, he approves the recommendation to the Treasury Board.

Senator POULIOT: Are there any officials, deputy minister or others, who recommend an expenditure directly to the Treasury Board without any authorization of the cabinet or executive council?

Mr. HENDERSON: The practice is for them to go through their minister: they recommend the project to their minister and he signs the requisite submission to the Treasury Board for the action that he recommends, if he is in agreement with it.

Senator POULIOT: It is not submitted to the council in the first place?

Mr. HENDERSON: Are you speaking of the Estimates, senator?

Senator POULIOT: I am speaking of the Estimates, yes.

Mr. HENDERSON: The Estimates are prepared by the deputy minister; he mobilizes the total resources of his department to find out what the estimated spending is going to cost, and then he pulls it all together. Then he discusses it with his minister, presumably, to see that the Estimates can be regarded as satisfactory and that they can be justified. Then they are submitted by the deputy minister, I think with the minister's signature on the submission, to the Treasury Board in the form the Treasury Board request, because they must have this material submitted to them in a format which will fit the general scheme of things.

Senator POULIOT: I wanted to know, you see, if the Treasury Board has accepted a recommendation from the deputy minister for expenditure that had not been submitted to the council in the first place. Do you know what I mean by "council"?

Mr. HENDERSON: No, I am not very clear what you mean by "council," if I am say to.

Senator POULIOT: The council is the group of ministers who form the cabinet. It is the executive council.

Mr. HENDERSON: The Treasury Board?

Senator MACKENZIE: No, the cabinet.

Senator POULIOT: It is not the Treasury Board. I mean the cabinet.

Mr. HENDERSON: The relationship there is a matter you would do better to ask Dr. Davidson to speak to, because I am not familiar with the relationships between the ministers on the Treasury Board, the council and the cabinet.

Senator POULIOT: You do not consider whether the matter has been approved by the executive council in the first place; you take the act and try to see if the department and the Treasury Board have followed the provisions of the act?

Mr. HENDERSON: We start with the Act of Parliament and we are guided by the provisions of that act. That is our starting point. If the act provides that they have to go to the Governor in Council and make submissions, or that it has to be approved by two ministers—as in the case of the C.B.C. that we were discussing earlier—it is my duty to see that those steps are carried out, and if they are not carried out to ask why.

Senator POULIOT: Now, Mr. Henderson, I come to my second point. The Treasury Board has been instituted to examine the proposed expenditure and decide whether it should be approved or not, in part or in whole.

Mr. HENDERSON: Yes.

Senator POULIOT: The Treasury Board has branches in each department or government organization.

Mr. HENDERSON: The Treasury Board does not have branches in each department. The Comptroller of the Treasury has with his Treasury officers, because they are accountants who keep the books and issue cheques.

Senator POULIOT: There is a Treasury Board and a Comptroller of the Treasury Board; the branches are the branches of the Comptroller of the Treasury?

Mr. HENDERSON: That is right.

Senator POULIOT: I have a last question on this point. You mentioned that the department could have amounts of money up to $5 million at the disposal of that department. The payments from that fund must be made by the officers of the Comptroller of the Treasury in that department?

Mr. HENDERSON: That is right.

Senator POULIOT: You agree to that?

Mr. HENDERSON: Yes. That is the system.

Senator POULIOT: The Comptroller of the Treasury is under the Minister of Finance, is he?

Mr. HENDERSON: Yes.

Senator POULIOT: When a cheque is issued by the branch of the Comptroller of the Treasury in that department, is that payment under the Minister of Finance or the minister in charge of that department?

Mr. HENDERSON: The payment is made pursuant to the Financial Administration Act, which defines the duties of the Comptroller of the Treasury. In actual fact the request for the payment to be made comes from the deputy minister of the department concerned, and providing it conforms to the regulations laid down by the Treasury Board for the expenditure of money, providing the Comptroller of the Treasury has certified that the money is there to pay it, the payment is made. The responsibility for the actual approval of the payment, I repeat again—and I think the Comptroller of the Treasury would agree with me, because I believe he has always taken this view—rests with the deputy minister of the department. I would like to ask Mr. Long to check me on this, because he is more familiar with it, but I believe that is the position.

Mr. LONG: The parliamentary appropriations are to the department or the minister, and nothing can be charged to those appropriations without the requisition of the minister.

Senator POULIOT: The man in charge of finance, who represents the Comptroller of the Treasury in a department, may receive instructions from others than the Minister of Finance or officials of the department of finance, he may get instructions from the officials of the department where he is the representative of the Comptroller of the Treasury?

Mr. HENDERSON: He may get requests from the department. The only instructions he could receive would come, as you say quite properly, from the Minister of Finance, because his organization is part of the finance ministry. But in practice, I say again, providing the expenditure conforms to the requirements of the Comptroller of the Treasury, the Financial Administration Act and so on, then the payment is made, and he would tell you that it is made on the responsibility of the deputy minister of the department that he is servicing.

Senator POULIOT: Now, Mr. Henderson, if you would permit me, I will tell you why I asked you all that. It is because I am opposed to this system of the Comptroller of the Treasury. I find that the departmental minister of the department of finance has ramifications like that in all the departments, and I think the accountants of each department should be under the department, as they were before. That is a point of view, of course.

Mr. HENDERSON: This is the Glassco Commission recommendation also. This is one of the tools they think departmental management should have; that is to say, they should have their own chief financial officer, they should have their cheque book, just like a Crown corporation.

Senator POULIOT: It has been my conviction for many years. I do not know if the actual legislation will be changed, but I think each minister should be the boss of his own department, should be responsible for any expenditure in the department so that you could catch him if something is wrong.

Mr. HENDERSON: You could pinpoint responsibility better, that is true.

The CHAIRMAN: Mr. Henderson, do you wish to go ahead with your statement?

Senator ISNOR: Before leaving that, Mr. Henderson was dealing on page 6 with the revolving fund. Is that a regular vote in the estimates?

Mr. HENDERSON: I will ask Mr. Long to answer you, Senator Isnor.

Mr. LONG: All revolving funds are approved by Parliament; Parliament gives authority for so much money to be used; it is a financing medium. A revolving fund is supposed to be current at all times; the money is made available, is used and then comes back into the fund. Parliament approves of each one before it is set up.

Senator ISNOR: How long are they permitted to hold any amount in the revolving fund?

Mr. LONG: They do not hold an amount. They hold stores, accounts receivable, something that has to be financed. Any profits in the revolving fund are transferred each year to the revenue of the Crown.

Senator ISNOR: Each year. That is what I wanted to find out.

Mr. LONG: A revolving fund balance at the end of each year is supposed to consist only of actual assets held.

Senator ISNOR: I am speaking now of the general principle. With regard to the Department of Defence Production holding these dollars in their revolving fund, I am not at all critical of Mr. Henderson and the Auditor General's department in bringing this amount to the attention of the Government, and pointing out that it is not in accord with the regulations, if such be the case, but I agree with Senator MacKenzie when he points out that it is very apt to bring about increased efficiency in a department. For instance, contracts all have a penalty clause in them in regard to the time the contract is to be finished, with a penalty if it is not carried out in that time. Because of that clause the officials watch the operations very closely, and they in turn might possibly put up a revolving fund of the amount of $1,800,000 on various savings plus the sale of unnecessary equipment and so on. Is that right?

Mr. HENDERSON: I am not disagreeing with that, senator, but do you not feel you would want to know when losses come up and their nature? Otherwise you would not know. Are you content to leave that to the department? That is really the question.

Senator ISNOR: I certainly think they should give an account of both credit and debit, but I would judge this $1,800,000 was a credit.

Mr. HENDERSON: That is a profit sitting there now, yes.

The CHAIRMAN: So it is voted once and then remains? It does not come back?

Mr. HENDERSON: I am suggesting it be taken into the revenue of the country, because any time I see any money which is revenue I have a duty to satisfy myself that it is properly accounted for.

The CHAIRMAN: You mean the profits, but the fund itself when set up would remain?

Mr. HENDERSON: Oh yes, it still remains in their hands. As Mr. Long explained, where they have been fortunate enough to make a profit, then I think, like a Crown corporation paying a dividend, they might be invited to hand it over.

Senator ISNOR: What was the amount last year in the revolving fund?

The CHAIRMAN: I do not see any amount.

Mr. HENDERSON: I think Mr. Long mentioned the amount of the revolving fund. Was it $30 million or $40 million?

Mr. LONG: I think the authority is higher than that. The amount is in the Defence Production Act. I might say, Senator Isnor, I do not think your remarks apply to this paragraph, but they would apply more to the paragraph following.

Mr. HENDERSON: I was going to go on to say that. The next one is quite interesting. Here is a $1 vote that you approved.

Senator ISNOR: I will let it stand at that.

Mr. HENDERSON: The next one is Vote 48 of the Department of National Defence which Parliament approved, a dollar vote. Authority was given to the executive to accumulate an "open account"—that is the Department of National

Defence—into which they could put all the proceeds from the sale of surplus materials, supplies and equipment and up to $5 million from the proceeds of the sale of surplus buildings, works and land, and to spend these funds with the approval of the Treasury Board in any year. At the end of March, 1966, they had not spent any of it and the balance was over $9 million. Today I believe it is over $19 million.

Here you have a situation where this is, in effect, serving as a cushion; as you can see, it can soften the effect of any reduction that Parliament may wish to bring about in national defence spending in future. This dollar vote has been approved by Parliament. That is perfectly all right, but here is more money made available to them to do with as they please. Now, you have given them that authority. There is nothing more I can do than bring it to your attention within the context of this general discussion.

Senator ISNOR: I think that clarifies the situation, Mr. Chairman.

Mr. HENDERSON: I may say, the reason for this dollar vote—I do not know whether it has been explained to you—was because Glascco again made a recommendation that it would provide more incentive to the department to dispose of surplus if they could keep the income they got and spend it for their general purposes, that it would provide them with an added incentive. This is by way of being the first example; it is a test case, if you like, or a pilot study, to see whether in fact they can get more money for their surplus because the more they get the more they keep.

Senator BAIRD: They would have to get approval from the Treasury each time?

Mr. HENDERSON: That is right. They go to the Treasury Board and say, "We would like to take $5 million of this to spend for something else."

Senator BAIRD: They are not absolutely free to throw it around?

Mr. HENDERSON: No, but when you bear in mind the latitude the department enjoys, which we were just discussing, whereby it can make its own transfers—

Senator BENIDICKSON: Because of the single vote; the leeway he has because of the single vote for about $1.5 billion?

Mr. HENDERSON: That is right.

Senator GROSART: Have any of the contrary situations come to your attention, which I think is the experience of some who have dealt with certain departments, where towards the end of the spending period there is often an almost frenzied amount of activity to get rid of the money, to spend it? Has any evidence of that ever come to your attention?

Mr. HENDERSON: Yes, we have seen cases and discussed them in committee. We watch to see the incidence of bills and the amount of expenditures, to see whether there are items which belong to the following year which are being rustled through in the closing weeks of the last year. Cases have appeared in my reports where this has taken place, and they have been discussed in the committee. Generally speaking, though, I do not think it is a situation that I would say is unduly violated. The trouble is that, knowing that the year is coming to an end, a lot of the bills are rounded up, quite bona fide ones, and you have a tremendous volume of accounts coming in. Knowing that we are scrutinizing them, I do not think it is necessarily abused. I do not know whether Mr. Long would like to add anything to that.

Mr. LONG: We do try to watch this. You may suspect that there is something going on, but it is very difficult to establish that there is any real harm being done. Taking our own office, supposing we have a bit of travel money available at the end of March and we have a job we had been going to do in April that could be done in March, I think it is only human nature that we would try to do

it in March, and then we have that little bit of reserve for the unexpected in the following year. I think most of what is done is that kind of thing.

Mr. HENDERSON: One of the answers, you know, Senator Grosart, can be found in looking through the size of the departmental lapsings at the end of each year.

Senator GROSART: That is what I mean.

Mr. HENDERSON: Of course, you can say that is because the estimating was too high and they asked for and were given too much money; there is that side of the coin. It is interesting, and well worth it, to look over at the end of each year the amount of money lapsing in each department, and it is because of the importance of that that we reproduce that schedule at the end of my report, so that members can look at it.

Senator GROSART: Is not it the case that you really have two contrary principles operating here, one in your revolving account, where there is an incentive on the part of the department actually to build up a fund they can use for contingencies, and on the other hand you have this incentive to get rid of the money, to spend it, because of the requirement that all votes lapse at the end of the fiscal year?

Mr. HENDERSON: That is right, yes.

Senator ISNOR: They build up, but they cannot hold on to it.

Mr. HENDERSON: Not unless the vote wording authorizes it.

Senator GROSART: They can hold on to the credit in their revolving fund.

Mr. HENDERSON: At the end of each year you can see the picture of the revolving fund because a revolving fund has to be represented by accounts receivable or materials at any given time, and a balance sheet is prepared of each revolving fund. In many cases I certify them, just as in the case of the Department of Defence Production I certify their balance sheet which appears in the public accounts.

Senator BELISLE: But it is not revolving any more.

Mr. HENDERSON: That is the position as at the close of business on March 31.

Senator GROSART: But as you point out, Mr. Henderson, they have got the money, the cushion, to soften the effect of any reduction; they have it there, they hold it.

Mr. HENDERSON: That case is not a revolving fund.

Senator GROSART: The open account.

Mr. HENDERSON: That is an open account, which is a savings account against a rainy day.

We might jump to the finance contingencies vote, at the bottom of page 7, Mr. Chairman. I do not think I need stress how the wording of that was consolidated. Dr. Davidson gave a very good explanation yesterday of precisely what took place there, and how up to 1966-67 there had in fact been two votes, Vote 70 for the supplementing of salaries, wages and other paylist charges and Vote 50 for miscellaneous minor and unforeseen items.

I had some correspondence, which I refere to one page 8, with the Treasury Board regarding this, and we asked them what I think was rather a difficult question, namely that when an allotment transfer is made within a vote the final result can be that the general salaries vote has in effect been used to supplement allotments other than the salaries allotment in the vote. I do not think there is any denying that, and the Treasury Board did not.

The CHAIRMAN: When you speak of general salaries vote, is that Vote 15?

Mr. HENDERSON: It is in Vote 15 now, but, of course, it had been a separate item under the Finance Department prior to the consolidation.

The CHAIRMAN: Either 50 or 70.

Mr. HENDERSON: Yes, that is right.

The CHAIRMAN: It may be Vote 70.

Mr. HENDERSON: I do not think we need go into the correspondence on page 9. I set it down here so as to explain it as clearly as possible for the benefit of the members.

We now come on page 10 to the methods involved in calculating interim supply, and because this followed in logical sequence I thought it was useful to review it in this general picture, because these things are all tied in together.

Senator GROSART: Before you go on to that, Mr. Henderson, could I ask you one question arising out of your comments on the contingencies vote? It is correct to say that if there had not been this change from 70 to 50 to 15 and a change in the wording to add the words "to supplement other votes," the money the Government found recently would not have been available for the purpose for which they used it?

Mr. HENDERSON: No, I do not think that is so, Senator Grosart, and if you will permit me to carry on a bit I think you will see why, because we come to that in discussing interim supply.

Senator GROSART: My point was that it seemed to me under the earlier wording to limit the use of the contingency fund to these two minor specific items; it seemed to limit it to that prior to the change of wording in 1955-56.

Mr. HENDERSON: The old Vote 70 did provide, to quote its precise words, "to supplement the paylist provisions of other votes," and in effect that was all that was done when it came to this particular incident.

The CHAIRMAN: I think we will come to that after dealing with interim supply.

Mr. HENDERSON: In explaining interim supply, I felt I had to say to the members of Parliament that this particular matter could so easily have been avoided if the proposed spending in the form of the Estimates had been presented and cleared right in the beginning. It would have made life much easier for the executive on the one hand, and Parliament would have had the Estimates out of the way, and the whole problem would never have arisen. I am perhaps prompted to say that because of my business training, where management usually approves estimated expenditure quite early in the day.

The CHAIRMAN: But would not that also prevent Parliament from exercizing control over the executive at periodic times during the year?

Mr. HENDERSON: That is a problem for Parliament to decide, if I may say so? Mr. Chairman; that has to do with its own rules. The concept of interim supply is really, as you know, the one-twelfth basis per month. I go on here to explain what you already know, namely the methods that were followed, which both the minister and Dr. Davidson covered yesterday.

I would like to jump forward now, if I may, to page 12, the Appropriation Acts. We will take the bottom paragraph. Appropriation Act No. 6, which was passed in the summer of 1966, dealt with full supply for ten departments, as the minister mentioned. The other Appropriation Acts in 1966 had to do with the granting of interim supply to a number of the individual appropriations—and this is important to note—at rates of between nine-twelfths and eleven-twelfths, in fact about as far as they could go, even though four months remained to the end of the fiscal year. In other words, money was being granted under interim supply at a rate greater than the timetable appeared to indicate.

Senator BAIRD: Why was that?

Mr. HENDERSON: I cannot give you the reason why the Treasury requested that, senator; that is something they would have to explain to you. The point is, Parliament approved it.

The CHAIRMAN: I think the explanation was given when the supply bill was before the Senate, as to any items where more than the proportionate amount was being requested. It is conceivable, for example, that one vote might cover work which all has to be done in the summer time; agricultural grants very often have to be made all within a growing season period. Sometimes the fees of societies and organizations, payments of that kind, are made just once a year. Well, if it happens to fall within a certain period it has to be provided for at that time.

Senator BAIRD: But in fact they did not spend it.

Mr. HENDERSON: We are coming to that now. I cannot refrain from saying that when the interim supply was presented to you—and I believe when it was explained in the Senate—it was pointed out very clearly that this supply was intended to cover, I think, up to November 30, but the Appropriation Act did not say that. I can only add that if Parliament wishes to ensure that this does not take place, then perhaps the supply appropriation should in fact spell out the period the interim supply is supposed to cover; in other words, put in a date.

The CHAIRMAN: Mr. Henderson, if you were to do that you would also have to ensure that the vote must take place before that date.

Mr. HENDERSON: Precisely.

The CHAIRMAN: That involves changes in rules in both the Senate and the House of Commons to make sure the act was passed. If November 30 was the date, then it would have to pass the Senate by November 28, it would have to reach the Senate in time to give a reasonable period of debate, and you would also have to have, not a closure, but a period of debate in the House of Commons, and that in turn requires the bill to be there at a certain time. I just want to bring that out, that if we are to adopt this we would have to change our rules.

Senator BAIRD: That is not too hard if we have to.

The CHAIRMAN: That is really what happened with the thirty days on the main Estimates, of course, but they just ran out of time when the final vote came through.

Mr. HENDERSON: At the top of page 13 I list the departments and show 51 votes where the interim supply had been approved between nine-twelfths and eleven-twelfths. As you can appreciate, the granting of interim supply in excess of, in this instance, eight-twelfths with four months to go in areas like the ones that are listed on page 13 can obviously result in departments having approved funds available in excess of their immediate needs.

Then I show at the bottom of page 13 the record for the last three years under the Appropriation Acts of this Finance Contingencies Vote 15. You see in 1964-65, where they had asked for $46 million up to November 30 in that year, that eleven-twelfths had been granted in some instances and nine-twelfths in others. Dr. Davidson was explaining yesterday why they had to have the money ahead in some of these instances. In 1965-66 you had a normal of seven-twelfths, which you might have expected at that time based on the dates, but in that case it was between eight-twelfths and ten-twelfths. Of course, Parliament adjourned at the end of June and, as you remember, was dissolved on September 8.

Coming to the 1966-67 example, before the last Appropriation Act was passed—in other words up to October 31—you had a normal of seven-twelfths, but already eleven-twelfths of $15 million and nine-twelfths of $45 million had been granted. After the last Appropriation Act passed it went to the limit of eleven-twelfths on both, so they had funds in hand from which to meet bills. This is the result of Parliament's approval of these votes. I then mention the position at November 9, which indicated that there was $10.5 million available in

Vote 15, and it was out of this that the $2 million odd was transferred to the nine departments which the minister mentioned, the ones where short-falls existed.

Finally, I sum it up in my conclusion, Mr. Chairman, on page 15 by suggesting—and Dr. Davidson spoke to this yesterday—that it might be worthy of consideration to ask why these requests could not be the subject of supplementary Estimates by the departments. He explained very clearly how this could be telegraphing their salary intentions ahead, and I would most certainly agree with that. But I still am not clear why, having made the forward computations and then having announced publicly what the increases are, why the departments responsible should not then be invited to put in supplementaries, each to cover itself, so that you would see it on a departmental basis.

I am not proposing anything here which would place the Government in a less advantageous position as far as being the sole repository of these important computations is concerned, but having concluded its work and determined what the total bill is going to be, and the departments being apprised of what is going to be done, then it seems to me that the supplementary estimate procedure could be used. In fact, that is what I thought it was for.

Senator ISNOR: In other words, you are recommending a lump sum to take care of the requirements?

Mr. HENDERSON: I should think that after the Treasury Board has completed all its salary determinations across all the departments, decided what its total policy is going to be, and finds that it is going to be faced with an expenditure over the ensuing eight or nine months as the case may be and the increases are going to be retroactive in such-and-such a pattern, that once this is announced, or simultaneously with its announcement and being made public, and so forth, each department then comes forward with its own request by way of a supplementary estimate for what it needs.

Senator ISNOR: That is common sense.

Mr. HENDERSON: If you want to get the total picture of each department and you are going to a lot of pains to try to achieve that here in the blue book, then a supplementary Estimate put in by each one sort of completes the cycle.

Senator GROSART: Do you suggest that the supplementary Estimate should be after the time at which a salary increase was granted?

Mr. HENDERSON: Yes. Now whether that would fit the parliamentary timetable is, of course another matter. The very point the chairman brought up a few moments ago comes into play there. In other words, we have to suit your convenience. But at least it would mean that the minister of each department would be introducing or having something to say about the impact of this overall decision on his department. I am very interested in what it costs me when my salaries are adjusted up for my staff, it seems to me it is something I must interest myself in. I may not always agree with the criteria employed by the Treasury Board, but they do have to negotiate the total picture; after all, they cannot just do it for me and not the others.

The CHAIRMAN: Can I sum it up as I understand it in my own mind? In Supplementary Estimates (C), there is an item of $50 million in Vote 15 for these salary adjustments. As at the time those supplementary Estimates were prepared, your suggestion is that to the extent the salary increases were known, instead of being $50 million a portion of them should have been in Supplementary Estimates (C) for those departments to which the adjustments were going to go. Is that the point?

Mr. HENDERSON: In essence, yes, Mr. Chairman, that is the point. Dr. Davidson has a very important point about telegraphing ahead the intentions of the Government. It seems to me as you study this matter there may well be a somewhat slightly different way of doing it. But in essence the theory is that

each department must take the responsibility for its proportion of the total bill which should be presented to the house in the name of that department. Then you would not have to approve one large sum with the Treasury Board acting as banker. That is the difference as I see it.

The CHAIRMAN: For example, when the estimates were prepared, if the amount to go to the postal employees by way of increases was known, that should appear in the estimates of the postal department; but to the extent that they were not known but needed to be provided for in some way, it would be in order to include that in the $50 million vote?

Mr. HENDERSON: Yes, there would obviously be an interim period before they were in a position to disclose it, but to the maximum extent possible within the procedure I do think the departments should be named, the ones responsible for incurring the cost.

The CHAIRMAN: Honourable senators, I think we will have a ten-minute recess, if that is agreeable.

(Recess)

Upon resuming:

The CHAIRMAN: Now I think we might proceed again like a giant refreshed. I think Mr. Henderson had pretty well finished his statement. While he has run through this statement, I would think it desirable that we print the whole statement as an appendix to our proceedings today. Is that agreed?

Hon. SENATORS: Agreed.

(See Appendix to proceedings)

The CHAIRMAN: Are there any further questions of Mr. Henderson on this statement that he has made in dealing with this particular subject? There are other subjects, I know, that we would want to discuss, but I just want to see whether there is anything further on this.

Senator BURCHILL: If we could revert to the C.B.C. for a minute to clarify something, on this total vote of $113 million, or whatever it is, given to the C.B.C., I understand that some time previous to that vote the C.B.C. present a budget to the minister.

Mr. HENDERSON: To the Treasury Board.

Senator BURCHILL: The various items are on that. After the vote is passed by Parliament, have the governor or the management of the C.B.C. authority to use certain funds, to transfer amounts from one allocation to another?

Mr. HENDERSON: Yes, the corporation has authority to make its own transfers within limits. The total of $113 million is broken down into a budget of, if you will, ten or twelve broad general areas, and the total equals the $113 million figure. They can vary it at will provided they do not exceed any of the individual items by more than—I am speaking from memory—10%, I think it was last year; they may have lifted it, I do not recall; and always providing that the total spending does not, of course, exceed the total figure, because that would automatically exceed their vote. They have that leeway there. In fact, this is a procedure the Treasury Board apply to most Crown Corporation budgets; not perhaps all of them, but the majority I think. It is a 10 per cent leeway.

We had a case in the National Capital Commission, I recall. Where they have exceeded an item in the budget I have to bring it to the attention of the house, because this is a direction of the Governor in Council. That is the way the Treasury Board control the individual items. But the Crown agencies do not have the allotment machinery that the departments have, such as we were discussing earlier.

Senator BAIRD: Does the Treasury Board ever refuse to grant anything?

Mr. HENDERSON: The Treasury Board decision is taken when they finalize the budget with them. The president and the senior officers meet with the Treasury Board in a detailed discussion of what they require, the areas and the whys and wherefores, commitments ahead under their union agreements and that sort of thing. Agreement is then reached on either the amount they are asking for or something less, depending on the circumstances of the occasion. This is a meeting that can take probably two or three hours.

Senator PEARSON: Does the variation in their spending become greater in their programming, or salaries, or capital account?

Mr. HENDERSON: The corporation—we are speaking of the C.B.C.—has got a lot of built-in costs, or built-in overhead under its union agreements. I had a comment in my 1965 report about $450,000 a year being paid for work not performed, and Mr. Ouimet appeared before the Public Accounts Committee to point out that this was unavoidable in the operation of a large broadcasting system, and so on. But I am under an obligation to report to the house any instances of payments made for work not performed, and this was money paid for work not performed. The corporation agreed that I was correct, but they submitted that in operating a broadcasting system they have—

Senator PEARSON: It is one of the things they have to take care of.

Mr. HENDERSON: They have to live with people like the Columbia Broadcasting Corporation, N.B.C. and so forth so this was described as normal in that type of business. A useful discussion was held, but the committee has not yet rendered its decision or views on the matter.

The CHAIRMAN: To the extent that their revenues are greater than they budget for or anticipate, that gives them a free hand with respect to that additional money, does it not? Or does it?

Mr. HENDERSON: Yes, to the extent their revenues do not meet the proposed expenditures, then the difference is the grant asked of Parliament, and that is the $113 million figure in this case.

The CHAIRMAN: Having got that grant and then their revenues are in excess of their estimates, they have that much additional elbow room to move round in?

Mr. HENDERSON: That is right. They do live within their vote however. I must say that in fairness to this corporation. You will notice, if you look at their accounts each year, they are handing something back; it may not be large, but they stay within their vote.

Senator GROSART: If you have Supplementary Estimates (C) before you, on page 18, the first vote for C.B.C. is a Government advance. Would you define for us, if you will, the actuarial definition of an advance; and secondly, could you relate this $6 million to the previous advances and the accounting of that expenditure?

Mr. HENDERSON: The C.B.C., under the Broadcasting Act, operate with a working capital. I think under the act it was $6 million, if I am not mistaken; and this was increased several years ago to $9 million. This in effect is the working capital, or the excess, or the difference between their current assets and current liabilities; it is what they need to operate on. That was increased from $6 million under the Broadcasting Act of 1958, I think it was, to $9 million. This is an advance made. I think the question was asked yesterday, was it made with interest and the answer was "No".

Now they are asking for an additional $6 million, which will make their working capital $15 million. As the auditor of the corporation I would say to you that the proof of their need of this is going to be found in their balance sheet at the close of the year. You will see there what that working capital is invested in; and, of course, it means that the corporation's activities in the days ahead are

going to be much greater if it needs to increase its working capital from $9 million to $15 million. In other words, it is going to have more money tied up in accounts receivable, in programs that it is making ahead of time, and so on.

The C.B.C. is a big corporation today. Its employees number over 8,000. This gives you an indication of the size of the business they have to operate, and their need of adequate working capital.

The other advances that Senator Grosart referred to, or the other loans, had their inception a couple of years ago when the Government decided as a matter of policy that instead of providing for their capital expenditure by means of appropriations or grants that it would make loans to them for the capital needs, but continue to seek grants for the operating expenses, which, as we know, was $113 million last year. So loans are made to the corporation at interest for their capital needs.

Senator RATTENBURY: May I interrupt to ask if there is any term on that capital?

Mr. HENDERSON: Yes, they sign notes, and the loans are repayable. I have the balance sheet at March 31, 1965, in front of me. That was, I think, the first year. They had loans of $14\frac{1}{4}$ million repayable from 1966 to 1985 with interest at $5\frac{3}{8}$ per cent and $5\frac{1}{4}$ per cent. Each year in the Estimates you see the amounts requested for these loans.

Senator BAIRD: What do they do with these loans?

Mr. HENDERSON: There is a note appearing on their balance sheet each year which sheds light on this. This is a note that I requested be placed on the balance sheet because of the forward commitments involved.

I will read the note at the year ending March 31, 1965. "Capital assets" —that is shown on the balance sheet—"In the amount of $81.5 million include the sum of $9 million expended during the last six years in connection with the planned consolidation of facilities in Toronto, Montreal and Ottawa. The present estimate of the future cost of consolidation of facilities for the corporation is $128 million, of which, subject to the provision of funds by Parliament for the purpose, approximately $4,300,000 will be expended during the year to end March 31, 1966, and $123 million during subsequent years." The total of those expenditures for consolidation is $128 million. In other words, that is the size of what is coming up. To me, that is a proper note to be placed on any corporation balance sheet in the circumstances.

Senator RATTENBURY: When you make reference to consolidation, that is consolidation of facilities?

Mr. HENDERSON: That is consolidation of facilities planned in Toronto, Montreal and a number of other of our major cities, including Ottawa.

Senator GROSART: It is a euphemism for expansion.

The CHAIRMAN: The C.B.C. in Toronto, presently located on Jarvis Street, have been talking for some time of new centralized buildings in Toronto, or the neighbourhood of Toronto, in which all their operations will be consolidated.

Senator RATTENBURY: Like they have in Montreal now.

The CHAIRMAN: That is right. This was the statement made.

Mr. HENDERSON: This was a note to their balance sheet to March 31, 1965, and there has been a similar one for several years.

The CHAIRMAN: I do not think there is a similar one in Toronto, as far as I know.

Mr. HENDERSON: I think they have withheld moving ahead on a considerable amount of this work because of the Prime Minster's recent request to go slow on construction expenditure. As the auditor, I asked that this be shown because the

money that is being spent now is going towards this consolidation, and therefore it is important that the reader know what it is going to add up to in the long-term. At least, that is the way I see it.

The CHAIRMAN: I suppose there is some virtue in treating it as a loan and carrying the property as an asset. Possibly some day we might wind up C.B.C. and we would like to see where the assets are and have the loan repaid.

Senator GROSART: When you say capital assets—

Mr. HENDERSON: That is less depreciation; depreciation is taken into their costs.

Senator ISNOR: You do not show the market value?

Mr. HENDERSON: No. There would not be a readily obtainable market value on assets of this type; they consist of land and buildings, technical equipment and so on. It is carried at cost, but it is depreciated at standard rates, which enters into the corporation's costs of operation.

Senator GROSART: Perhaps this is not a question you should answer, but do you happen to know if this $120 million capital spending requirement is an absolute figure, or does it assume the sale of the old properties, or is it a net figure?

Mr. HENDERSON: I would have to refer to our files to determine to what extent the sale of old properties is taken into account, but by and large the properties they are contemplating acquiring for this, or have in fact acquired, are new ones in different sections of the cities.

Senator GROSART: We can assume it is a net figure?

Mr. HENDERSON: Yes. It is revised each year. When this note first appeared the forward cost was of the order of $80 million, and each year since it has gone up.

Senator GROSART: This would likely be due to the greatly added capital cost of television facilities.

Mr. HENDERSON: Television, colour television, and also they have started with the consolidation in Toronto and Montreal, and it now includes Ottawa and a number of other Canadian cities; I think Vancouver is going to have consolidation too. You see, the corporation has been living in rented premises all over these cities, and that is one of the reasons, rent saving and that sort of thing, cited as justifying this.

This capital construction is now being financed by these annual loans, which started two years ago, and of which, as I have mentioned, $14.5 million was approved in this year. You heard Dr. Davidson yesterday explain the justification for this from the standpoint of the Treasury, that the interest enters into the operating expenses and these loans are repaid at so much per annum; and, of course, the corporation has to be provided with the money to repay the loans.

Senator GROSART: And the interest.

Mr. HENDERSON: And the interest. One of my criticisms in my report last year was that the operating grant, as shown in the Estimates, does not disclose how much is required to repay the interest and the principal on the loans.

Senator ISNOR: I was just going to ask that question.

Mr. HENDERSON: I think that should be disclosed, and I have said so.

Senator ISNOR: Do you mean to say, Mr. Henderson, they do not charge up the interest charges each year?

Mr. HENDERSON: Yes, the corporation includes the interest charged on the money that is provided by the Government in its operating expenses, as it should do to arrive at proper costs, but then in the operating grant that is approved under the Estimates there is an amount included for that interest that they have

got to pay and for the capital amortization. They are paying off several million dollars a year on these loans now, I think.

Senator ISNOR: How much?

Mr. HENDERSON: I think you will find a note in my report of the precise figure last year. You will this year.

Senator PEARSON: Would not it be cheaper to just have them rent these buildings instead of going to the extent of consolidation and getting loans, or lease back?

Mr. HENDERSON: Well, that is a matter for discussion, I think, senator, with the management of the corporation, the merits of consolidation and whether it could have been done by a better method. My point of criticism is that the money here is being loaned to people who are not in a position to pay it back unless more money is given to them. Mr. Bryce appeared before the Public Accounts Committee and this matter was debated and discussed. I do not know whether you would be interested, Mr. Chairman, in knowing what the Public Accounts Committee had to say about it, because this has emerged now as one of their recommendations, which it is hoped will be implemented in the not to distant future. I have their recommendation here, and perhaps it would pinpoint the subject if I were to read it, because the same principle is being followed in the case of the National Capital Commission and in the case of Expo-67.

The CHAIRMAN: Could we have it?

Senator GROSART: But not C.N.R.?

Mr. HENDERSON: The C.N.R. in a somewhat different context. This is a part of the report of the Public Accounts Committee entitled "Loans and advances representing grants to Crown corporations," in its seventh report, tabled in the house October 26 last:

> The committee gave consideration to loans and advances made to Crown corporations which do not have the means to repay them or to pay interest on them unless Parliament appropriates funds for them to use for these purposes. It noted that such amounts are treated and described as loans and advances to Crown corporations, i.e., revenue-producing assets, on the Statement of Assets and Liabilities of Canada.
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> In its Fourth Report 1963 and Sixth Report 1964 the committee had expressed the view that since outlays on properties such as those held by the National Capital Commission are expenditures of the Crown rather than income-producing investments, it would be more realistic were Parliament asked to appropriate the funds in the years in which properties, which are not specifically held for resale, are to be acquired, instead of leaving the expenditure involved in the repayment of loans to be absorbed in future years. It requested the Department of Finance to review the existing practice with the National Capital Commission with a view to placing the financing on a more realistic basis.

They had dealt with that before and Mr. Bryce and his associates had appeared before the committee in 1964 to discuss it.

> The committee is disturbed to learn that not only was no such review undertaken by the Department of Finance in the case of the National Capital Commission but that the practice criticized by the committee was continued and further extended by the department in 1965 when the house was asked to approve loans aggregating $14,250,000 to the Canadian Broadcasting Corporation to finance capital requirements which in the past were financed by grants charged to budgetary expenditure.

That is an important point.

> The committee noted that in the estimates submitted to Parliament for the operating requirements of this corporation, funds to pay interest and repay principal on these loans are also included. As a consequence, Parliament is being asked to vote money twice for the same purpose.

That is why I consider it should be disclosed.

> In the opinion of the committee, expenditures of this type are not loans or advances which can or should be regarded as revenue-producing assets but are in fact grants and should be charged directly to budgetary expenditure in the Public Accounts of Canada. The committee is glad to note the undertaking of the Department of Finance to review and discuss the accounting treatment involved with the Auditor General and will expect the latter's report thereon in due course.

It then continues on the same theme with respect to Expo-67. That illustrates the views of the Commons committee on this subject.

The decision to take such action, of course, is essentially a policy decision of the Government, and it is not my wish or desire to criticize that policy, but as auditor for the federal Government I have to say something about it because I am asked to certify the balance sheet of Canada, including the assets shown on that balance sheet, and that includes these items. Until the Department of Finance is able to discuss this matter as the Committee states I am afraid I do not have any further progress to report.

The CHAIRMAN: What is the difference between this and the Canadian National Railways?

Mr. HENDERSON: I am not as familiar as perhaps I should be with the Canadian National Railways, Mr. Chairman, because I am not the auditor of it. But there is a similarity. They, of course, have gone to the public for money with securities guaranteed by the federal Government, whereas these other agencies have not been in that position. I believe though, from what little I do know of the accounts of the Canadian National Railways, that it should be considered in this connection. I have dealt with the immediate problem on my doorstep here. It has developed over many years, of course.

Senator GROSART: What is the comparison between this situation and the capital expenditures, say, of public works?

Mr. HENDERSON: The capital expenditures of public works appear in your estimates.

Senator GROSART: And are written off.

Mr. HENDERSON: And are written off. It has always been the theory that the books of the Government are kept on a cash basis, as distinct from the accrual basis we know in business, and the theory has been that the total amount of money asked for in these estimates, related as it should be to the taxes of the country from the pockets of the taxpayers, all flows right through, and because the books are kept on a cash basis no effort has been made to set up assets and set up depreciation and thereby arrive at true costs.

This proposition was examined some years ago by select committees in Westminster, and also by committees of our own house, and generally it is conceded—I think rightly so—that the present method is probably the soundest for public institutions like governments, but it does have the disadvantage of not recording on the books the capital cost of the things you acquire, or of reaching accurate costs.

Senator ISNOR: There is a difference in the public works expenditures, in so far as public works are concerned with wharves and so on, and capital expenditures by the C.B.C. for buildings, is there not?

Mr. HENDERSON: Yes. You see, the C.B.C., as a Crown corporation, is set up just like an ordinary business, and it turns out a balance sheet, it records what it has paid for all its capital expenditures, it separates capital from income, whereas that is not attempted in departmental accounting and, as you see in some of the votes here, you have capital and income mixed in many cases.

Senator ISNOR: Public works, of course, is wharves and so on; they are for the good of the public in general, not for the department.

Mr. HENDERSON: There are a lot of buildings, of course, in public works.

Senator ISNOR: Oh yes, the post office that produces revenue.

Mr. HENDERSON: We are interested in checking and seeing what public records exist in respect of real estate holdings of the Government. The public works people have been working for some time to pull their records together, and that is an important thing to be followed up.

Senator ISNOR: Have you the amount of the C.B.C. interest that they are supposed to have paid on their loans last year that they have charged up?

Mr. HENDERSON: This would be the year ending?

Senator ISNOR: Any recent year will do.

Mr. HENDERSON: As I told the house, my last report, the 1965-66 Estimates, included a grant of $97 million for their operating amount required to discharge the responsibilities of a broadcasting service, and I go on to say that this amount includes the first principal repayment—that is the first year they had to repay—of $710,000 and interest of $1,170,000.

Senator ISNOR: That is what I wanted.

Mr. HENDERSON: I go on to say that the wording of the vote does not disclose this information, nor is it provided in the details of services.

Senator GROSART: They are granted this $128 million, and some more as time goes on. They may get in the position of the developing countries of the world, who this year pay back half of all the grants they get from the developed countries in interest and principal payments, exactly half. They may wind up in this situation, where half of the money we vote they pay us back.

The CHAIRMAN: Are there any other questions on the C.B.C. item, or any further comments you wish to make, Mr. Henderson?

Mr. HENDERSON: I do not have anything further to say, Mr. Chairman, unless members have any other questions.

Senator ISNOR: There is just one other question in regard to their capital expenditures of the last two years.

Mr. HENDERSON: In C.B.C.?

Senator ISNOR: C.B.C. Do you happen to know the amount they are investing in Montreal in connection with Expo-67?

Mr. HENDERSON: I do not have that with me, Senator Isnor. I could only remind you of a figure we read in the press at the time. Of course, I would have this in my office. I seem to recall it was something like $10 million. I would stand to be corrected on that. Is there not something in Supplementary Estimates (C) about it?

Senator GROSART: I saw the figure somewhere recently.

Mr. HENDERSON: I think they had to go to Parliament for some more money on this.

Senator RATTENBURY: For advertising.

The CHAIRMAN: It goes through trade and commerce, does it not?

Mr. HENDERSON: They have asked for another $1 million. Perhaps the Expo figure is not settled yet.

Senator ISNOR: That is all right. $10 million will do.

Mr. HENDERSON: That was a newspaper reference I recall reading at the time.

The CHAIRMAN: There was a reference to us by the senators to study the main and supplementary Estimates, and to assist us in our study, in addition to what you have given us is there any other item or part of the Estimates to which you would like to call our attention?

Mr. HENDERSON: Perhaps Mr. Long, who is knowledgeable about this, might like to turn the pages over and mention a few things to you, Mr. Chairman. Would you care to do that, Mr. Long?

The CHAIRMAN: Sometimes you commented on these dollar items. We have also commented on them in our report. Perhaps you would say if you happen to see any other item which you think is still using this device, for purposes which may be perfectly legal and so on, but which we should know about.

Mr. LONG: Mr. Chairman, as you know, these Estimates have not been out very long and we have not had very much time to look at them. In glancing through them I did note certain things that rang a bell of familiarity. The first item under agriculture is a dollar vote. I have not had an opportunity to look into this. I wondered why a dollar vote would now be coming in to cover payments to farmers, I believe it is, in certain areas of Quebec with respect to the period up to June 30, 1964. Actually an amount for this did appear in one of the Governor General's warrants during the period just before the last election.

The CHAIRMAN: My note on that is that the change is an adding of words from June 30, 1965, down to the end of the vote, to the previous vote, so it is now extended to cover certain payments which were not in the vote of the main Estimates without increasing the amount of money.

Mr. LONG: That is right. They apparently have the money in the vote.

The CHAIRMAN: Now that money is made available for the purposes set out in the last six or seven lines of the supplementary Estimates.

Mr. LONG: It is really extending the purposes of the vote, although it is not put that way.

The CHAIRMAN: It is bringing within the description some items which were—

Senator PEARSON: Was not it a change from one group to another, another area in the country? That is, $11,000 was voted for one particular area, they did not use it and it is being used now for another area.

The CHAIRMAN: Offhand, it seems to me to take the vote back a year and cover the same kind of payments that were originally provided for for a period from July 1, 1964, to June 30, 1965, and make it available for the year from July 1, 1963, to June 30, 1964, the same kind of loss to other farmers, presumably, who had the loss the year before, instead of the loss in that particular year, in the same area, the same Lake St. John area.

Senator ISNOR: Mr. Henderson, would you care to comment on the general principle of including that item of one dollar in various votes?

Mr. HENDERSON: I think the only comment I would have to make, Senator Isnor, is that I do not think it should be used to change legislation.

Senator GROSART: Is not this in effect an amendment to the act?

Mr. HENDERSON: I have not studied that one.

The CHAIRMAN: I would not think it was an amendment to the act. Had this wording been put in the main estimates it would have been within the statutory authority, and it is just as if this wording has been in the original main Estimates.

Senator GROSART: All amendments are putting in words which you would like to have had in the original act.

The CHAIRMAN: Some go further than that.

Mr. HENDERSON: There is one we could draw to your attention which I think is a proper use of it.

Senator GROSART: I did not say all dollar votes. I said all amendments.

Mr. HENDERSON: I am sorry, I misunderstood.

The CHAIRMAN: I remember one case which was brought to our attention. I think it was loans to the Indians, where the act itself set a maximum amount and that amount was changed by the estimates without changing the statute.

Senator GROSART: From the wording it looks as though the purpose of this is to extend these grants to the Lake St. John and Abitibi-Temiskaming areas. It looks on the surface, and the wording looks, as though it is to extend a loan originally intended for use in other areas. I do not know whether that is so. Is there any better way of doing this? I am not suggesting it does not have to be done at times, but is there any way which would make it clearer to the layman than this dollar vote, from an accounting point of view?

Mr. HENDERSON: I think more explanation could be given in the language or in the description of these votes so as to convey to you more of their real meaning. Mr. Long has an example here on page 5 that he might mention to you.

Mr. LONG: Under the Department of Forestry and Rural Development on page 5 there is another dollar vote, which deals with something that we have been drafting for our report which will be tabled in the house. A mistake was made and there was over-expenditure of $3,490 on a grant, which is supposed to be confined to the amount provided by Parliament. This vote is asking you to ratify this.

Senator ISNOR: There is no reason why they should not show that amount as over-expenditure.

Senator GROSART: They do.

Mr. LONG: It was a simple mistake and we have reported it. It is not often a thing like this happens, but they have asked Parliament to ratify it.

Senator BURCHILL: Why would not the actual amount they over-expended be in there instead of a dollar?

Mr. LONG: It was charged to the year in which it was over-expended, of course; this is in the previous year.

Senator GROSART: It is a case where they had the money.

Mr. LONG: They did not say it was an over-expenditure.

Senator ISNOR: In other years it has caused discussion in the House of Commons as well.

The CHAIRMAN: How could the Comptroller of the Treasury sign a cheque that would result in an over-expenditure? Is there no check that prevents that?

Mr. LONG: Mistakes can happen, and in this particular case the list of allotments the Treasury Board provides does not lend itself to departmental administration during the year, and the Treasury Board agrees they can use a different classification of allotments during the year. The expenditures are supposed to be brought back, though, into the original allotments for reporting purposes, and when they brought them back they found, due to a slip up between these alloments one of them was over-spent. It is only because in the case of grants the vote wording states that grants may be made in accordance with the details of the Estimates. This is the only case where the so-called details of the Estimates have legislative effects, so that it is illegal for the department to make a grant in excess of what is shown in the details.

Senator GROSART: On page 6, under "Industry" there is one of these "notwithstanding dollar votes, which appears to be clear legislation—

notwithstanding section 30 of the Financial Administration Act.

Would you comment on that?

Mr. LONG: The Financial Administration Act requires the Comptroller of the Treasury to certify before any contract is entered into, or any commitment is entered into, that the funds are available. One outstanding exception to this which has been granted by Parliament concerns National Defence. This provision is rather restrictive in that theoretically you cannot commit anything beyond the current year, because there are no funds available for the next year. National Defence has authority to commit in future years. Now, this will be authorizing the Department of Industry to commit over and above the funds that are available to it in the current year.

Senator GROSART: This says, "The act says you cannot spend $125 million, but we want to spend it."

Mr. LONG: No, the act says the Comptroller must certify that there are funds available. Well, obviously he cannot if it is something that funds will not be provided for until this year or the year after.

Senator GROSART: The act says unless you satisfy certain conditions you cannot commit yourself to $125 million. Now by a dollar vote we say we want permission to do it.

The CHAIRMAN: That is the general rule under the general Finance Act. This is now making an exception to the general statutory rule.

Mr. LONG: Sometimes you have to commit yourself a year or two years before you actually expect to lay out the money.

Senator GROSART: This is my point. It may not be justified, but the device of the dollar vote—

The CHAIRMAN: It has to be carefully scrutinized every time you see one of these one dollar votes.

Senator BURCHILL: There seems to be a different explanation for every one dollar vote.

The CHAIRMAN: Yes, there are various reasons.

Mr. LONG: Dr. Davidson explained the dollar vote on page 8 yesterday, in connection with National Defence. There is another dollar vote on page 11, which has to do with the superannuation account. I could not express any opinion about this without making a study of it, it is a very complicated thing, but I think you may recall that the Opposition, I believe, took a stand in the House of Commons a year or two years ago on dollar votes like this and insisted that an amendment to the act itself come forward. We were interested in that because the deficiencies of the superannuation account were concerned. Subsequently amendments to the act were brought forward and put through in that way.

Senator GROSART: The one dollar transport vote on page 12 looks like an interesting example of the intention to make clear what it is.

Mr. LONG: They could not make that grant without listing it in the details; they had the money but could not make the grant, so in the dollar vote they have asked you to authorize the grant.

The CHAIRMAN: When we were through with that I was going to ask Mr. Henderson a question on another matter. Have we covered this supplementary Estimate, or are there other points that Mr. Long or members wish to bring out?

I cannot put my finger on whether it was in this report or the previous report dealing with the municipal works program, where you said you had some

difficulty in getting proper audited statements of the amounts payable under the program. I just want to be brought up to date on your experience in that connection.

Mr. HENDERSON: We had before the Public Accounts Committee, I think about ten days ago, representatives from the Department of Manpower, the deputy minister, Mr. Tom Kent, and his officials, and this particular paragraph was discussed. I think it is the top of page 42 in my 1965 report to the House. In this note you will recall I referred to some questionable practices which had developed in the administration of municipal winter works incentive programs, wherein advantage was being taken by some of the contractors, which the provinces appeared to have approved, and which the department in Ottawa was faced with having to pay on the basis of those approvals.

As you know, generally speaking the federal Government pays 50% of the costs. The claims made by the provinces are verified by the provincial auditors, and we look over the claims and are in communication with the provincial auditors, and in many cases have access to their working papers.

The one exception, as I mentioned in this note last year, and which still obtains, is in the case of the Province of Quebec, where they have indicated some reluctance to our participating in any work in the province, and accordingly we have never examined the records of any of the municipalities in Quebec. I would have no hesitation in saying to you that the standard of work being carried out by the provincial auditor of Quebec is high. I say that with some knowledge, because Mr. Gustave E. Tremblay, the provincial auditor, is joint auditor with with me of Expo-67. In fact, we have been on this job together now for the past several years, and it is a very happy arrangement. But that was the position taken by his Government, and I felt it necessary to report that to the house. In the case of some of the others the extent of the checking—

Senator ISNOR: The Province of Quebec participated to a greater extent than did any other province in Canada.

Mr. HENDERSON: It participates in the program, but the certification of the provincial auditor has been accepted without any check by me.

In the case of some of the other provinces, the provincial auditor's work in the past was not as complete as we would have liked to see. But as a result of the discussions which have taken place on this in the past year there has been a very distinct improvement, notably in places like Prince Edward Island; and it has always been very satisfactory in Nova Scotia.

However, I had to tell the committee at our meeting, with Mr. Kent present, that a number of these questionable practices unfortunately still remain, and I shall be so advising the house this year. Mr. Kent went to some pains to indicate that he was following up all of the points made here very carefully, and that he expected that there would be a distinct improvement in the years ahead. It must be remembered we are always one year behind with this program, so that by, say, 1967, we will be inspecting the 1965 program, I think. Is that not right, Mr. Long?

Mr. LONG: Yes.

Mr. HENDERSON: Therefore the improvements will not become evident until the 1966 program year is examined.

I do not think I have anything more to add on that, Mr. Chairman, unless you have any questions.

The CHAIRMAN: Are there any other questions with respect to the matters before the committee on which Mr. Henderson can be helpful?

Senator POULIOT: I have just one thing, Mr. Henderson. What could or may happen when a department neglects to answer an enquiry put before the Senate committee; and if the department does not answer, can you supply us with figures if I write to you?

Mr. HENDERSON: That would depend on the nature of the inquiry, Senator Pouliot. I generally take the position that it is the department that you want to hear from, not me, because the responsibility for the transaction or transactions you may have in mind is theirs, not mine.

Senator POULIOT: I have two things in view. The first one is the fees paid by the Government to lawyers of the Province of Quebec, fees and travelling expenses, etc. I have got some answers from some departments, other departments have not answered, and others have refused to answer. I wondered how I could get the information I asked for concerning the fees paid to Quebec lawyers during the last three years. Do you wish me to repeat my question?

Mr. HENDERSON: No, I follow you. I am ever conscious of the fact that we have ministerial responsibility in our country, and if you have a question like that which you want answered you are quite correct in addressing it to the department. If the department fails to comply, then let me ask you the question: Is it fair to ask the department's auditor to furnish figures which for some policy reasons they decline to submit? It seems to me that your remedy lies with the minister responsible.

Senator POULIOT: Thank you, sir. I will try again with the department and if I am unsuccessful I will do that. That is my first question.

My second question is in connection with external aid to underdeveloped countries. Yesterday before this committee it was said that it represented slightly over 1%. As the Estimates this year amount to more than $8 million, 1% would be at least $80 million. The calculation is very easy, in rough figures.

Now I ask three questions. The first one is about the NATO countries. Many years ago I had information in answer to a question which showed that the Inner Six plus Turkey—who strangely enough is one of the members of the North Atlantic Alliance—had at that time $1 billion—France, Germany, Italy and so on; the Inner Six. I was fortunate to have those figures, because I gave them to Mr. Pearson when he went to interview General de Gaulle, and he had something in hand to prove that Canada had done more than any other country to help the Inner Six, France in particular. That answer was all right.

Then I asked a similar question about the United Nations and the Commonwealth. My question was this: What did they do for us and what did we do for them in terms of money? It is a very good question.

Senator ISNOR: Did you say simple question?

Senator POULIOT: It is a simple question. What we owe to those people and what they owe us. No figures were given. A list of the Commonwealth countries was supplied to me, but no figures about the amount of the help. With regard to the United Nations it was the same thing.

Now to mention two concrete cases. We had in this country the visit of Haile Selassie, the Lion of Judah, the Keeper of the Ark of the Covenant, the emperor. He gave us a wonderful champagne party in the Chateau; the glasses were always full, and it was a very fine reception. But I would like to know for what reason, whether he got some money from the Canadian Government.

Another industrious person who came here on a visit was the Shah of Persia, and I would like to know if he got something.

Here in this country everything is secret with regard to the fees of the lawyers, you see. They try to get all they can, and I cannot blame them, provided they do not go over the limit. But after the fees have been paid it must remain a mystery and a secret, and they seem to be ashamed of the money they have got. It is very strange, and you know their reaction.

I would like to know what Canada has done in terms of money for the Commonwealth countries, all of them, and what has been done for the United Nations too in terms of money. It is time we knew how much it costs us. It is not a small thing; it is a big thing.

Mr. Henderson, I will try to get complete information about the big European countries, and also some information with regard to the payments of money to the Commonwealth countries and the United Nations. If I am not successful, then I will be bound to write to you, to my great regret, because I know the amount of work you have to do, but I am determined to get an answer from somebody who is willing to give it to me.

Mr. HENDERSON: Of course, there is considerable detail in the public accounts as to the money that Canada has expended, whether it is on Colombo Plan aid or to the other countries, and certainly to the United Nations. Again bodies like the United Nations turn out pretty comprehensive and detailed financial statements —in fact, they are very voluminous—in which you will see Canada's contributions under each heading with those of other countries.

If you have not access to those I might be able to help you, because I am the chairman of the panel of external auditors of the United Nations and I am familiar with their financial statements. They all come to me, they are all printed in book form and I happen to have them all in one place. If that would assist, I would be glad to let you have my file copies to look through, and you will see the total picture there and see how Canada compares with the others.

Senator POULIOT: I thank you very much, but we receive a mass of publications and other figures; they are fine illustrations but there are no figures about the cost; we do not know how much it costs Canada for Ceylon, the African countries and other parts of the world. We have many fine illustrations but there are no figures.

Mr. HENDERSON: With all due respect, I think these are questions that should be put to the executive, the heads of the various agencies. The head of the external aid might be invited to come before your committee and outline to you what in fact the total picture has been, and any particular items you are interested in. Indeed, Mr. Herb Moran, who is the former Director of External Aid, has appeared before the Public Accounts Committee on three occasions.

The CHAIRMAN: And this committee too.

Senator GROSART: And he has given these figures, Senator Pouliot. The exact figures of contributions by Canada to every single nation, in total and annually, are published and are available.

Senator POULIOT: They are public, they are in the public accounts. I know that very well. I could check that and there is nothing to prevent me from doing it, but I would have to spend time doing it when there is experienced staff and machines that could do it in a minute.

Mr. HENDERSON: Have you asked the external aid office to furnish you with a summary of the figures in the public accounts, or extracts?

Senator POULIOT: No. I have put my questions in the Senate to all the leaders of the Government, to Senator John J. Connolly, Senator W. Ross Macdonald and others. All have helped me to a great extent and done their best to secure the information. What I cannot get is some department to make a real attempt to get that information.

The CHAIRMAN: Well, you and I will try to work that out and see whether we cannot get something.

Mr. HENDERSON: I would be happy to convey your request to the Director of External Aid and ask him if he could assign somebody to come and sit down with you and show you what is in the public accounts and try to put it into focus for you. Would that be of assistance to you?

Senator POULIOT: Anything that you suggest, Mr. Henderson.

Mr. HENDERSON: I would be glad to speak to him.

Senator POULIOT: After everything that has been said I will put the chairman and yourself on the same pedestal as Senator Connolly and the others.

The CHAIRMAN: I think we have lost our quorum, and perhaps this would be a convenient time for us to adjourn.

Senator BURCHILL: Not without thanking Mr. Henderson and Mr. Long for all their information.

The CHAIRMAN: You have our thanks, Mr. Henderson and Mr. Long. You are not only well informed but you are very patient. Your evidence is always given to us in such a way that we are exceedingly grateful to you for it.

Senator BURCHILL: You have given us a lot of information.

Senator GROSART: And you are very brave.

The CHAIRMAN: It illustrates the independence of a good external auditor.

The committee adjourned.

APPENDIX "F"

Statement by the Auditor General concerning the Form and Content of the Estimates, with particular reference to the Revised Vote Pattern introduced in 1964-65, Interim Supply and use of the Finance Contingencies Vote

My purpose here is to set down in proper sequence various changes which have taken place in the vote pattern over the past three years. I do so because I believe that these changes have contributed to an erosion of Parliament's traditional role in controlling public funds and that it is important members of this Committee and the House understand their significance.

So far as Interim Supply and the use of Finance Contingencies Vote 15 is concerned (in the context of the discussions in the House last week), I shall endeavour to show how these fit into the pattern we find today. Although I refer to facts and figures taken from the Public Accounts and Treasury records, I wish to make it quite clear that I have not carried out an audit of the transactions involved in the mid-November salary payments.

General Background

First I should remind you of discussions we have had in the past concerning the form and content of the Estimates, in particular the study given to this subject three years ago by a subcommittee of the Public Accounts Committee. You will remember this subcommittee was formed to study a proposal put forward by the staff of the Treasury Board for a consolidation of existing votes. The Royal Commission on Government Organization had pointed out that the Main Estimates 1962-63 included 495 votes, or over three times the number employed in the United Kingdom Parliament, and added that "rationalization and a reduction of the number of votes would make the definition, planning and control of activities more effective, and would give management greater flexibility in achieving its objectives."

As you know, this was done and the results of the reduction brought about are evidenced today by the fact that the Main Estimates 1966-67 include only 243 votes. This 50% reduction has taken place despite the fact that the Main Estimates 1966-67 call for $4,908 million, or 23% more than was the case four years previously.

It may be helpful if I just review in detail what took place in November 1963 and briefly refer to some changes since that time.

Consolidation of Votes or New Vote Pattern 1964-65

When the Secretary of the Treasury Board appeared before the Public Accounts Committee at that time he outlined the Estimates processes and spoke about one of the principal recommendations of the Royal Commission on Government Organization, namely that there should be a far greater decentralization of financial control by the central agencies to the departments. He explained the thinking of the Board in terms of program budgeting, study of which was then getting under way. Basic to all of this was a reduction in the number of votes because, as I have quoted from the Royal Commission report, this would "give management greater flexibility in achieving its objectives."

The Committee was asked to approve the reduction, or consolidation of votes as it was called, so that the new reduced vote pattern could be introduced into the Estimates 1964-65.

The straight proposition of reducing the number of votes was and is very important because it touches directly on Parliament's control of public funds. It may render life much easier administratively for the management, or the executive in this case, but it also can reduce parliamentary control because fewer votes

can result in fewer opportunities being available to Parliament to discuss proposed expenditures, e.g., supplementary estimates.

I have stated to the House and told you in Committee over the past several years about improvements which in my opinion are long overdue in the manner in which Estimates are presented to Parliament. I have always believed public spending at the level it has reached today makes it essential that the Estimates be presented to Parliament in the clearest and simplest manner which can be devised. I think the present wording of the Main Estimates and Supplementary Estimates tends to be far too technical and with not enough understandable supporting details in many cases. If Estimates are not so presented to Parliament then how can Members of Parliament give the proposed spending the scrutiny it deserves and be able to approve it on behalf of the Canadian taxpayer?

At that time the Committee had endorsed most of my suggestions and had made them the subject of recommendation to the House. However, no Executve action had been taken on most, and as you know in two cases none has been taken yet, three years later. Consequently, reducing the number of votes while still leaving the existing method of presentation unimproved seemed to me "like putting the cart before the horse." I said I thought the effect might well be to lessen parliamentary control and my officers and I cited numerous examples of this from the proposed new consolidation planned by the Treasury Board for the 1964-65 Estimates. In our Committee meetings we suggested a number of improvements in the proposed new consolidation all of which the representatives of the Treasury Board undertook to carry out. In due course the subcommittee reported and it was in its Third Report 1963, presented to the House on December 19, 1963, that this Committee recommended "adoption of the revised vote pattern proposed by the Treasury Board for introduction into the Main Estimates 1964-65 subject to certain improvements suggested by the Auditor General to the Committee."

I have since considered it my duty to follow the implementation of this Committee recommendation closely. The first results are to be found in paragraph 51 (page 22) of my 1965 Report to the House which, as you know, is still awaiting discussion on this Committee's agenda.

From this you will see how the vote pattern actually adopted for the 1964-65 Estimates differed in a number of instances from the pattern which had been seen and approved by the Committee. You will see here examples of transfers made of funds between services which would not have been possible under the previous vote pattern. Last year it seemed to me important that I bring this to the attention of the House and I may say that similar differences have been noted again this year and will be the subject of further comment in my forthcoming Report to the House for 1965-66.

Examples from Defence Votes

I will turn first to the votes of the Department of National Defence and the Department of Defence Production, two of our large spending departments.

As you know, appropriations for the Department of National Defence now consist of only ten votes. One of them by itself, Vote 15, "Operation and Maintenance and Construction or Acquisition of Buildings, Works, Land and Major Equipment and Development" in the Main Estimates 1966-67 amounts to $1,420 millions—that is, 95 per cent of all the National Defence spending or 18 per cent of the Government's total Main Estimates is now consolidated in this single vote. I may say this consolidation exceeds Treasury Board's undertaking to this Committee three years ago when the Committee approved the Revised Vote Pattern.

Section 29 of the Financial Administration Act requires each departmental head to "prepare and submit to the Treasury Board through the Comptroller a division of such appropriation or item into allotments in the form detailed in the Estimates submitted to Parliament for such appropriation or item, or in such other form as the Board may prescribe, and when approved by the Board the allotments shall not be varied or amended without the approval of the Board, and the expenditures charged to the appropriation shall be limited to the amounts of such allotments."

It is under the provision of the law that the Treasury Board controls the individual segments or allotments making up the appropriation approved by Parliament. The allotments are shown in the details of services following the Estimates in the Blue Book and, although the allotments can be varied or amended within the amount of the appropriation with the approval of the Treasury Board, money cannot be expended in excess of either the total amount of each allotment or, of course, of the appropriation.

On October 14th last I pointed out to Dr. Davidson how transfers between the allotments into which the appropriations of the Department of National Defence are divided had been approved by the Deputy Minister of the Department, rather than by the Treasury Board. I asked if I could be advised of the authority relied upon by the Treasury Board for permitting this Department to vary its allotments without the Board approval required by section 29 of the Financial Administration Act. I have not yet had a reply to this letter.

Whenever an appropriation is provided for purposes to be determined by the Executive, parliamentary control is weakened. Similarly when the Executive is permitted to accumulate revenues to be used at its discretion in future years, the control normally exercised by Parliament is reduced.

An example of this may be found in paragraph 60 of my 1965 Report where I point out that the Department of Defence Production was holding $1.8 million dollars in its Revolving Fund against the day that it may suffer losses under sales contracts or with respect to strategic materials. We discussed this in the Committee on November 1st. The Department thinks this is in order but I do not agree because I do not believe that Parliament intended that the Executive should be relieved of its dependence on Parliament for funds to cover losses it might suffer.

Another example which came into being in 1965-66 is Vote 48 of the Department of National Defence. This is a dollar vote by which Parliament has authorized the Executive to accumulate in an "Open Account" all the proceeds from the sale of surplus materials, supplies and equipment and up to $5 million from the proceeds of the sale of surplus buildings, works and land and to spend these funds with the approval of Treasury Board in any year. At March 31, 1966 there had been no expenditures from this account and the balance stood at $9,073,000. I believe the balance is close to $19 million today. This account may be built up in this way year after year while appropriations are available and thus serve as a cushion to soften the effect of any reduction Parliament may wish to bring about in National Defence spending in the future.

I might also refer to the National Defence Equipment Account which was set up in 1950 and closed out in 1958-59. This account was referred to by the then Minister of Finance in his 1958 Budget Speech as follows:

> "...we propose to eliminate the balance remaining in the national defence equipment account. This account was set up in 1950 when NATO was being organized, and to it was credited the value of all equipment given by Canada to our NATO allies. At its peak there was about $310 million in this account. The former government drew on this account from time to time by charging to it, and not to budgetary expenditures, the cost of replacing such equipment. On the basis of past practice there would be

about $165 million in this account at the end of this year. We believe that in the interests of good accounting practice and the maintenance of proper parliamentery control of expenditures this account should be liquidated during the current year."

Reference to this comment will be found on page 5 of my predecessor's 1959 Report to the House.

The Department of National Defence has yet another account which the Executive may use at will to supplement parliamentary appropriations for the purchase of materiel. This is the Replacement of Materiel Account which is authorized by section 11 of the National Defence Act and which contained a balance of $634,000 at March 31, 1966. The account is credited with the proceeds from the sale of materiel, which is not surplus but which is not immediately required, to such countries or international welfare organizations on such terms as the Governor in Council may determine. The largest year-end balance in the account was $18 million at March 31, 1958.

Finance Contingencies Vote

The Finance Contingencies Vote as it appears in 1966-67 itself represents a consolidation of votes. Up to and including 1963-64, two of the Finance votes had been Vote 70 for the supplementing of salaries, wages and other paylist charges and Vote 50 for miscellaneous minor and unforeseen expenses. These were combined by the Treasury Board into Vote 15 in 1964-65 under the Revised Vote Pattern I have described, and for that year and 1965-66 the vote was worded: "Contingencies—Subject to the approval of the Treasury Board, (a) to supplement the paylist provisions of other votes; (b) for miscellaneous minor or unforeseen expenses; etc. "Now in the Estimates and the Supplementaries tabled in the House for 1966-67 the wording is simpler: "Contingencies—To supplement other votes and to provide for miscellaneous minor and unforeseen expenses . . . and authority to re-use any sums repaid to this appropriation from other appropriations."

Recently I noted how the Secretary of the Board had advised deputy heads ten years ago (Treasury Board letter of November 26, 1956) that there would be no objection to the making of transfers from the salary allotment to another allotment within a vote even though that salary allotment had been supplemented by a transfer from the general salaries vote provided that that transfer had taken place to meet requirements arising out of a general salary revision.

You will, I am sure, agree with me that when such a transfer is made the final result is that the general salaries vote has in effect been used to supplement allotments other than the salaries allotments in other votes. In other words, if the Treasury Board under section 29 of the Financial Administration Act had already approved of a transfer from the existing salaries allotment to another allotment to cover other types of expenses, then as and when it became necessary to replenish the salaries allotment the effect was simply to be using the general salaries vote to supplement other types of spending.

This, of course, was not the purpose for which Parliament provided this general salaries vote and therefore it constituted the application of an appropriation to a purpose not authorized by Parliament. In a letter to the Secretary of the Treasury Board in July 1965 we asked if we might have the benefit of his comments on this practice.

I believe it would be helpful to your understanding if I quoted the pertinent paragraphs of the Treasury Board reply received on September 2, 1965:

"As background to an understanding of the Board's decision in this respect, I should note that departments now preparing to adopt activity (performance) budgeting and accounting were making representations for

further relaxation of the Board's current salary-transfer rules at about the same time as you raised your query. It will obviously not be possible, when the improved financial management practices recommended by the Glassco Commission are in place, for the Treasury Board to continue to impose even its present restrictions in this regard without undermining the principle of increased departmental responsibility inherent in those recommendations. The Board, therefore, look forward to further relaxation rather than a tightening of present salary-transfer rules.

"From the legal point of view, Treasury Board does not support the interpretation you appear to place on Finance Vote 15. It considers that the ability conferred by section 29 of the Financial Administration Act to transfer between control allotments is not affected by transfers into a vote from the Contingency Vote and that the salary-transfer rules which now exist were invoked by executive order alone; having been invoked by the Board, the Board considers it can also revoke them.

"Incidentally, the Board has ordered that the Contingency Vote title be redrafted to more simply and clearly indicate its purposes. The present wording is, of course, the result of the deliberate putting together, without major revision, of the wordings of several Votes in the year in which a major consolidation of Votes was undertaken throughout the Estimates (1964-65). Now that Parliament is familiar with the consolidated form of the Estimates, no confusion will result from redrafting of the present somewhat clumsy title of the Contingency Vote."

It seems to me that the Treasury Board was wrong in claiming to have authority to supplement salary allotments from the salary vote even when the reason the allotments require supplementing is that they have been used to supplement other allotments in an appropriation. There is no question, of course, of the authority of the Treasury Board under section 29 of the Financial Administration Act, but neither is there any question that when Parliament votes money for salaries it is to be used for salaries and salaries only and may not be used for anything else either directly or indirectly. However, this problem will no longer exist unless Parliament refuses to accept the revised wording of Finance Vote 15 which includes authority "to supplement other votes..."

Interim Supply

I now come to the methods involved in calculating Interim Supply.

Before embarking on this may I be allowed to say that I think it is highly unfortunate that the parliamentary rules do not provide for immediate consideration of the Estimates after they are presented to the House so that the proposed spending can be approved and measures like interim supply would not be required so extensively. It seems to me this would not only strengthen parliamentary control of public funds all round but give the Executive the clear mandate it deserves in the discharge of its heavy responsibilities. It would also ensure a more adequate consideration by the House of spending proposals, all too many of which are now passed under pressure of other business or of an impending recess or adjournment.

Interim Supply is a request by the Executive to Parliament for the release of funds pending approval of the departmental estimates. It is expected that the request will be based on the principle of asking for one-twelfth of the estimated cost of the proposed expenditures (as detailed in the Estimates already tabled) for each of the months lying ahead until (a) it is expected the Estimates will be fully approved by the House, or (b) interim supply has again to be sought from the House.

If the one-twelfth basis is adhered to then it follows that the funds released by an Appropriation Act to each departmental appropriation are sufficient for only the immediate months or period ahead. There would seem to be little leeway from month to month and certainly not to cover any major expenditures beyond the end of the immediate months or period planned. If there is leeway, then it can only be caused by Interim Supply having been sought and obtained on a basis more generous than was required.

If Parliament wishes to ensure that this does not take place, then perhaps the Supply appropriations should spell out the period the Interim Supply is intended to cover, as, for example, until November 30th in the case of Appropriation Act No. 8 passed on November 17th last.

Funds Available to meet Mid-November Paylists

It has not been possible in the time available to check any of the balances in the individual departmental appropriations or vote records on the eve of the issuance of the mid-November pay cheques in order to determine the extent to which the balances were approved by Interim Supply authorization.

It should be noted here that as Interim Supply is granted to a vote by an Appropriation Act, the vote records kept by the Comptroller of the Treasury show this Interim Supply Authorization being applied simply to the appropriation, not pro rata to each allotment. Consequently, the transfers authorized under section 29 of the Financial Administration Act are not made during a period of Interim Supply.

The list of departmental votes for which Interim Supply only had been granted, tabled by the President of the Treasury Board in the House on November 17th, shows their individual estimated mid-November salary requirements and states that the votes contained sufficient funds with which these particular requirements could be met. In order to satisfy ourselves on this point, we asked for a listing of the balances (approved by Interim Supply) in the individual departmental appropriations or vote records at close of business November 9th but were informed this information had not been retained at headquarters. Apparently the Chief Treasury Officers of the Comptroller of the Treasury telephoned these balances into headquarters at Ottawa where they were checked to verify that the salary requirements could be met. As you know from what transpired, they fell short in the case of nine departments by $2,159,000.

The Interim Supply sought by Bill C-245 and now covered by Appropriation Act No. 8 passed on November 17th was to provide Interim Supply up to November 30th. Viewed from the one-twelfth per month basis already discussed, this should bring Interim Supply approved to November 30th up to eight-twelfths, leaving the remaining four-twelfths for other interim supply requests or total approval of the Estimates during December 1966 and January, February and March 1967.

Appropriation Act No. 6, 1966 completed full Supply for ten departments whose Main Estimates 1966-67 were approved by the House in the summer of 1966. Appropriation Acts Nos. 3, 5, 7 and 8, 1966, have in fact granted Interim Supply to a number of individual appropriations of the following departments at rates of between nine-twelfths and eleven-twelfths of their Main and Supplementary Estimates notwithstanding the fact that four months still remain to the end of the fiscal year:

	No. of Votes
Agriculture	3
Atomic Energy	1
Defence Production	1
Dominion Bureau of Statistics	1
External Affairs	3
Finance	5
Fisheries	3
Justice	1
Mines and Technical Surveys	13
National Defence	1
National Film Board	1
National Health and Welfare	2
National Research Council	1
Northern Affairs and National Resources	3
Public Works	1
Secretary of State	1
Solicitor General	1
Transport	9
	51

The granting of Interim Supply in excess of the eight-twelfths in areas like these obviously can result in departments having approved funds available in excess of their immediate needs. A good example of this is to be found in Finance Contingencies Vote 15 whose record over the past three years shows that Interim Supply approval has always exceeded the months involved:

1964–65		Interim Supply Approved November 5, 1964 up to November 30, 1964 (normal 8/12)	
Main Estimates	$ 6,000,000	11/12	$ 5,500,000
Supplementary Estimates (A)	35,000,000	9/12	26,250,000
Supplementary Estimates (B)	5,000,000	9/12	3,750,000
	$ 46,000,000		$ 35,500,000

1965–66		Approved June 30, 1965 up to October 31, 1965 (normal 7/12)	
Main Estimates	$ 6,000,000	8/12	$ 4,000,000
Supplementary Estimates (B)	35,000,000	10/12	29,166,666
Supplementary Estimates (D)	25,000,000	—	
Supplementary Estimates (E)	5,000,000	—	
	$ 71,000,000		$ 33,166,666

NOTE: Parliament adjourned June 30, 1965 and was dissolved September 8, 1965.

1966-67		Interim Supply Approved July 11, 1966 up to October 31, 1966 (normal 7/12)	
Main Estimates	$ 15,000,000	11/12	$ 13,750,000
Supplementary Estimates (A)	45,000,000	9/12	33,750,000
	$ 60,000,000		$ 47,500,000

		Approved November 17, 1966 up to November 30, 1966 (normal 8/12)	
Main Estimates	$ 15,000,000	11/12	$ 13,750,000
Supplementary Estimates (A)	45,000,000	11/12	41,250,000
	$ 60,000,000		$ 55,000,000

As members of the Committee know, Vote 15 in the Main Estimates appeared at $15 million. In Supplementary Estimates (A) tabled on June 23, 1966 an additional $45 million was sought and in Supplementary Estimates (C) tabled on November 17th a further sum of $50 million is requested, bringing the total required for the Finance Contingencies Vote to date to $110 million.

Finance Contingencies Vote—Position at November 9, 1966

It will be seen from the foregoing that the sum of $47.5 million stood approved under Interim Supply for Finance Vote 15 up to October 31, 1966.

The records of the Treasury Board show that transfers to supplement votes of Finance and the other departments to cover salaries had totalled $32.1 million in the current fiscal year up to November 3, 1966 and that $4.9 million had been transferred for purposes of miscellaneous minor and unforeseen expenditure items up to that date. This left the sum of $10.5 million available for subsequent transfers. It was out of this balance that the sum of $2,159,000 was transferred to the nine departments.

Recommendation and Conclusion

The principal reason why these large sums have been placed in the Finance Contingencies Vote has been to provide for the large-scale salary increases made almost uniformly during the last year or two throughout all departments and agencies of the Government. Many of these are retroactive for a considerable period and the amounts involved are substantial. It is because these changes have been worked out and established by the central agency of Treasury Board that it has not been possible for the individual departments to make any provision in their individual Estimates for the amounts likely to be involved in each of their own cases. It has therefore been much easier to place the total amount involved, so to speak, in the one vote and let Treasury Board divide it up as called for by each department.

This approach may make for smoother administration over-all but runs counter to the very proposals of decentralized authority which the Glassco Commission preached and which Treasury Board now proposes to adopt. I think in circumstances such as these it would be more meaningful and certainly more helpful to the House in its control of the money supply were the amount of the individual departmental requirements for the additional salary money to be the subject of Supplementary Estimates put in by each of the departments con-

cerned—in fact it seems to me that this is precisely what the supplementary estimate procedure is for, namely to bring to the attention of the House unforeseen expenses encountered by a department, e.g., retroactive salary revisions. If a change like this were to be made, then the Finance Contingencies Vote could be returned to its original concept, namely that of a small fund to be retained for unexpected and unforeseen items.

First Session—Twenty-seventh Parliament

1966

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

The Honourable T. D'Arcy Leonard, *Chairman*
The Honourable H. de M. Molson, *Deputy Chairman*

No. 16

Ninth Proceedings on The Estimates
laid before Parliament for the fiscal year ending 31st March, 1967.

THURSDAY, DECEMBER 15th, 1966

WITNESSES:

Canadian Broadcasting Corporation: Alphonse Ouimet, President; R. C. Fraser, Vice-President and Assistant to the President; J. P. Gilmore, Vice-President, Planning.

ROGER DUHAMEL, F.R.S.C.
QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1966

25427—1

THE STANDING COMMITTEE ON FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird	Grosart	Pearson
Aseltine	Haig	Phillips
Baird	Hayden	Pouliot
Beaubien (*Bedford*)	Hays	Power
Beaubien (*Provencher*)	Hnatyshyn	Quart
Bélisle	Isnor	Rattenbury
Burchill	Kinley	Reid
Choquette	Leonard	Roebuck
Connolly (*Halifax North*)	Macdonald (*Brantford*)	Savoie
Croll	MacKenzie	Smith
Denis	McCutcheon	(*Queens-Shelburne*)
Deschatelets	Méthot	Thorvaldson
Dupuis	Molson	Vaillancourt
Farris	O'Leary (*Antigonish-*	Vien
Flynn	*Guysborough*)	Welch
Gélinas	Paterson	Yuzyk—(47)
Gershaw		

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

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 24, 1966:

"The Honourable Senator Leonard moved, seconded by the Honourable Senator Farris:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, in advance of the Bills based on the said Estimates reaching the Senate; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

25427—1½

MINUTES OF PROCEEDINGS

THURSDAY, December 15th, 1966

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 10.30 a.m.

Present: The Honourable Senators Leonard (*Chairman*), Aseltine, Baird, Beaubien (*Bedford*), Brooks, Burchill, Deschatelets, Flynn, Gershaw, Grosart, Hays, Isnor, Kinley, MacKenzie, Methot, Paterson, Pearson, Pouliot, Power, Quart, Rattenbury, Roebuck and Smith (*Queens-Shelburne*). (23)

The Estimates laid before Parliament for the fiscal year ending March 31st, 1967, were further considered, with particular attention to the Estimates for the C.B.C.

The following witnesses were heard:

Canadian Broadcasting Corporation:

Alphonse Ouimet, President; R. C. Fraser, Vice-President and Assistant to the President and J. P. Gilmore, Vice-President, Planning.

It was Agreed that the C.B.C. deposit with the Committee its directive to producers and directors regarding 'good taste'.

At 1.20 p.m. the Committee adjourned to the call of the Chairman.

Attest.

Frank A. Jackson,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Thursday, December 15, 1966.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, met this day at 10.30 a.m.

Senator T. D'Arcy Leonard in the Chair.

The CHAIRMAN: Honourable senators, we have a quorum, and it is now 10.30 a.m.

We are continuing our consideration of the main and Supplementary Estimates which were referred to this committee by the Senate, and we have before us today the estimates of the Canadian Broadcasting Corporation.

On page 52 of the main Estimates are two votes totalling $113,484,000. On page 546 is an item which is vote L10—Loans to Canadian Broadcasting Corporation, in the amount of $30,424,000. There are also two items in Supplementary Estimates C.

In accordance with our usual practice on the consideration of the Estimates of any department or of any corporation the whole operations of the corporation or department are in order to be discussed by the committee.

I am welcoming for the first time in this committee, I believe, Mr. Alphonse Ouimet, the President of the Canadian Broadcasting Corporation, and on your behalf I extend to him a warm welcome. He has with him certain officials of the corporation whom he will introduce to you. Also according to our usual practice I will ask him if he has a preliminary statement to make, after which questions from honourable senators will be in order. Since I know that a number of senators wish to ask questions, I would like them to signal to me and I shall keep a list and endeavour to apportion the available time so that we shall all have a fair opportunity to discuss every point that is pertinent and important, as far as possible. If all of that is in order, I shall ask Mr. Ouimet if he will proceed with his preliminary statement.

Mr. Alphonse Ouimet, President, Canadian Broadcasting Corporation: Mr. Chairman, perhaps I might be permitted to introduce my two colleagues. On my immediate right is Mr. Ron Fraser, Vice-President and assistant to the President, and Mr. James Gilmore, who is the Vice-President of Planning of the Corporation.

I have a statement I would like to make. I come before your committee to hear your observations and to answer questions you may have about the CBC. Since your invitation for me to appear was promoted by our English television network program "Sunday" of November 27, I feel I owe you a considered statement of the CBC's position.

Our Board of Directors held a regular meeting last week and this program was thoroughly reviewed at that time. I believe that what I am going to say to you now expresses the sense of the board's views, though this statement has been written since the meeting and I have not had an opportunity to check it with my fellow directors.

My statement is not a long one, and I have not come with the intention of defending the seven minute item "Exit 19" which appeared on this program. I have already told the Standing Committee on Broadcasting that the item in question, filmed in Britain, was intended to relate to the controversial report recently prepared for the British Council of Churches on sex and morality. I also stated that it was the opinion of CBC management that the item in question failed to find its place as an integral and justifiable part of the responsible treatment of a very sensitive subject and, accordingly, that the item should not have been broadcast. The corporation is still of the same mind.

There are, however, a number of general considerations I would like to present to you regarding the responsibilities and the problems of the corporation in serving a pluralistic audience. The first one is that the "Sunday" program of November 27, and particularly the "Exit 19" sequence which came in for so much criticism, had to be looked at by the C.B.C. board in perspective. To generalize from this one item or this one program and to decide that the C.B.C. is irresponsible would not be fair. The C.B.C. turns out over 200,000 programs a year. Some do not come up to expectations, a few can be clearly classed as mistakes and a lot of them are very good.

It is against the background of this overall output rather than on the basis of a sensational episode in a single program that the directors of the corporation assess its performance.

My second point is that the directors of the corporation are fully conscious of the great responsibility which Parliament has placed on their shoulders.

Television has the greatest impact of all our communications media. It is the youngest medium and its potential is still the least understood. It progresses only by experiment.

There is no consensus on C.B.C.'s television programming. Its successes—and there have been many—have been hailed and damned simultaneously; its mistakes simultaneously praised and condemned. There is no record of a unanimous public reaction to any given program.

There has always been a consensus in Canada that Canadian broadcasting should be free and uncensored. It is equally clear that freedom must be accompanied by a high sense and exercise of responsibility. Neither licence nor censorship should be tolerated.

This public trust, first given to the CRBC in 1932 and in 1936 to C.B.C., then shared with B.B.G. in 1958, has never been consciously violated, and seldom abused. The complete record is excellent.

Today the trustees in public broadcasting, and the creative people who breathe life into our television, are deeply involved in the most difficult task they have ever faced.

This brings me to my third point which concerns the risks inherent in broadcasting, especially network television. Television lives on new ideas —production ideas and program content ideas. Each major program or series is a creation of the people involved in its production. It may succeed or it may fail but it is always individual and hand-made.

The people who produce program ideas and programs are certainly not machine-made either. They are highly talented, highly individual, often nonconformist. In their ideas and attitudes many of them reflect the critical and questioning spirit which is traditional in the intellectual and artistic community. For this reason, they are more than ordinarily interested in the changes in manners and values which the 1960s have brought about.

It is the job of C.B.C. Management to recognize the importance of its production talent, to encourage the good ideas, to discourage those it thinks bad and, sometimes, to take a chance when the idea cannot be evaluated until it has been tried. This is a risk that has to be taken. The alternative, avoidance of all

risks, could only be achieved at the cost of smothering the creativeness, the fresh ideas, which good broadcasting must have if it is to be alive and do the complete job expected of C.B.C by audiences whose tastes and standards cover a wide spectrum.

I do not want to imply that C.B.C. Management gives its producers a free hand and can only sit back and hope for the best. This would be an abdication of responsibility and C.B.C. management has no intention of abdicating. All I am saying is that the nature of the creative process in television and the diversity of public taste are such that the boundary between what is acceptable and what is not for many people will occasionally be crossed.

Management's task in this respect was not made any easier by the Seven Days controversy of last spring in which a formidable weight of public and Parliamentary opinion developed in support of more freedom for C.B.C producers and less control by C.B.C. management. I think it is fair to say that the effect of this was such as to encourage any producer who was disposed to test the limits of management's tolerance in controversial matters to do so.

My fourth point is the fact that popular taste has been changing at an accelerating rate over the last fifteen or twenty years. Ideas, conversation and behavior which a decade ago would have been considered as private matters are now widely accepted in public. This is reflected in all the mass media, in newspapers and magazines as well as in television and radio. It is reflected even more in the arts, especially literature and the theatre. It is related also to the rapid pace of change in many other areas of our culture—in marriage and family life, in education, in advertising, in popular music, in films and even in religion and theology. It is not confined to North America but is to be found throughout the whole of our western culture.

Not everyone shares this new permissiveness, of course; many people are deeply disturbed by it. But a large section of the public does and this is particularly true of young people. It has frequently been pointed out that half the population of Canada is under the age of 25 and the evidence that this younger half is generally much more permissive and tolerant in matters of morals and standards than the older half is almost irresistible. Coupled with this is the fact that the mass media and popular culture generally have become increasingly oriented in recent years to the tastes and preferences of this half of the population.

My fifth point is that one result of the cultural revolution which I have just described is that it is far harder than it used to be to find a consensus about what is or is not morally acceptable—in print, on the stage or on television. In the absence of such a consensus and in the presence, instead, of such divergent opinions about questions of propriety it would neither be right nor feasible, if it ever was, to impose a rigid code of "Thou Shalt Nots" on a mass communications organization like the CBC. Instead, the corporation asks from its production people the sensitivity and awareness which will allow them to approach delicate subjects with due regard for the attitudes, both permissive and non-permissive, to be found in the audience.

The key to a sound and defensible policy here is seriousness of purpose and honesty of performance. By this I means that the decision to use material that many in the audience may consider offensive—though many others may find it quite innocuous—should always be justified by genuine artistic or social purpose. I mean also that the intention should be carried out with an awareness of the audience that matches the purpose. This does not mean that difficult or controversial matters, or matters that many viewers may find offensive, will be avoided. Not at all. But it does mean that these should not be introduced casually or without sufficient justification. In conclusion, I come back to my point of departure, the "Exit 19" item in the "Sunday" broadcast of November 27. The

decision of management that the showing of this item was a mistake has been conveyed, through the appropriate officers of the corporation, to those responsible for the broadcast. This is no guarantee that things which are repugnant to some sections of the audience will never be seen and heard on CBC networks. If we are to do our job properly, we cannot escape offending part of the audience from time to time. Not only that, it is no guarantee that mistakes will not be made in future and that offensive things will never be broadcast without justification. It does mean, however, that we will continue to widen at all levels inside the CBC the area of agreement about the principles that should govern us in dealing with controversial matters.

This is the only way an organization like the CBC can do its job properly. To make everything which every producer does subject to prior approval by a long chain of superiors would be intolerably cumbersome and, even worse, would cripple the creativity without which we cannot function. The only workable alternative, as I have said, is to enlarge the already-wide consensus inside the corporation about how it can serve Canadian society responsibly in the confused times in which we live.

The CHAIRMAN: Thank you very much, Mr. Ouimet. Senators who have questions may put them now, and I will try to apportion the time as fairly as I can.

Senator MACKENZIE: Mr. Chairman, of necessity, my comments and questions will have to be rather general, because I freely confess that I rarely look at television. This is not because I am not interested in it, for some of the programs I do watch I find very interesting, but I have just not had the time to do this and to do the other things that either I had to do or wanted to do. I do listen to the radio more than I watch television, however, and my interest in CBC radio broadcasting goes back to the beginning of the organization of the corporation. There was a period in the thirties when I had more time than more recently, and when I had the privilege of giving some broadcasts over the CBC and other stations.

Now, for obvious reasons, I never had the audience appeal that Allister Grosart has had, and I never realized how deficient I was until I listened to myself being played back on discs and tapes, but, nevertheless, I have been very proud of the CBC. I think it is one of the great broadcasting systems of the world. It is a possession and a heritage that has brought to us a great deal of credit from other peoples in other parts of the world. So my concern is with the protection and preservation of this incredibly valuable asset.

Now, I do not think that the Canadian Broadcasting Corporation can be operated directly by the Government of Canada or by the Parliament of Canada. I feel that the present system of a relatively independent Board of Governors and a relatively independent management is the only alternative to the abolition of the CBC and the turning over of its broadcasting to private operators.

I would regret this, because I feel that it would not be in the best interests of Canada or of the world.

What does interest and concern me—in the light of what I gather has happened because of what I have read and been told both about the program last spring and the one more recently, "on a Sunday night" is how the Board of Governors and management can, if they can—and I listened to my friend, Mr. Ouimet, with much interest on this—how the C.B.C. can, if it can, ensure that large sections of the public in Canada will not be outraged by the programs that are given mainly on T.V. and occasionally on radio. I realize what difficulties this poses, but the alternative is that, if you outrage a sufficient number of people sufficiently often, they are going to cut you off at the ears on a financial basis, if not otherwise.

I think that would be most regrettable and most disastrous. Therefore, I would add to what I know would be the appeal of many others my appeal to Mr. Ouimet and his colleagues and his Board of Governors to do whatever they can, within the limits of good programming, in order to ensure, as they do in a pretty effective way in regard to the various religious denominations and so on in Canada, that whole sections of our taxpaying community are not so outraged that they will make it impossible for the C.B.C. to get the resources, financial and otherwise, that it must have.

Now, sir, that is all I wanted to say.

Mr. OUIMET: I must say that, generally, I find no disagreement with the comments of Senator MacKenzie. Your question was how we set about to ensure that people will not be outraged.

Senator MACKENZIE: My question is whether anything further can be done to ensure that an individual program or a series of programs will not outrage and affront too large a sector of the public. I grant you that there will always be some part of the public who will be dissatisfied.

Mr. OUIMET: To deal with this, I think I have to distinguish between, the particular item called "Exit 19", on the "Sunday" program of November 27, and other programs in which we have had controversy and reaction. You may not know this, but we have some elaborate devices in order to find out what the public thinks. We cannot go entirely on the basis of the number of letters or phone calls that we get.

For example, in this particular case I think we got some 300 phone calls immediately following this program, whereas, just a couple of days before we had 2,000 phone calls about the Grey Cup parade, and 1,200 concerning the preemption of regular programming for the reporting of one of the political conventions.

So we cannot go too much on the basis of the reaction of those who call or even those who write. Because of this, we have instituted a national panel of over 2,000 people, roughly about 2,300 who provide us every week with their reactions about our programming.

Senator BAIRD: Are they paid?

Mr. OUIMET: No, I believe they are given some prize or some small compensation, but not in the form of money. I do not think they get money. They get something to interest them in carrying on for about seven weeks. After that we rotate. We keep rotating this panel. It is a scientific sampling, and, scientifically, there is no doubt that the results we get are dependable.

Now, for example, you may remember that there was a controversial skit on the Pope in the Seven Days program last year. In that case 20 per cent of the audience—actually, I think it was 19 per cent—were offended to some degree and about 51 percent enjoyed the skit. At the time we said publicly that we thought it was a mistake to have shown that skit. Not because 19 per cent of the audience were offended, but because, in our opinion, there was not sufficient reason to have offended 19 per cent.

In other words, the skit was for the purpose of entertaining a large group of people and we do not think we should offend 19 per cent of our audience in order to entertain 50 per cent.

On the other hand, there are many other times when the purpose is really a serious one and where it is necessary in the job we are trying to do to risk this offence to a fairly significant sector of the audience because what we want to achieve is worthwhile. In this particular case of the item called "Exit 19," we felt that it should not have been presented, because in the first place the purpose had not been achieved and, in the second place, this item was offensive to about 50 per cent of the audience. But generally speaking in the case of other controversial items we have had in the past, for example, the "Open Grave"

program and the debate which followed in Parliament, and many others, we are dealing with a 10 per cent segment of the population which finds the material unacceptable. I do not think we can avoid this, but we certainly must avoid shocking, offending or displeasing this 10 per cent of our audience at any time, and even more so 20 per cent unless we have a good reason for doing so. So we are very conscious of exactly how the audience reacts. Of course it is much easier for management to make these judgments after the fact than it is for our producers who get enthused with an idea, and they have to be enthused in order to create something. They think they have something good, something acceptable but sometimes their idea does not turn out quite right, and there you have it. This is the problem in broadcasting. If we checked everything beforehand, right up the line, I am afraid we would smother not only some of the less desirable things that may get through, but much the greater bulk of our creative output, which I frankly think is quite good, if I may say so in modestry.

Senator QUART: Arising out of that, may I ask how these 2300 people are chosen. Are the national organizations, such as churches, asked to supply the names or are they handpicked like some of the panels?

Mr. OUIMET: They are scientifically picked and provide within a very small percentage of error a cross-section of what the people of Canada think, and what the people of Canada think is not necessarily what organized institutions think. This is an entirely different thing. This shows us how everybody thinks, and we take great pains, using the best professional know-how to make these samples. I can assure you that the accuracy of the sampling is, in my view, unassailable.

Senator BURCHILL: You pick your own judges?

Mr. OUIMET: We do not pick our own judges; it is done purely through random sampling. Nobody is picked at all. You have a method which is fairly complex which permits you to take people at random right across the country so that it is representative.

Senator ASELTINE: Are they paid?

Mr. OUIMET: I will send you some information with respect to whatever payment or remuneration might be made. I cannot give it to you this morning because it is not readily available at the moment. But this is how we find out public reaction. This panel is not the sole basis for our decisions and judgments and it does not change management's responsibility or the responsibility of the board of directors of the Corporation.

Senator O'LEARY (*Carleton*): These are merely advisors?

Mr. OUIMET: They are not even advisors; they are simply our means of checking the reaction of an audience. Then we have to use this reaction together with all the other considerations that must apply. For example, audience reaction in the form of letters or phone calls. What we hear directly or what Parliament says. All of these things come into consideration when we have to make a judgment and that is the responsibility of the board of directors who are the trustees for the people of Canada.

Senator AIRD: How does the scientific view tie in with the letters and phone calls?

Mr. OUIMET: It depends on the circumstances. Sometimes you have organized campaigns in which case the scientific findings do not agree. In the case of "Seven Days" we did have a well-organized campaign. The House of Commons committee took a different position, I believe, in respect to "Seven Days" than, for example, is being taken now with regard to this "Sunday" item. You cannot actually use any one of these institutional opinions or conclusions.

Senator ROEBUCK: I think what Senator MacKenzie really asked was what machinery or supervision have you with regard to broadcasting in advance, and

what possibility is there of improving it? That is what I took from Senator MacKenzie's question.

Mr. OUIMET: We have an elaborate machinery to deal with supervision of all programs in advance, but all do not come up to the top level of the Corporation, because it would be impractical or even impossible to do so. This process follows the line from the producer to his supervisor, to the director of the department concerned. Generally speaking, unless there are reasons to be concerned with a particular program, it ends there for 95 or perhaps 98 per cent of the cases, and that works very well. Now in cases where we are keeping a close check on a program, the supervision goes even higher than this, and it is exercized very closely prior to and also after the program. I should say that in this particular instance so far as the item "Exit 19" was concerned, it was the opinion of several of the levels of production and supervision in the Corporation that this item was a proper item and was pertinent and relevant to the subject they were treating which was the new morality.

Senator ROEBUCK: That is to say it got by several supervision levels?

Mr. OUIMET: It didn't "get by". The supervisors agreed it was all right but as you went further up the line the judgment was different. When we looked at it we said "no, this is not the proper way of presenting it."

Senator ROEBUCK: Did these people see the program before it went on the air?

Mr. OUIMET: Yes, I would say two or three levels did. It shows the difference in judgment between the various human elements which are brought into play in an operation such as this. It will always be like this, but the difference in thinking is probably exaggerated because of the period we are going through in the world at the present time. There is a much greater gap between what we might call the "leading edge" of the movement, or of the cultural explosion, and the traditional values. This separation is much exaggerated and therefore tends to exaggerate the differences of opinion between the people supporting corresponding points of view.

The CHAIRMAN: Senator Grosart.

Senator GROSART: First of all I would like to congratulate you on your promptness and courage in admitting that this program, from the point of view of management, was a mistake. As far as I am concerned I am prepared to leave it at that. What I am concerned with, however, is that in the statements you made and all the statements I have seen justifying this extreme latitude given to producers and creative people there is no difference made between a latitude that might be given to private stations or private networks and those involving the expenditure of the people's money. I think surely there must be an entirely different level of responsibility in the case of an institution which is spending public money. It may be all right for a private station to offend 10 per cent or 15 per cent and say "fine, we can afford it." But when you are offending even 10 per cent you are offending people whose money you are spending.

For example, you mentioned the 19 per cent on that particular show involving His Holiness the Pope. That would be almost 50 per cent of all the Roman Catholics in Canada, or close to it. They would be offended by that show. So, it seems to me there has to be a distinction made here.

However, I would like to say that, in general, I agree with what you have said about the excellence of the C.B.C., its programming, its achievements and its accomplishments for Canada. I am not witch hunting; I am not anti-C.B.C.—quite the contrary; but what I am greatly concerned with is that there does not appear to be any method of achieving responsibility throughout the whole programming system, and I am particularly concerned when I read in the White Paper on Broadcasting statements such as this—

The CHAIRMAN: The page number?

Senator GROSSART: This is the White Paper on Broadcasting, 1966, page 7.

> It is almost universally recognized that the regulation of programming must be entirely and demonstrably free from improper influences and pressures, and can therefore best be delegated to an independently constituted authority which is not subject to any form of direction in that regard.

There is a further statement, and I ask you if it is the official attitude of the C.B.C. that there must be a clear distinction between the responsibility of the C.B.C. in respect to its structure and the responsibility of the C.B.C. in respect to its programming. The statement I refer to, again on page 7, is:

> Fears of hidden influences on program content have tended to obscure this legitimate right to direct the structure of the broadcasting system.

This refers to parliamentary direction of the structure.

> These fears can best be dispelled by providing statutory machinery which distinguishes clearly between the total delegation of authority over programming on the one hand, and ultimate authority over the structure of the system on the other.

I take that to mean that this statement says that Parliament has ultimate authority for the structure, but that it gives total delegation of authority over programming. If this is so, if it is a delegation of the authority of Parliament, it seems to me that places a very great responsibility on the C.B.C. As I read it, this means that Parliament has no right to discuss programming because it refers to the "ultimate authority over the structure". The ultimate authority can only be Parliament. I would like to know if you consider Parliament has authority over programming—No. 1.

In the matter of responsibility, it seems to me that the situation is this. The basis of our system in this country is responsible government. That means that the Queen can do no wrong. Somebody is responsible for every act of Government or any emanation of Government. In the case of the R.C.M.P., if somebody makes a mistake a minister takes the responsibility. In the case of an immigration official overstepping his authority, a minister in Parliament is responsible. Now, this White Paper says that in the sphere of programming no minister is responsible.

I am not advocating for one moment that there should be censorship of the C.B.C., and I will not go so far as to say there should not be a delegation of authority to somebody; but, surely, it has to be recognized that it is an exception to a general rule in a matter affecting a very substantial public expenditure. This item comes before us under the Estimates—a matter of $120 million.

I suggest to you that the C.B.C. has a responsibility to go further than it appears to have gone in exercising that delegated responsibility. For example, some questions were asked about this particular program—and, as I say, I do not want to harp on that particular program, but it indicates to my mind a very muddled chain of responsibility.

This is an article in the *Toronto Daily Star*. I am sorry that I cannot give you the date, but it is in the week following the program, under the heading, "Sunday's in the soup and Daryl's delighted"—Daryl being Mr. Daryl Duke, the producer. It says that Mr. Robert Hoyt, the producer had a responsibility, and it says:

> Duke's supervisor, Hugh Gauntlett, saw all the film on the show,... and approved it, Duke said. 'There was no need to go higher.' "

The article continued:

> Had there been a need, Mr. Gauntlett would have consulted Peter Campbell, general supervisor of the English public affairs department. From there, the chain of command leads to Marcel Munro, acting chief of news and public affairs, and Robert McGall, acting general manager of the English network.
>
> Mr. McGall said yesterday that any controversial matter referred to him would either be settled by him in Toronto or referred to vice-president W. E. S. Briggs in Ottawa. He said most matters were settled below him.
>
> Had he had any items referred to him from the program Sunday? 'I'd rather not say' he said.

Do you think that is an adequate chain of responsibility for protecting even a small part of the public from being outraged with the expenditure of their own money?

I might say I have great sympathy with the creative problem. As you and I know, I was at one time a C.B.C. script writer on a Sunday night show. It is 27 years ago, and I am very glad to see that the scale of fees has been increased, because at that time I was writing a show as the only writer, with the largest radio audience in Canadian history, and my fee was $35 for an hour show.

Senator BAIRD: The talent may have improved!

Senator GROSART: I might say in that respect that towards the end I was raised to $50, so maybe the level of work improved. I do appreciate the problem, but you said, Mr. Ouimet, that in your view there can be no thou-shalt-nots. The fact of the matter is there are already some thou-shalt-nots.

In a document I have here taken from the Canada *Gazette*, Part II, volume 98, Broadcasting Act—Radio (T.V.) Broadcasting Regulations of the Board of Broadcast Governors, I read this:

> No station or network operator shall broadcast

—the various categories.

The CHAIRMAN: Where are you reading from?

Senator GROSART: From page 172.

> (b) any abusive comment or abusive pictorial representation on any race, religion or creed;
>
> (c) any obscene, indecent or profane language or pictorial presentation; . . .
>
> (f) any program on the subject of birth control, unless that program is presented in a manner appropriate to the medium of broadcasting;

—whatever that means—and so on.

I would ask you if, when you reply, you could tell us whether in your view those regulations of the B.B.G. have been carried out reasonably consistently in C.B.C. programming. And, secondly, do you not think it would be possible, or practical, for management or the Board of Directors of the C.B.C. to lay down some broad guidelines?

I am not suggesting censorship, but I do not agree that there should not be some thou-shalt-nots. We all live with thou-shalt-nots. Creativity, generally speaking, in my experience, is improved particularly by self-discipline but also by discipline from outside. I would suggest to you that this is an attitude which is widely accepted by the Canadian public.

I draw to your attention, for example, an editorial which appeared in the Vancouver *Province* on November 30, 1966. After mentioning the attitude taken by some Senators it says that they spoke for many Canadians, and continues:

> The question, however, is how their disgust can be translated into action that will set higher standards of good taste for such C.B.C. programs.
>
> It is fair to ask: What is good taste? How can such standards be maintained?
>
> Within certain limits good taste is a definition depending on an individual's education, outlook and background. Inside those limits arbitrary rules may stifle creativity and talent.
>
> For most Canadians however, there is an area of flagrant bad taste that is not hard to identify. In most homes it is not allowed to intrude in family groups. There is no enthusiasm among decent Canadians for discussing immorality or using suggestive language before children.

The editorial goes on to say that parliament has authority, and, since it is apparent that nobody at C.B.C. is taking responsibility for "Sunday's" wretched standards, parliament should act.

Then it quotes a member of parliament who asked whether policies laid down by the C.B.C. are a clear expression of government thinking so that people working in this medium of communication will clearly understand them. This member of parliament went on to say:

> If they are not prepared to abide by these policies, then the C.B.C. and, if necessary, the government and parliament must be prepared to move with strength to counter the most serious threat that faces us today.

The editorial concludes:

> But if public standards are to be so badly breached, parliament has an obvious duty to insist, on behalf of those who pay the bills, that broad general limits are set. And that somebody in the C.B.C. sees they are met.

The CHAIRMAN: Senator Grosart, I think I shall have to apportion the time, so perhaps whatever question you want Mr. Ouimet to answer can now be put to him.

Senator GROSART: Mr. Chairman, I want to put this on the record so that it will be clear that the attitude I have taken, and am taking, is supported by such people as these editorial writers. I have other editorials here that I could read. I do want to have it on the record that this is not the view of too narrow minded people; that there is this feeling across the country. I have received almost 300 letters, and other honorable senators have also received many. I do not say that this in itself is too meaningful, but it does mean that there is this body of opinion that is offended. There is a body of editorial opinion that says that the C.B.C. should take some responsibility.

Senator ROEBUCK: What is your question?

Senator GROSART: My question is: Is it not possible for the C.B.C. to lay down some broad lines for the guidance of its creative people and its producers, even if they include some thou-shalt-nots? In conclusion, may I say that I am making it a plea because I agree with everything that Senator MacKenzie said about what a tragedy it would be if the C.B.C. had to be taken over again, or became subject to direct political control. I hope that that will not happen, and my intervention is for the purpose of seeing that it does not happen.

Mr. OUIMET: The expression I used, when I said that we could not operate on the basis of a series of thou-shalt-nots, should not be taken as meaning that we have no guide lines, or that there are not some clear limits established for the guidance of producers. The problem is that when you are dealing with matters of

good taste, or matters of controversy, it is quite difficult to make any clear prohibition of a particular subject which would be intrepreted in the same way by all people to whom it is directed.

Furthermore, it is not because sex was discussed on "Sunday" that a mistake was made. We cannot say: Thou shalt not discuss sex. We cannot even say: Thou shalt not show two people in bed.

Senator BEAUBIEN (*Bedford*): I do not see why you cannot.

Mr. OUIMET: Well, it is done regularly on television.

Senator BEAUBIEN (*Bedford*): Where is it done regularly?

Mr. OUIMET: You may not have noticed it on some of the regular programs. I was watching some of them recently. It depends on circumstances. It depends upon whether the couples are married or not married, and all such things as that. Therefore, it is very difficult to specify clearly that certain things will or will not be done, so that it can be interpreted literally by other people. We cannot do that. This is what I mean in speaking of "Thou shalt nots".

Furthermore, there may be occasions where we can do things in the proper context which could not be done in a different context. For example, we had this film on sex education for children. This was highly—

Senator ROEBUCK: It was pretty raw too.

Mr. OUIMET: I respect your opinion, but I must say that this film was the most appreciated item on that particular program.

Senator GROSART: You mean that it had the largest audience.

Mr. OUIMET: I do not mean that. I mean that amongst those who viewed the program this was the item that was most appreciated, and it was approved of entirely. There were very few people—actually there were only on this particular item about 9 per cent of the audience—who objected to it. So I think we must realize one thing, that we are dealing with a plurality of tastes and a plurality of opinions, and that the C.B.C. serves all people—not only the people on one side, but also the people on the other and the people in the middle. That is why we use such care in establishing our own institutional judgment as to what should be done.

Senator GROSART: Mr. Ouimet, could I just ask you this: Do you have guidelines for producers? Are they written? Are there any guidelines?

Mr. OUIMET: On matters of good taste?

Senator GROSART: Yes.

Mr. OUIMET: Yes, we have guidelines on good taste, but they are generally broad because you simply cannot say: "You will not show this, but you will show that." This is impossible. You cannot work in this way. Furthermore, taste changes from year to year. There were a number of things that were criticized in 1952, 1953 and 1954, in the early days of T.V. When we showed ballet for the first time, we had a very indignant response from a large section of the audience who had never seen ballet. Today it is taken as an art form, and nobody takes offence in seeing dancers in—I do not know the name in English, but in French it is called a *tutu*. At first there was quite a reaction to this, because people had never seen ballet. So, taste changes from year to year, but the pendulum may swing the other way.

Senator GROSART: I agree with this. I agree that it is difficult, but we all have this problem in our businesses, in our private lives, in our family relationships, and in our relationships with our friends. We all have this problem of defining good taste at any particular time, and it changes from time to time with context. But, can you tell me if these guidelines are written?

Mr. OUIMET: We have guidelines on good taste which are written, yes.

Senator GROSART: And supplied to—

Mr. OUIMET: They are supplied to producers and to directors. They were written at a time when we were getting criticism about a different kind of broadcast—plays—some years back.

The CHAIRMAN: Would you like to file them with the committee?

Mr. OUIMET: Yes.

The CHAIRMAN: Is that agreeable?

Hon. SENATORS: Agreed.

Senator ROEBUCK: Now, there is an ancient Roman saying that in matters of taste there is no law.

Mr. OUIMET: In matters of taste there is—

Senator ROEBUCK: In matters of taste there is no law. It is an ancient Roman saying.

Mr. OUIMET: I suppose you are saying it is difficult to express it in the form of a law.

Senator ROEBUCK: Yes.

Mr. OUIMET: We find it is not only difficult but impractical in terms of the wide diversity of tastes of the audience. Let us not talk about the "Sunday" item, "Exit 19," because I have already said we do not agree with it. On the other hand, if you make the assessment more general, I have to say to you that in a general way what we are presenting seems to be the kind of fare with which 90 per cent of Canadians would find nothing wrong.

This is about the guidance we give to our people. It is not limited entirely to percentages, because the things the public want us to do or not to do, cannot be expressed only in percentages.

Senator POWER: Tell me so I can understand your views on sex and obscenity, and all the rest of it. We want to know what is in your mind when you look at these things.

Mr. OUIMET: What I want to tell you is a very detached institutional view and not particularly my personal view.

Senator POWER: Why was it a mistake, because some people objected to it, or was it a mistake—

Mr. OUIMET: It was a mistake, in my view, on two scores. It was a mistake because it failed to relate to the subject that we were discussing. In other words, there was a professional shortcoming. The item had a certain purpose in the whole prog am. It was just one element but it did not come off. So that is the first mistake. I do not think that is the one that worries you.

Senator POWER: Not the one that worries me, but go ahead.

Mr. OUIMET: But it worries us just the same. The second one was that it was going too far in its pictorial and in its oral content, too far in terms of the acceptability of such material for the audience we serve.

The CHAIRMAN: From a decency standpoint?

Mr. OUIMET: Let us say acceptability. Ladies and gentlemen, I am not sure of what will be acceptable in five and ten years from now. All I know is that at the moment the results that we had from the survey indicate that the reaction of the public was unfavourable to that item. Mind you, the whole program was fairly well received.

Senator POWER: You say the reaction to the public?

Mr. OUIMET: Of the public.

Senator POWER: It seems to me I did see on television interviews with people on the street, and they seemed to be entirely favourable to the program.

Senator ROEBUCK: They were hand picked.

Senator POWER: I was under the impression that you picked the audience.

Mr. OUIMET: No, actually it is just like the survey I was talking about. If you go at random in the street—and you must not pick any particular city because you will get a biased reaction—this was done in Ottawa which generally is not too biased in favour of broadening the acceptability on matters of taste; but if you take it across the country you are going to get a sample, if you do it well, that will be just like our survey. There are a lot of people who liked the item, quite a number, probably some hundred thousands.

Senator GROSART: Some thousands like the girlie magazines on the news stands, too.

Senator QUART: How many in these interviews were discarded, and were the others handpicked just like the panel with M.P.s, where there were seven N.D.P's? One of them, Mr. Knowles, I believe, received quite a deal of criticism from his own constituents having spoken so favourably about the program. That is one of the questions I would like to ask.

Mr. OUIMET: On the panel, if I remember correctly, there were about seven who were for and eight who were against. I agree with you that in the questioning of M.P.'s there seemed to have been a larger number than would have been expected from one particular party.

On the other hand, I appeared before a House of Commons committee on several occasions last year discussing this kind of problem, not this particular one, but the general question of the limits of acceptability and journalistic ethics, and all this, and I can tell you that at that time I had the feeling that Parliament was in complete disagreement with the CBC management's position. We were dealing with "Seven Days" at that time, You will remember that there were quite a number of parliamentarians and members of the House of Commons committee who were interviewed and expressed a different opinion on the air than the one I am hearing here; nevertheless, in spite of this difference of opinion amongst parliamentarians, I am saying that we in the CBC think that we made a mistake in showing it.

Senator QUART: In my very limited experience of all this, it does seem a little more than mere coincidence to have had so many in favour from one party.

Mr. OUIMET: You are a better judge—

Senator QUART: I admit that I am not.

The CHAIRMAN: Honourable senators, I think we must be fair to all the senators, and as long as we are pursuing the one particular point or points raised by Senator Grosart it is in order to have a discussion. However, time runs on. I have listed, Senators Lang, O'Leary, Power, Beaubien and Hays. If they are willing to let this interchange of questions go on, and if Senator Grosart has not the answer to his question, we should pursue it to the end; otherwise, Senator Lang is really next, and then Senator O'Leary.

Senator LANG: Mr. Ouimet, I sense that the concern at this time largely arises from the fact that over the years the CBC has set a high standard of programming both on radio and television, and that it has pursued admirably its national objectives, and as of late there have been what you refer to as mistakes. The sense of this committee is that these mistakes are such that it wants to know why the CBC appears now to be making mistakes, either attributable to failure of management, or elsewhere. I know that in Toronto there is a sense that there may be some coterie of producers or other persons within the CBC whose judgment in matters of taste are, in the views of quite a number of people, somewhat perverted. I think we are trying to get at both the managerial chain of responsibility in connection with these matters within the CBC and what criteria does the CBC use in evaluating these.

We all know the difficulty of defining what is obscene, and the courts have been struggling with that word for hundreds of years, and we know how intangible are these areas of concern.

Specifically, if I might bring my questioning down to two or three points. Firstly, you referred to the fact that you test public reaction on these programs by relation to a panel, and I presume by other methods. Now, undoubtedly the private stations do the same thing, and yet I do not think we are experiencing these kinds of mistakes in the programming being put on today by private stations. Is there some differentiation between the standards imposed by the CBC and those imposed by private stations?

Secondly, in connection with these mistakes, what action does the management of the CBC take? Has any disciplinary action been taken in connection with any producer, supervisor or director, in connection with this Exit show, and if so, what disciplinary action has been taken?

I would also like to ask Mr. Ouimet if he has available to us the total cost to the taxpayer to put on this series of programs called "Sunday," and how much did the CBC pay for this film clip used in Exit?

Senator GROSART: Exit 19.

Senator LANG: These questions are aimed basically to get some light at this time on the attitude of CBC management and the organization that is within its framework to enforce these attitudes or to see that its standards are maintained and I hope that Mr. Ouimet this morning might give us some assurance that the CBC has the organization to maintain the high standards of programming to which we have been becoming accustomed over the years.

Mr. OUIMET: This time, Mr. Chairman, I am going to try to answer every one of the points raised. I have not been able to do so in the other cases. We went on to discuss other questions.

You mention, senator, that over the years CBC has had high standards, but that now there are more mistakes.

I do not think you remember as well as I do the various crises in the history of the CBC. You may remember that every year there has been something which has been criticized. I do not say these were mistakes, but they created quite a bit of furore from year to year. Considering the new context in which we operate—that is the great diversity of views with respect to morality—and the complete state of flux and of rapidly accelerating change, in which we live, I do not think that we can say that we are making more mistakes today relatively to what we did before. I do not think so.

We have also been experimenting with television journalism, what is called electronic journalism. Seven Days was an experiment of this kind and Sunday is a continuation of that experiment. I think you will agree that the things you refer to as mistakes are practically exclusively in connection with those two programs.

There may be some difference of opinion with respect to some of the plays we present, but generally speaking I do not think that there is much of a public reaction in this respect nowadays; so we are talking about two programs which are, really, new developments in electronic journalism. They are public affairs programs which we have taken off the high didactic level that we had before, and which we are trying to bring to the level of the people so that they will be interested, in the first place, to look at them, and also so that they will participate more in the discussion of some of the questions which are in the people's mind generally.

In doing this, you change your approach in order to get a greater base—and I am not talking here of trying to get a maximum audience in any way possible. I am just saying that it is desirable for us to attract a broader base for public

affairs programming than we have been able to attract in the previous three, four or five years.

Seven Days was such an experiment and it did very well in many respects, but we found that it had many shortcomings, in terms of going too far at times on matters of good taste, in the manner of handling controversial matters and in the journalistic ethics that were used in the collection of the information.

Management moved to achieve the modifications that were necessary on this program, and we got a revolt on our hands. You know the result of it. As a result, we were before the House of Commons committee for about a month and a half.

Frankly, to our surprise—if you will read the report of the committee you will see it—the management attempt to bring the necessary correction did not receive very enthusiastic support. On the contrary, I would say the producers, and what they called their more daring approach to programming, carried the day.

Senator LANG: Mr. Ouimet, if my recollection is correct, the report of that committee was passed when there were only seven members present.

Mr. OUIMET: All I know is that it does not make it too easy today for management to exercise effectively the degree of leadership and authority that we are called upon to exercise.

You were referring to the chain of responsibility. I do not think there is anything wrong with the organization. Some people think the chain may be long. On the other hand, this is a big organization, we operate in two languages, and I do not think the problem, if there is one, resides there.

We are dealing here with differences of opinion in different components of the corporation, and that is what I was trying to say in my prepared text.

The solution of our problems in this respect, to the extent that we would like to minimize these few mistakes that slip through, is to get a greater, a wider consensus of opinion on matters of taste, in other words, on the institutional philosophy and criteria at all levels of the corporation. This is the way to do it. We will not do it by some sort of internal censorship, where anything that is to be done is submitted to a particular group or office, who will say "this goes, this does not go." You cannot produce programs in this manner.

You were talking about private stations, sir. I do not know whether you have seen some of the counterparts of the Sunday or Seven Days programs, on Sunday night on some private stations. I think there they have the same sort of situation to deal with, which arises from the pluralistic character of the audience they serve. I do not think there are different standards. On the other hand, in the field of plays and drama, of course, we are the only ones who produce them. Therefore, it is pretty hard to compare our standards with the standards of the private stations, because they do not produce such programs, they do not produce drama. In the field of public affairs, as far as we are able to judge, I would suggest that you look at the first program put on the air this year, on W5. This is not a criticism. I am just saying that this apparent difference of standards is not one which is dear to me.

You ask about disciplinary action. In the case of Seven Days, you will recall that we tried to do something, that we had this revolt, and that the rebels continued their well organized campaign for about seven weeks. When it was all over we said vary clearly: "Now, here is a contract, will you abide by our regulations or will you not?" As a result of this, we lost some very talented but rather rebellious people.

In this particular case of Sunday, it is too early, I submit, to judge the series in any definitive way. It has had five or six programs. One of them, particularly, has caused this difficulty, but the other programs generally have been improving. We have to be very careful not to throw the baby out with the bath water, in

such cases. We would rather watch this program and see how it progresses, at least for a time yet, and then make a decision. Over the years, every time we have started something new, there has been some difficulty of one kind or another. In other words, it takes time to bring a program like this off the ground and that kind of programming, which attempts practically the impossible, that is, to interest masses of people in some of the broad and complex problems of society, is really a very difficult thing to achieve. I think it is worth while keeping at it.

You have asked about the cost of Sunday. I think the cost of Sunday is something under $50,000 a week, for an hour's show. It is a fairly expensive program but in relation to other one hour programs it is of the same order of magnitude.

You asked me for the cost of Exit 19 extract. I am not absolutely sure, but I think it was $1,000.

Senator SMITH (*Queens-Shelburne*): May I ask a short supplementary question? I do not think the question asked by Senator Lang was covered completely; your answer has not covered his question completely. He asked whether these people had been disciplined. Is the answer "No, they have not been disciplined," for the reason you have given, namely, that you were of the opinion it was too early?

Mr. OUIMET: On that point, it was our view that in this particular instance the record of the program in other respects and also the attitude of the producers did not warrant discipline in the sense that the only discipline we have is to dismiss someone or take him off the program. I do not think this was warranted.

Senator SMITH (*Queens-Shelburne*): Could you not call them to the office and slap them on the wrist? You do not have to rob them of their means of income.

Mr. OUIMET: Gentlemen, you must not assume that the management of the corporation is so naive as not to use the usual methods of dealing with situations it does not agree with.

Senator POWER: Would you at least tell them not to do it again? Would you at least go that far?

Mr. OUIMET: Right.

Senator POWER: You have not said that publicly.

Senator FLYNN: Mr. Chairman, I have a supplementary. A comparison has been made between the CBC and private stations. I think Mr. Ouimet would agree that he cannot assert the same disciplinary actions as can private stations. Is that not so?

Mr. OUIMET: I do not know that there is any reason why we cannot. I would not hide behind that particular excuse.

Senator FLYNN: I do not think you can hide behind it, but it seems evident after the event of Seven Days.

Mr. OUIMET: I was not referring to that sort of thing. That was a case, where we were really trying to do something and our action was misinterpreted as just bad management.

The CHAIRMAN: Senator O'Leary, I think you have been waiting patiently.

Senator O'LEARY (*Carleton*): Mr. President, you have stated before the Commons committee and you have repeated here today that you thought this program, "Sunday", or certain aspects of it, was a mistake.

Mr. OUIMET: One aspect of it, yes.

Senator O'LEARY (*Carleton*): All right, one aspect. You thought it was a mistake. Now, what I would like to ask you is this: Mr. Daryl Duke, one of the producers of this program, said that you were wrong and that it was not a

mistake. At all events, he implied that you were wrong, for he said that it was a good program and that he did not intend to change anything about it.

If, in your judgment as president, this program continues and makes other mistakes, what will you do about it and how much time will it take? That is one question. Now, you spoke a minute ago about electronic journalism. I think "electronic journalism" is an abuse of language, but we will let that pass. However, speaking of journalism, the *New York Times,* possibly the greatest English-speaking paper in the world, has a motto, "All the News That's Fit to Print". All that motto means is that the *New York Times* operates within a framework, within a code. Mr. Sulzberger evidently knows what he means by "All the news that's fit to print". He does not keep looking over their shoulders to see what is being published the next day, but they know that, if they violate this injunction, they will bloody well be fired. So there is a code. There is a method of operation there.

Now, are you telling me that the C.B.C. could not devise some system, could not lay down a code for your producers? It seems to me to be a simple matter.

Now, sir, if you do not mind just one more comment, you have said here this morning that the C.B.C. should not be judged by two programs; that it should be judged by its general character. I will agree with that. But is this very good logic: suppose that I lived a virtuous life all my 75 years, but at the age of 75 committed rape—

An Hon. SENATOR: That would be a miracle.

Senator O'LEARY *(Carleton)*: Would my past virtuous life justify my committing those foul deeds? Surely the way to judge the C.B.C. if it violates public taste and good judgment, is on the basis of a particular program.

Also, and this will be my last question to you, this White Paper here speaks of total control of programs by the C.B.C. Just upon what is that based? Is it based upon a statute of some type? How is that authority delegated to you? How do you distinguish between programming and the general structure of the C.B.C. For example, supposing you had programs of excessive cost or programs which repelled the public and this endangered the C.B.C.'s structure; are you saying that in such a case Parliament could not intervene—Parliament which votes the money?

I think I would like to ask you this question too: is it not a fact in the case of the B.B.C., which was supposed to be the model for the C.B.C., the Government and Parliament exercise direct control over programming? The Postmaster General, as I understand it, can prohibit a program at any time, if he feels it is not in the public interest, and he has so acted.

Now, that is all I have to ask.

Mr. OUIMET: May I deal with the last question first?

Senator O'LEARY *(Carleton)*: Deal with them in whatever order you wish.

Mr. OUIMET: I will deal with all of them, but I will deal with the last one first because it is so easy to deal with. The Postmaster General has the power to ask the B.B.C. in writing to take a program off the air or to put one on.

Senator O'LEARY *(Carleton)*: That is right.

Mr. OUIMET: And the B.B.C. has the power or the freedom to say publicly that it has received such a directive. As far as I know, however, it has never been used.

Senator O'LEARY *(Carleton)*: But the power is there.

Mr. OUIMET: It is there, but it has never been used.

Senator O'LEARY *(Carleton)*: That is something else again.

Mr. OUIMET: I must say, since we are talking about the B.B.C. that the extract we showed was of a film passed by the B.B.C. and showed on the air. I carefully checked the reaction of the British public to it by calling the B.B.C.

and getting information on it and I believe that in London, or in England rather, they had three phone calls and 21 letters.

Senator O'LEARY (*Carleton*): But that does not interfere with my point.

Mr. OUIMET: I am coming back to the rest of the questions you asked.

Senator O'LEARY (*Carleton*): My point was that the English Government has more control over the B.B.C. than our Government has over the C.B.C.

Mr. OUIMET: Theoretically that may be true, but not in practice.

Senator O'LEARY (*Carleton*): Theory is important also.

Mr. OUIMET: Well, in practice it has never been used and, if we are going to compare the nature of the programming of the two institutions, I think you will find that the B.B.C. programming would be classed as more advanced, avant garde, and nearer to the border of acceptability than ours, but, of course, they are dealing with Britain and not with Canada.

Senator O'LEARY (*Carleton*): They are more sophisticated than the Canadian public.

Mr. OUIMET: This is the real thing. But, answering the number of questions you have suggested, you talked about Duke's statement to the papers. Well, in the first place, and I am sure you will agree with me on this, the report of a newspaper on what one of our employees has said is not too sound a basis for us to proceed on without having other information.

Senator O'LEARY (*Carleton*): Well, sir, did you inquire?

Mr. OUIMET: Yes, we inquired about this.

Senator O'LEARY (*Carleton*): Did he deny it?

Mr. OUIMET: I think he simply said that he thought his program was right. I think he has the right of believing this. I think he honestly felt that it was proper and appropriate to include that item. There is no executive fiat that will take this conviction away from a man who has done a job in good faith. So I do not think that this, by itself, calls for action of the corporation. It would be much more important, if there were a number of repeated istances of a difference of opinion between the producer and the corporation. In that case, if the producers or supervisors did not agree with the corporation's policy, then we would say that they could not go on.

Now, you said something about judging the corporation on its overall output and not by two programs. All I was trying to do today was to indicate to you that, if we are going to really take maximum advantage of the creative resources of our people, we must take some risks. We try to minimize them, but we must not minimize them to the extent that we fall into the more serious trap of having only average or mediocre creativity.

I think this is something which is unquestioned in any broadcasting organization I know of.

Senator O'LEARY (*Carleton*): Well, sir, if I may ask, why did you get rid of Mr. Patrick Watson who I thought was the most creative man you had in the C.B.C. organization?

Mr. OUIMET: May I put that as the last question I will answer and deal with your other questions first?

Senator O'LEARY (*Carleton*): Well, that is my last question.

Mr. OUIMET: I find that I have already answered your other questions.

The CHAIRMAN: Well, I think Senator O'Leary asked you a question relating to the *New York Times*. He asked if there were not some standard of fitness in connection with management.

Mr. OUIMET: I would say that the *New York Times*' job in this respect, or any newspaper's job in this respect, since they are dealing only with written

material and also since it is written material comprised of various articles which are separated one from the other, is a much easier job than ours, where we deal with a broader field, politics, religion, news, public affairs, music, and so on—it is not the same thing. Now you ask about Patrick Watson. We did everything we could to keep him. When this revolt took place Watson decided to side with his colleagues of "Seven Days". We had offered him the most challenging assignment we have ever offered any one, and that is to produce "Quarterly Reports" which was to be a program designed to foster better understanding between Canadians, particularly between French and English Canadians. We did not fire Patrick Watson; he had a contract as a producer and he had a contract as a host which was in addition to his contract as a producer. We said "you will no longer be the host on the program"—which was not a creative job—"but we would like you to produce 'Quarterly Report.' " We didn't fire him; he resigned. He resigned as a result of this unfortunate incident.

Senator POULIOT: Did he have a double salary as host and producer?

Mr. OUIMET: He did not have a double salary, but he had—actually he had three contracts.

Mr. James Gilmore, Vice-President of Planning, Canadian Broadcasting Corporation: If I might answer this; he had one contract as the producer of a program called "Document" which was part of "Seven Days." It was part of the overall series. Once every five weeks we had a special program of one hour dealing with one subject. This program was called "Document." Patrick was the executive producer on that and that was a basic staff contract.

Senator POULIOT: How much did he get for that?

Mr. GILMORE: A second contract was as the host on "Seven Days." Every member of the staff appearing as hosts on a program must be paid in that category. This is the subject of union agreement. We cannot get two jobs for one salary. This aspect of actual performance is paid for on a completely separate document.

Senator POULIOT: How much did he get for each one?

Mr. GILMORE: I'm sorry, I don't have the figures.

Mr. OUIMET: I'm going to answer you. This question was asked in the House of Commons last year. We gave the contract to the House of Commons Committee and blanked out the amounts, because up to this point it has been recognized in Parliament and all the committees before which I have appeared that the exact amount of salaries or fees to artists or other people who give us service are not items which we could divulge without incurring some serious disadvantages. One of the disadvantages is this: the staff generally does not know what the other fellow gets, and if we start giving figures about one particular man, then immediately others who do not get as much would start to protest, to put on pressure to get an improvement. It is not a good administrative way of doing it, so if the Chair would allow me not to give this figure I would prefer not to do so. In each case there is an individual contract negotiated with each individual.

Senator POULIOT: Besides his three jobs, was he entitled to a travelling expense account?

Mr. OUIMET: If he had a program to do outside of his base, he would have been entitled to this.

Mr. GILMORE: It is not an expense account. It is a claim on the basis of travel and expenditure incurred.

Senator POULIOT: Thank you, Mr. Chairman. I have been waiting in silence for an hour and a quarter. I wonder if I could ask some questions.

The CHAIRMAN: Well, in the meantime we have Senator Power, Senator Beaubien and Senator Hays. If they are willing to concede, you may do so.

Senator POWER: I want to ask why Mr. Ouimet and his associates cannot enforce discipline in their organization just as anybody else can. If they are not satisfied with the way a producer acts, why in hell don't they fire him.

Mr. OUIMET: I have not said we were not satisfied with the producer. I have said that we think that one item on one program was a mistake. This is not the same thing. You do not fire creative talent for one mistake, because if you did you would have no creative talent left.

Senator POWER: If it is a bad mistake, you do.

Mr. OUIMET: I am quite serious about this. There is not that much of a pool of producers in Canada that we can afford to be too arbitrary in reducing it.

Senator POWER: I will try to inquire into what is in your mind in another way. You mentioned on several occasions this morning the fact that when you did appear before the committee of the House of Commons it appeared to you as if the producers who had been in something of a revolt against you had got the best of the deal. Did that influence you in not taking some kind of action against the fellow who made this mistake. Were you afraid of more criticism by the Committee of the House of Commons, or should you be afraid of that criticism at all? After all, you are an independent body.

Mr. OUIMET: It is not a question of being afraid of criticism; it is a question of taking into account the criticism from Parliament.

Senator POWER: Should you take it into account? You are an independent body.

Mr. OUIMET: In this particular case, what I was saying is that the public reaction of last spring or last summer, including parliamentary reaction to it, made it more likely that some of our producers would feel that being more daring in testing the limits of acceptability was something that could be done with less possibility of a reaction.

Senator POWER: That would lead to a greater lack of discipline.

Mr. OUIMET: It wasn't a question of lack of discipline. It is a question that they found their judgment supported to some extent and therefore they were not as impressed by management's more conservative approach to the same problem. But this is not the reason why in this particular case we decided not to take any disciplinary action. As I have said, I do not think disciplinary action is called for at this stage. But I can tell you if we get any more revolts, there will be very quick action taken.

Senator POWER: Your simple duty is to deal with revolts and run your own show.

The CHAIRMAN: Senator Beaubien.

Senator BEAUBIEN (*Bedford*): Monsieur Ouimet, would you have the people actually responsible for "Exit 19" brought here so that we can talk to them? This is not only, to my mind, a scene showing a prostitute in bed with a man, but it has also an unfavourable flavour of perversion, and I think we should have those people in front of us so that we can ask them what they are trying to do. Is it educational? What are they trying to do? What was it put there for? That is what I think we should ask. If you show a ballet and people like ballet, that is fine. There is a reason for it. But what was that put there for?

Mr. OUIMET: I have already explained to you that we agreed that it should not have been there.

Senator BEAUBIEN (*Bedford*): Would you get the people here so that we can talk to them and find out what is behind this.

Mr. OUIMET: If I might suggest to the Chair, I think the calling of individual producers by the Senate or the House of Commons or any other parliamentary body to explain their actions would be, in my opinion, a deplorable development in our relationship with Parliament.

The CHAIRMAN: I think we can leave the committee to make its own decision.

Senator HAYS: Mr. Ouimet, I just have two short questions. The one Senator Beaubien asked was what was the purpose of sex programs; and are your sex programs the most controversial? What is the purpose of these sort of programs? What are you trying to do? How are you trying to educate people in so far as these programs are concerned?

If I could make one short observation: It seems to me sex is a very private affair. It is something everybody knows about—and I realize that 80 per cent of the people used to live on the land and they learned about these things at a very early age and they were taken for granted; but this is not the plain the CBC should be programming on, they should be above this sort of thing. How far can you go with this sort of thing?

You could have a complete breakdown of marriage, if this is the purpose. I just wondered what the purpose of these particular program is.

I commend you for your wonderful programming. I think you do an excellent job. You mentioned the total number of shows you have to deal with in a year, and very few of them are controversial. It is quite easy for me to tune them out if I do not want to see them, and if I do not like the other station I can read the *Ottawa Journal*. Then, if they get too biased, I can go to the *Ottawa Citizen*.

Senator O'LEARY (*Carleton*): What is wrong with controversial programs? I am in favour of "Seven Days".

Senator POULIOT: Mr. Chairman—

The CHAIRMAN: Just a moment, senator Pouliot.

Mr. OUIMET: I think this is a question I must answer. You ask what is the purpose of our sex programs. We have sex programs, as such. We have some programs that deal with the question of sex, but there is not a program devoted to sex, like there is one devoted to music or politics or other controversial matters. We have not such a program as you mentioned, but we will discuss sex matters on a number of occasions. We will discuss on a very serious public affairs show the problem, for example, of birth control or the pill. This is being discussed throughout Canada. The public are interested; the newspapers are dealing with it; the magazines are dealing with it. If you call this "sex", then the purpose of these things is to educate, so that people will know what the current thinking is on matters of sex or related to sex. We may have in a drama, in a play, a scene, which suggests or depicts some sex. The purpose there is simply to present life generally as we know it and the artistic values of the play.

I think what you have in mind is why did we include this particular sex item on the "Sunday" program. There was a very good reason for this, although it did not come off too well. We were dealing with the new morality.

Senator BEAUBIEN (*Bedford*): Or lack of it!

Mr. OUIMET: It was a program devoted to the new morality and the reaction of the churches to it. We had a bishop and a Catholic priest, and we had a bit taken in a church in Vancouver. This item was meant to illustrate the new morality. That is where it did not come off.

Senator KINLEY: Or immorality!

Mr. OUIMET: The new morality may be considered by some to be immorality, but it is still the new morality.

Senator POULIOT: Mr. Ouimet, I think you are doing very well, for two reasons. You follow the example of Senator Power, when he was Minister for Air—you speak with candor and you admit some mistakes.

Since the beginning we have been discussing two items: "Sunday" and "Seven Days". I would be very sorry if those two trees prevented us from seeing the forest—the CBC forest.

The first question I have to ask you, Mr. Ouimet, is this: How much does the CBC get from advertising, the lump sum; and how much does it get from the Government?

Mr. OUIMET: We get $32 million gross from commercial advertising and approximately $110 million from the public Treasury.

Senator POULIOT: So the cost is $142 million a year, shared between the advertisers and the Government?

Mr. OUIMET: Yes.

Senator POULIOT: Now, Mr. Ouimet, I have another question to ask you. You said you gave instructions, general instructions, to the producers about the programs. I wonder if there is within the CBC some kind of censorship for the programming.

Mr. OUIMET: Generally speaking the answer would be, "No," in the sense that there is no board of censors. But if you define "censorship" as the process of assessing what goes or does not go on the air, well, of course, that process goes on all the time. The producer himself thinks of all kinds of things that might be done, and he himself will exercise some censorship in that sense, by judging that this item should not be shown and that that one will be shown. The supervisor above him—with whom the producer discusses the program and to whom, in certain cases, he shows the program—also exercises his judgment as to what will or will not be shown. And, normally, when there is an item which because of its nature causes the producer or supervisor to think that it should not be left entirely in their hands, if they have any doubts about their own judgment then, of course, they are expected to go immediately to the step above. There have been cases where programs have come all the way to me and where I have had to decide whether the program should or should not go on the air. There may have been half a dozen cases in the last three or four years where I have said "yes" or "no". But generally speaking, they are not about one particular item in a program: they are about a program in itself which our people are not quite sure will do the job that is expected. It is very often programs in the field of controversial subjects.

Senator POULIOT: Mr. Ouimet, what instructions are given by the corporation to the supervisors?

Mr. OUIMET: They are told the policies of the corporation. Those policies are discussed at great length with them, and then they are told to apply the policies in the supervision of the producers working for them. If anything happens—and we are working here on the basis of some 30 years of experience—when something happens—and much happens inside the corporation that never gets outside—which gives cause for questioning a particular production, the judgment of management at various levels, sometimes up to the Board is then, of course, given to the producers and to the supervisors. The repeated cumulative effect of all these judgments in specific cases establishes a sort of jurisprudence, if I can call it that, against which the supervisors and producers perform their work—and we assess them in their work.

Senator POULIOT: Does the corporation try to obtain information as to whether the supervisors have any religious belief or none?

Mr. OUIMET: We judge them by their work and not by their beliefs. It would be very difficult to find out from any individual exactly what church he belongs to, or whether he belongs to any.

Senator POULIOT: It is not a question of belonging to one church or another; it is a question of having any religious belief or having none. It makes a great difference. When people belong to a religion then they believe in something, but there are others who believe in nothing and they are atheists; they believe in no God.

Mr. OUIMET: On this all I can say is that I do not know of any recent inquiry into the religious beliefs of any of our employees.

Senator POULIOT: In fact, to speak with candor, Mr. Ouimet, there is none?

Mr. OUIMET: That is what I have said. I do not know of any.

Senator GROSART: It would probably be against the law to do so.

Mr. OUIMET: Yes, it would probably be against the law of the land to do that.

Senator POULIOT: It is important to know whether they have any belief or not. But, what is the relation between the supervisors and the producers?

Mr. OUIMET: There is a complete line of authority. By the way, the line of authority is absolutely clear all the way. The supervisor is the boss of the producer. The head of the department is the boss of the supervisor. The head of television is the boss of the head of the department, and the head of the division is the boss of the head of television. It is all very clear. There is no problem there of any kind.

Senator POULIOT: Do the supervisors have any responsibility to the corporation?

Mr. OUIMET: The supervisors? Sure.

Senator POULIOT: What did you do to the supervisors in the case of "Sunday" and "This Hour Has 7 Days"?

Mr. OUIMET: In the case of "This Hour Has 7 Days" they resigned.

Senator POULIOT: They resigned? And in the other case?

Mr. OUIMET: In the other case?

Senator POULIOT: Were they disciplined?

Mr. OUIMET: I do not think there is any reason to take any action at this moment. The program, as I said before, is in its early stages.

Senator POULIOT: Now, Mr. Ouimet, in order that you should be informed of what has been said in the Senate about C.B.C. I give you copies of the two issues of Hansard that contain the speeches made by my colleagues and myself on the C.B.C.

Senator GROSART: And there is no charge.

Senator POULIOT: I too have received some mail such as Senator Grosart has received. I give you also some samples of that mail. It is not necessary for you to return them to me.

Now, I come to my next question—

Mr. OUIMET: May I say, because I do not have occasion to make this point too often, that we religiously read everything that is said about the C.B.C. in the Senate or the House of Commons—

The CHAIRMAN: As long as you read it religiously, it is all right.

Senator POULIOT: Yes, and if you have done so you will know that I have said in the Senate that you are a sensible man, or something like that, which was a great compliment I do not often pay.

Mr. OUIMET: Thank you.

Senator POULIOT: Now, Mr. Ouimet, you know very well that some of your staff are very conceited. May I mention one case to you. It is a case I have been interested in for a long time, and it concerns the pronunciation of a French Word which is well pronounced in English, strangely enough, but which is badly pronounced in French by some of your broadcasters. It is the word "Noel", which is pronounced "Nahell" by some of the top commentators.

Mr. OUIMET: Would you say that this is a general fault made by the CBC?

Senator POULIOT: With a very few exceptions it is a general fault made in Montreal especially, and I must say the private stations follow that bad example. Not only that, but I was sneered at on the program "Aujourd'hui" two or three years ago. They had a buffoon there with a girl whose name I will give you privately. The two broadcasters of the program went to the side into the background, and others came on and made fools of themselves. They tried to ridicule me just because I had complained about the bad pronunciation of that word. Mr. Ouimet, if you speak of "Noel" you say "Noel"; you do not say "Nahell". It is fantastic.

There is one, you see, who is very cocky, very bold and very pretentious, who you see daily over the network, and who continues to pronounce that word "Nahell'. I inquired of the rectors of Laval University and the University of Montreal as to what was the correct pronunciation of that word, and neither answered. Finally I asked the question in the Senate, and I received a good answer from the Leader of the House, Senator Connolly.

Well, that is that. What I am now giving to you is a letter which was written by a young girl about 11 years ago to complain about the fact that "Noel" was pronounced "Nahell". For 11 years it has been the same story. It is impossible to correct your subalterns, and it seems that you have enough authority to tell them to pronounce that word correctly.

Mr. OUIMET: Senator Pouliot, you know, I would be surprised, frankly,—unless this happens to be the accent that is developing in Montreal—that the C.B.C. would be mispronouncing "Noel" to the extent you describe. We will look into it. "Noel" is the right pronunciation.

The CHAIRMAN: Thank you, Senator Pouliot. Senator Deschatelets?

Senator DESCHATELETS: I understand that when the management realized the showing of the film was a mistake you discussed it with the supervisor or the person responsible. My question is this: Has this person who was in charge of the showing of the film realized and admitted that he made a mistake? I ask that because you implied in one of your answers a few minutes ago that this person felt he acted in good faith, and thought that the showing of the film was a good thing. Has he realized he has made a mistake?

Mr. OUIMET: He has realized he has made a mistake in the sense that the corporation which employs him says it is a mistake and, therefore, such mistakes are not to be repeated.

Senator QUART: I want, first of all, to get in a complimentary remark. I have about 90 letters in my office written at the time we had this campaign for a clean-up of T.V., I think that the majority of your programs have been wonderful, and I congratulate you particularly upon the program "Music Canada". This was 90-minute program with excerpts from *La Traviata, Faust* and other operas. It is perfectly wonderful from many viewpoints. Furthermore, I think it gave a chance for Canadian artists to be appreciated by Canadians. That was certainly a wonderful program.

There are many, many other excellent programs such as "Festival" although there was one that we did not particularly like. "Holy Night, Silent Night", was wonderful. I think many of these programs are wonderful. Your afternoon shows are perfectly marvelous for shut-ins. Not only are they excellent programs, but they probably do not cost so much by comparison with others. "Password" is

very amusing. I know it is piped in from the States, but it is excellent. However, I am wondering if you had any reaction such as I did from the program last Sunday night, which I saw myself. I did not see "Sunday" on the previous Sunday night program. I saw the program up to a certain point. I think you must have had a tremendous listening audience. This last Sunday the "Sunday" program went very well, and I thought it was perfectly wonderful.

Regarding the last item on the program, I was wondering what would justify on a program of that type 14 to 17 year olds giving their advice on marital relations, and especially with close-ups. I think there was only one girl who even tried to present what I would call, old fashioned enough as I am, a decent approach to the whole deal.

Then I think it was perfectly horrible when one of these 14 year olds began talking about the pill. I am wondering if it is not a diabolical scheme to tear down the sanctity of marriage. And I do not agree with this new morality idea. I think morality is morality, and that your conscience should be your guide. I think the vast majority of people in Canada will be for decency—and forget about the new morality. I think decency is the same over any generation, even though we allow certain things to crawl into our drawing rooms or tearooms that did not exist before.

I am wondering if you had any reaction about this, because I did. They said this is repentance about whatever it is—Exit 19.

A prominent women lawyer in Canada spoke to me at length about it. She said that between the two programs one was entirely disgusting. I didn't see the other, and I regret that I didn't. And you smile, and probably it was quite all right, from the smile you gave me.

Mr. OUIMET: No, I was smiling because you said you regretted not seeing it.

Senator QUART: Yes. I am not old fashioned enough even at my age that my education could not be improved along these lines. However, this lawyer is a person who is in contact with crime, she is in contact with prisoners across Canada. She spoke to me very seriously about this matter, and she told me that the one program was disgusting and in completely bad taste. All right, you agree.

The CHAIRMAN: Which one?

Senator QUART: This Sunday business—Exit 19. The last one was more dangerous from the viewpoint of young people seeing it, especially teenagers. In the case of the teenager, probably brought up in a good home where they wouldn't believe in this sort of thing, would that be the cause of revolt on the part of that particular teenager against her parents, who might say, this."? I was wondering if you had any reaction.

Senator BURCHILL: Before Mr. Ouimet answers that question, may I just add that Senator Quart said what I wanted to say, only said it better. However, I think we all agree that Mr. Ouimet has a very difficult assignment. Listening to the discussion this morning on the questions asked and the answers given makes one feel how difficult it is, and we should approach this thing in a sympathetic way; at least, I do.

Senator QUART: I am considering it from the instructive way.

Senator BURCHILL: My wife and I, while viewing television last Sunday, had the same reaction. Here were all these teenagers, some of the age of my granddaughter, giving their ideas on free love against the sanctity of marriage, and as Senator Quart said, only one was in favour.

Senator QUART: Just one.

Senator BURCHILL: Our reaction to it was, would not the young people who saw that regard that as normal? Is that the normal condition today? And does a

program like that help or lead to anything? As Senator Hays asked, what is the object of a program like that?

Mr. OUIMET: I would like to answer both your questions. Without passing judgment on the manner in which it was done, my reaction was that it was too spotty, too quick and superficial. I would have liked a more thorough discussion on what I think is a very important change in the thinking of the young generation. On the other hand, if I address myself to the question of whether it is dangerous to show discussions on the air, and what good you might do by showing it, I would say that I think a lot of parents must have been quite surprised, as you were I am sure, to see that such questions are discussed so freely by so many young people today.

We have checked on this, not as the result of the last program you referred to, but as a result of many other things that have come up in broadcasting, and we find that there is a great deal of discussion and talk going on in the schools amongst the teenagers. I think we served a useful purpose by opening the eyes of a lot of people who do not even know this is going on, because many haven't got children at home that will bring them this particular viewpoint.

Senator QUART: It seemed to me that even when they moved on to the young adult type on the question of marriage there was only one couple that even said marriage could endure. Now, honest to goodness, I wanted to give that young man a good hug.

Mr. OUIMET: I am now addressing myself to the comments of the married people. I had the same reaction, you know, that they were a bunch of pretty pessimistic couples. On the other hand, I do not think that sort of thing would have really a very serious effect or a very serious impact. I think we must credit the public with some ability to judge all these various vignettes of life that they get, and they are not all of this kind. I would say if you take the sum total of our programming, the picture that we present of the world we live in is much more on the side of the traditional, of the orthodox, than it is on the side of these newer ways of thinking, and I do not think our balance would be detrimental. But I was surprised that of these families there were so many that were so pessimistic about their future, and I think the reason is very simple, they were all people that had gone to see the marriage counsellor.

Senator QUART: You are going to have a large listening audience for a time. I think the vast majority in Canada, even of teenagers, have a decent view of life. I am approaching it from the standpoint of one having 23 grandchildren, and I hope they are decent. But could we not just once at least on some of these Sunday programs have a more optimistic approach to decency, and let us get some other teenagers in who thoroughly disapprove of this laissez faire, free love business? I appeal to somebody to give us a little diet of something for what some of us believe in. Would you not agree?

Senator BURCHILL: I do, yes.

The CHAIRMAN: There are Senators Kinley, Isnor and McDonald. Are there any other questions?

Senator KINLEY: I think the whole thing is that the public is expected to be decent, and the people are trying to be. However, one must realize that television is very open these days, and perhaps that is better than the crude stories heard behind closed doors. It seems that some of the news that gets into print is not fit to be printed.

Senator ISNOR: I sat back here listening today. I am of the same opinion as I was on the 28th of November when this question was before the Senate, that the C.B.C. on the whole are doing an exceptionally fine job. I quite appreciate that there are senators today who have expressed the same thought. The task is a pretty hard one.

I speak as an advertiser. I was on the Radio Committee from 1938, I think—in the early days. I used the C.B.C. facilities from an advertising point of view, because I felt that they had the largest listening public. That is a selfish thought, perhaps, but it bears out my thought that they are doing a very good job.

Mr. Chairman, I thought we would be touching on the financial angle today, in this Senate committee, because this is the Standing Committee on Finance, and devoting more time to it, to see if they have had enough money or if they are using the money they are getting from the Government in the best possible way in regard to programs; but it has been devoted to two, and two only, programs, out of, how many did you say, Mr. Ouimet?

Mr. OUIMET: Out of 200,000 programs, on radio and television, in English and French, and the international service.

Senator ISNOR: I think they have made an exceptionally fine showing, for the money that we are providing.

The CHAIRMAN: We are open to consideration, and even to having further meetings, on other matters.

Senator ISNOR: In closing, may I compliment the president on the very, very fine statement he made at the opening of today's meeting.

The CHAIRMAN: Thank you very much.

Senator GROSART: I certainly agree in general with what Senator Isnor has just said, but I would like to return to this question of responsibility and the public function of the C.B.C. If I may again read one very short quotation, which deals with what I wish to ask, it is from page 8 of the White Paper:

> Far too little is known about the specific effects on the public of new forms of communication, or about the views held by Canadians as to the objectives of public broadcasting.

Personally, I would like to ask, has the corporation given consideration to the very strong possibility that, by the airing of certain types of human problems, it is giving the impression, because it is a public body, that some of the views and practices are actually condoned?

Mr. OUIMET: We have given a lot of thought to this, but we are no different from other independent broadcasting organizations, like the B.B.C. in England, the A.B.C. in Australia, and there are others, where it has been judged that the best way of doing the broadcasting job is to delegate the responsibility to a number of trustees—the board of directors, in our case—and then to hold them responsible for the work they do, over a period of time. I do not mean, responsible for individual programs as they come up, but to judge, after a period of time, whether they are doing a good job or a bad job, as a whole; and then to decide whether they should continue or be replaced by others. This is the standard way, the accepted way, of dealing with this.

All of those bodies are, like CBC, supported through public funds in one way or another. In our case, unfortunately, a long time ago it was judged that our financing should no longer be on the basis of a licence, as it is in the BBC or in Australia, so we have a vote every year, though the Government now proposes long-term financing. I think that the fact that we are financed through public funds should not, by itself, determine whether we should be more conservative and less progressive. I do not think so.

I think there is a job to be done, which has to be done in the best way possible, wherever the funds come from. This is something very important. I do not think that this reason which is often put forward for, say, a particular control of the CBC in the field of programming, the fact that it is costing money to the taxpayer—is one which is or should really be very high in the order of importance of all considerations that have to be taken into account.

I think we must do a good job, whether we are financed by public funds or privately or even if we cost nothing.

Senator GROSART: I suggest that is begging the question, to say you do a good job. Would you agree that you should be more responsible in your programming because you are supported by public funds than if you were not?

Mr. OUIMET: I say we broadcasters should be responsible, period.

Senator GROSART: I am asking you should you be more responsible.

Mr. OUIMET: I think we are more responsible, in the sense that probably you are using it, in the sense that we are trying to pursue some clear-cut objectives of public service, and which we can afford to pursue because the money is made available to us. But your question really implies that we are not.

Senator GROSART: No, I am not.

Mr. OUIMET: You are saying that we should be more so.

Senator GROSART: Please do not misunderstand me, Mr. Ouimet. I am interested in the whole question of responsibility to the public who provide the money.

We are in the Finance Committee and this to me is the essence of it. In every other branch of Government and every emanation of government, responsibility for the spending of money, the way to spend it, how it is spent, who spends it, and who gets it, is the essence of our whole system of estimates, which is the matter before us here. I am asking you, do you believe that, because this is public money, your sense of responsibility for the spending of it should be greater than if you were not spending public money?

Mr. OUIMET: Our sense of responsibility for the spending of money should be greater because it is public money—that I agree with. It is when you attach it to the content of programs that I have some difficulty.

Senator GROSART: That is what I am attaching it to.

Mr. OUIMET: Let me make it very clear. It is public money, therefore we should have a high awareness of our responsibility in spending it. But when you move from that point, and in a way you are suggesting that, since it is public money, therefore the corporation should be—what? Should be more conservative about what it does? Is that what you are suggesting? If that is what you are suggesting, I would say the corporation, over the last 30 years, does not believe that this is a responsibility that it has. It has to do the best, the most objective job possible in reflecting the times in which we live.

Senator O'LEARY (*Carleton*): Would you caution your people against undue extravagance in programming?

Mr. OUIMET: We do.

Senator O'LEARY (*Carleton*): You do. You say this program Sunday costs $50,000 a week. That is $2,500,00 a year, that is 2 per cent of your total expenditure. It seems to me to be a terrific extravagance for that program. I am not condemning the program itself.

Mr. OUIMET: I understand it runs over 26 weeks.

Senator O'LEARY (*Carleton*): It is still over a million dollars.

Mr. OUIMET: It is about one per cent, but this is what it costs to produce such a program.

Senator KINLEY: What is on the other side of the ledger? What do you get out of it?

Mr. OUIMET: What we get out of a series such as this?

An Honourable SENATOR: A sponsor?

Mr. OUIMET: No, sir, that is not the purpose of it. It is to bring to a wide audience—not the maximum audience, because there are other ways of getting

bigger audiences—the wide range of thinking, of developments and events of social significance in the country.

Sénateur DESCHATELETS: Monsieur Ouimet, j'espère que vous recevez du public l'appui que j'ai remarqué pour votre programme du dimanche soir, à 10 h. 30, le professeur Gillemin. Est-ce que cet appui va se continuer, l'an prochain, en vue d'avoir un programme dans la même veine? C'est ma première question.

Ma deuxième question est ceci: pourquoi Radio-Canada ne couvrirait pas une conférence de presse que donne, par exemple, le Général de Gaulle, à tous les trois mois, et qui amène à Paris à peu près 1,000 correspondants? Là, vous avez quelque chose sur la question de la politique étrangère, au point de vue mondial, et ce sont des conférences de presse extrêmement intéressantes, et je pense que le public de langue française serait extrêmement, non seulement intéressé, mais instruit par ces conférences de presse,—surtout du fait que jamais Radio-Canada n'a donné, in extenso, des conférences de presse du Général de Gaulle; est-ce que ce serait possible?

M. OUIMET: Monsieur Deschatelets, je ne sais pas, franchement, si nous allons continuer les émissions du professeur Guillemin; très probablement, s'il veut bien en faire d'autres. Ce sont des émissions très populaires pour un secteur du public, parce que ce sont des émissions de haute tenue, et je ne crois pas qu'elles soient à la portée de tout le monde; elles ont été très appréciées.

Sénateur DESCHATELETS: Avez-vous un programme similaire, en langue anglaise? Avez-vous une personnalité de langue anglaise, sur le canal 6, qui pourrait donner ça?

M. OUIMET: Non, pas régulièrement.

Maintenant, pour la deuxième question, nous avons eu des reportages,—pas seulement une mais des émissions donnant in extenso, une conférence de presse du Général de Gaulle,—parce que j'en ai vu une moi-même.

Sénateur DESCHATELETS: Je l'ai manquée.

M. OUIMET: Mais, nous ne le faisons pas régulièrement, tout simplement parce que, de façon générale, ce n'est pas quelque chose qui a un intérêt continu pour les auditeurs; mais, nous le faisons de temps en temps, et je suis d'accord, ce sont des conférences de presse qui sont très bien menées.

Senator LANG: On a lighter note, Mr. Ouimet, I have an appeal, rather than a question, arising out of Senator Quart's remarks. Probably uniquely here, I have pre-teenage children, and, rightly or wrongly, I think we try to indoctrinate them with certain precepts of life, but the television is a very peculiar medium, and they are very adept at turning on that switch practically at any time during the day and even late at night, if we do not keep our eyes open. Television is not like a book or a newspaper or any other thing over which a parent has some control. In fact, it is only three years that I have had a set in the house for that very reason.

My appeal is this: just please do not try to undermine, through the medium of the CBC television, some of the precepts that we are trying to inculcate in our pre-teenage children. I am not too concerned about teenagers—

Senator GROSART: You will be.

Senator LANG: But give us a chance with our youngsters until they become that age.

Mr. OUIMET: Mr. Chairman, I wish I could just leave it at that, but this is of course a fundamental problem of television. I am sure that parents of teenagers, pre-school children or children of any age would wish on many occasions that the programs which are made for the adult viewing audience could be kept away from their children. On the other hand, look at it the other way: should the CBC,

or any other broadcasting medium, program entirely on the basis that children might be looking in? If we did, this I can tell you, television would be nothing more than a means of educating children or entertaining them.

We are doing a lot of adult education now. There was a time when we could safely count on the fact that, if a program was after 9 o'clock the parents would send the children to bed and we would be able to talk to the parents in their own language. But, apparently, the parents have given up exercising in the home the kind of discipline which each parent should exercise. At least, they no longer exercise discipline in the way we had hoped they would at the beginning.

Now, what do we do in a situation like this? I know of many families where the children will look at the late shows at 11.30—and 10 o'clock, which is fairly late, is the time for "Sunday". Really, any child too young to see some of the realities of the day, frankly should be sent to bed. I know it is very difficult, but do not leave it entirely up to the C.B.C., otherwise, I am sure you and the public will be complaining about the level of programming we put out, which would be addressed to the level of the 10 or 12 year old. This is a real dilemma.

Senator QUART: On the other hand, Mr. Ouimet, on the 14th February, not the last February but the previous one, on a program between 7 and 7.30 a Dr. Ellis expressed his viewpoint regarding love clubs, the campus and so on, and he suggested that it would be frustrating not to have premarital relations. Certainly, that was not a good hour for such a program, and I was very glad that he was brought to task a couple of times for that.

Mr. OUIMET: Was it a fairly well-balanced program?

Senator QUART: No, it was all weighted in the direction of free love. In fact, he was the only speaker on the program.

Mr. OUIMET: I wish I had seen that program so that I could comment on it.

Senator QUART: That program was on the 14th February.

Mr. OUIMET: Was it on radio?

Senator QUART: No, it was on television.

Mr. GILMORE: It was not "Cross Canada Checkup," was it?

Senator QUART: Don't ask me. I turned on the television and my first reaction was to telephone my children to tell them to turn off their television sets. I have no young children. My worry now is with grandchildren, and that was my first reaction after seing that program, but by the time I telephoned the lines were all busy and that was that.

Mr. GILMORE: May I ask if you recall the name of the program, because some years ago he was on "Fighting Words," when "Fighting Words" was on in the evening.

Senator QUART: The program was fighting words the night I met him, but that is not the night I am referring to.

Senator O'LEARY (*Carleton*): You are referring to Dr. Albert Ellis. I have read him for years. I was spoiled by him. I do not think anybody pays too much attention to him, though. You can read ads about him in the *New York Sunday Times* every Sunday.

Senator QUART: My point is that that was an early hour, but even if it was later on in the evening I think it would be objectionable.

Senator ASELTINE: Do you read *MacLean's,* Senator O'Leary?

Senator O'LEARY (*Carleton*): I never read *MacLean's,* thank God.

Senator GROSART: I will sum up my whole point with a quotation from this White Paper:

How can the people from Canada—

And I stress that phrase—

> Retain a degree of collective control over the new techniques of electronic communication that will be sufficient to preserve—

And I emphasize that word—

> —and strengthen the political, social and economic fabric of Canada, which remains the most important objective of public policy.

Mr. OUIMET: May I answer this?

Senator GROSART: It is a "How can we" question.

Mr. OUIMET: The best way of doing it, and the only way in my opinion and, as you know, I will be leaving the scene probably before the end of next year so I am not speaking for myself here but I am speaking on the basis of what I have learned over 30 years of experience in broadcasting—the best way is to appoint the strongest possible board of directors for the C.B.C., give them the authority, let them operate, do not investigate them every week or even every six months, judge them on the basis of a fairly long period of work, and, if they prove not satisfactory, get rid of them, if you can find anybody better.

Senator GROSART: How do the people of Canada get rid of them?

Mr. OUIMET: Well, that is up to Parliament and the Government. I do not think there is any problem concerning the people of Canada. I think the problem —it is not really a problem but is more a difficulty—and I think the difficulty is to reconcile the responsibility of Parliament with the idea of such a complete delegation of authority. But we are not the only country to have experimented with this. All the other countries have, and it is only in the countries where the delegation to an independent corporation like the B.B.C. or the A.B.C., and there are others, has been clearly made that the political independence of the broadcasting system has been maintained. In all countries where Parliament or other authorities have taken means other than delegation to a board of trustees there has been political control as well as other controls. The only way you can have a free national broadcasting service in Canada, or anywhere else for that matter, is by delegating to the best people you can find and then to assess their work from time to time, and not too frequently, because if their time is taken as mine has been taken over the years it will not be effective. Fifty per cent of my time has been taken in dealing with outside demands—very legitimate demands—but nevertheless I think I have the right to ask myself what I could have done with the other 50 per cent I could have had in improving our operations internally. I do not think we have found yet the proper balance between the external examinations of the corporation and the need for the executive to have as much time as possible to do their own examinations internally, and I do not think a solution can be found by superimposing on the C.B.C. Board of Directors another authority that would be even more remote.

Senator GROSART: That is what the White Paper proposes.

Mr. OUIMET: Yes, and we have already indicated to the House of Commons committee that we do not think this is good.

Senator KINLEY: Do you have the right to hire and fire?

Mr. OUIMET: Yes.

Senator KINLEY: Well, keep to that.

Senator O'LEARY (*Carleton*): Would you object if every two years the parliamentary committee looked into the affairs of the C.B.C.? This is what is done with the Canadian National Railways, and, with respect, Mr. Donald Gordon's time is very valuable too. If I am a shareholder in the C.P.R. and I do not like the way things are run, then I can sell my stock. But I am also, in a sense, a shareholder in the C.B.C. I am being taxed for it. But if I do not like the

way things are run I cannot sell my stock. Surely I have the right to look into your operation every second year.

Mr. OUIMET: You asked me if I would object. I do not object to anything. Whatever Parliament decides the C.B.C. will abide by. I am simply suggesting that the best way of obtaining what you wish, which is the best possible broadcasting from the corporation—and I think you get a good measure of that now—is by continuing with the set-up we have now, that is by delegation to a board of trustees and by the judicious appointment and replacement of directors on such a board, because any attempt to superimpose authorities, to double check or to multiply the examinations and inquiries, particularly of an *ad hoc* type, will end up with such a demand on those you have made responsible for the running of the C.B.C. that they will not be able to do their job.

Senator O'LEARY (*Carleton*): This may be an unfair question, but do you think we have been appointing the right people to the board? As I understand it, and this is true of both parties, these are political appointments. Should they be political appointments or should the government of the day, with advice, select the best possible people to sit on your board?

Mr. OUIMET: Since I have had to sit on many boards for many years, I can answer this in general terms without reference to the present appointees or the appointees at any particular time. I think the fact that appointees are known generally to be amongst a certain group rather than taken broadly from across Canada is something which leads people to suspect that we might not be as unpartisan as we should be. That is one difficulty and I think the change you suggest would, without any doubt, make it possible to attract a greater variety of people than is possible under the present system. This has been recommended by every royal commission since the beginning, so I am not saying anything new. Let me also say this: I think we have an excellent board and I think that everyone on my board would agree that there should be no other restriction as to the qualifications necessary for appointment to the board than ability, competence and experience.

The CHAIRMAN: How often do you meet regularly?

Mr. OUIMET: We meet every two months. We meet six or seven times a year for three or four days at a time. If we were in a smaller country like England we would meet probably every two weeks for one day as the B.B.C. does, but here it is so difficult to get people from both ends of the country that we have to have two months between meetings.

The CHAIRMAN: Is there an executive of the board?

Mr. OUIMET: There is an executive committee of the board, a financial committee and a program committee. The financial committee which deals with administrative and financial matters meets more frequently than the other committees.

The CHAIRMAN: It is now twenty minutes after one. We have had a very long and very informative meeting and also a very useful one. If there are any other questions, I do not wish to forestall them.

On your behalf I want to thank Mr. Ouimet for the very free, frank and very informative presentation.

Mr. OUIMET: May I put something on the record at this stage? I have had an answer to the question about the audience panel. Each member makes reports at seven to ten week intervals, and is paid less than $5 for this total period.

The committee adjourned.

First Session—Twenty-seventh Parliament

1966-1967

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

No. 17

Tenth Proceedings on The Estimates

laid before Parliament for the fiscal year ending 31st March, 1967.

THURSDAY, MARCH 2nd, 1967

WITNESSES:

Canadian Corporation for the 1967 World Exhibition: Robert F. Shaw, Deputy Commissioner General and S. D. Redliker, Director, Finance and Administration.

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

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OTTAWA, 1967

25429—1

THE STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Burchill
Choquette
Connolly (*Halifax-North*)
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
MacKenzie
McCutcheon
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Thorvaldson
Vaillancourt
Vien
Welch
Yuzyk (47)

Ex Officio members: Brooks and Connolly (*Ottawa West*).

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 24, 1966:

"The Honourable Senator Leonard moved, seconded by the Honourable Senator Farris:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, in advance of the Bills based on the said Estimates reaching the Senate; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—

The question being put on the motion, it was—

Resolved in the affirmative."

J. F. MACNEILL,
Clerk of the Senate.

25429—1½

MINUTES OF PROCEEDINGS

THURSDAY, March 2nd, 1967.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators Leonard (*Chairman*), Aseltine, Beaubien (*Bedford*), Beaubien (*Provencher*), Belisle, Brooks, Burchill, Deschatelets, Flynn, Gershaw, Grosart, Haig, Hays, Isnor, Kinley, Quart, Rattenbury, Smith (*Queens-Shelburne*), Thorvaldson, Vaillancourt and Welch. (21)

In attendance: R. J. Batt, Assistant Law Clerk and Parliamentary Counsel and Chief, Senate Committees Branch.

The Estimates laid before Parliament for the fiscal year ending March 31st, 1967, were further considered.

The following witnesses were heard:
Canadian Corporation for the 1967 World Exhibition:

Robert F. Shaw, Deputy Commissioner General.

G. D. Rediker, Director, Finance and Administration.

At the conclusion of the above testimony, the Committee proceeded to discuss the draft report of the Steering Committee, and it was duly *Resolved* that the Steering Committee be granted authority to complete the report and submit it to the Senate.

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

Attest.

Frank A. Jackson,
Clerk of the Committee.

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Thursday, March 2, 1967.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, met this day at 11 a.m.

Senator T. D'ARCY LEONARD in the Chair.

The CHAIRMAN: Honourable senators, in the notice calling the meeting there were two items, one being the draft report of the committee, and the other, Bill C-271, being the supply bill. That bill, after the Leader of the Government (Hon. Mr. Connolly, *Ottawa West*) had spoken yesterday, was passed on the understanding that the Finance Committee was to meet today and would have witnesses before it from the Expo 67 Corporation; so that formally Bill C-271 is not before us. What is before us is the subject matter to which it is related. Consequently, there will not be any need, naturally, to report from this committee to the Senate on this particular. Therefore, this meeting will be one of our regular meetings of the Finance Committee dealing with government expenditures. It is in that context, as well as in the particular context of the appropriation of $21 million covered in the bill, that we are meeting today.

First of all, I might deal with the draft report of the Finance Committee. All of you will have received a copy of this report in the mail, although I doubt whether all of you will have a copy before you at the present moment. This report, of course, covers the proceedings of the committee throughout the whole year and is the formal report by the committee to the Senate on the expenditures covered by the Main Estimates and the Supplementary Estimates for the whole fiscal year. When the report was drafted, we did not of course have Bill C-271. There is a possibility that there will be further Supplementary Estimates, and a bill based thereon, before the end of the fiscal year.

The draft report did endeavour to take into account the possibility of further expenditures and used, in its calculations, the estimates of expenditures made by the Minister of Finance in his budget speech and in his mini-budget speech.

To that extent, we do not need to wait actually for a further supply bill to put in a draft report to the Senate. We are approaching somewhere near the end of the session and it is desirable that we do put in a report. I do not know whether the members are prepared to deal with the draft report today. At the end of this meeting I might ask you whether you wish to consider the report today as drafted and either approve of it or amend it; or whether you wish to have it stand over and possibly leave it to the Steering Committee—which has already approved of the report—to make any changes that are necessary, or to bring in any changes that are made today. If that is agreeable, we will let the draft report stand until we deal with the other matter.

Going on with the subject matter of Bill C-271, which was the act approving of a loan of $21 million to provide for the purchase, acquisition and holding by the Minister of Finance of securities issued by the Canadian Corporation for

the 1967 World Exhibition, we have as witnesses today Mr. Robert F. Shaw, Deputy Commissioner General of the Corporation; and Mr. G. D. Rediker, who is the Director of Finance and Administration of the Corporation.

On your behalf, I welcome them here. They have come from Montreal especially to be here before this committee, and they will be going back later today. We are very grateful to them for coming here.

Of course, not only is the subject matter of this bill before us but all the financial matters concerning the Expo 1967 Corporation are before us. I suggest we proceed in the usual way by asking Mr. Shaw to make a statement, and then the meeting will be open for any questions. Is that agreeable?

Hon. SENATORS: Agreed.

The CHAIRMAN: Mr. Shaw, would you like to proceed?

Mr. Robert F. Shaw, Deputy Commissioner General, Canadian Corporation for the 1967 World Exhibition: Mr. Chairman and honourable senators, I should report that the exhibition is proceeding well and it will open on time. Our difficulties in recent months have arisen largely from greater public acceptance, at a given time, than we had anticipated. This has given us some problems with the printing of passports, room reservations, and tickets for the performing arts. In every case we have been too modest in our preparations and have had to take extraordinary measures to deal with the situation.

I think the quality of the exhibition is good. The site is full. There are no empty lots; I might sum up by saying that we are pretty excited about it.

Aside from lack of experience—all exhibitions are run by greenhorns and sometimes we are caught up by our inexperience—our greatest problem is in estimating of the revenue side. The governments must give us some guidance in this.

We are not sure how many people will come and what they will spend. It can be seen from the sale of tickets that our original estimate of admissions was obviously low. But all world exhibitions operate under very heavy deficits. Unexpected increased patronage does not necessarily mean more profit; it simply means more provision for food service for more people, but this kind of operation does not always return high profits.

One of our difficulties lies in estimating the asset salvage value of the Corporation. This problem can be illustrated by taking as an example the theme buildings. Here we have magnificent experimental buildings containing carefully planned exhibits which have been put together under the advice of committees of leaders in various disciplines. There are many related exhibits telling a story of some of the environments of mankind.

If those buildings were to be dismantled and the exhibits distributed, the salvage value would be quite low. On the other hand, if it were decided that the best way to keep some of these wonderful exhibits would be to keep them in relationship with other exhibits around them, it might be that the federal Government would decide to buy from the Exhibition Corporation these theme pavilions at cost, less one year's depreciation. Or, in its wisdom, the federal Government might decide to buy them for one dollar. I use this to illustrate that, when it comes to estimating revenues, there is room for wide variation.

We asked the federal Government if it would be good enough, with the other two sponsoring governments—the Province of Quebec and the City of Montreal to set up a working committee (not a part-time committee,) to study these problems and give us some guidance.

The committee was named last week. Major General G. A. Young, former Deputy Minister of Public Works, and Mr. L. Richard, President of the Crown

Assets Disposal Corporation, will be the federal members on that working committee. The province of Quebec and the City of Montreal have been asked to name their representatives. We hope the committee will meet within the next week. This may help us to clarify the picture.

Mr. Chairman, I do not know if you wish me to comment on the problem raised by the Auditor General with respect to finance.

The CHAIRMAN: The question has already been raised in the Senate. Perhaps you did not read Senate *Hansard* of yesterday. If you are ready to go ahead on that, I think it would be wise to do so.

Mr. SHAW: I would be happy to do so. The acts which set up the corporation provide for a grant of $40 million to be distributed on the following basis:—50 per cent from the federal Government, 37½ per cent from the Government of the Province of Quebec, and 12½ per cent from the City of Montreal. With the acts you have a tri-partite agreement which goes another step and says that the deficit of the Corporation, whatever it may be, will be divided in the same ratio.

Another provision is that beyond that $40 million the Corporation may borrow, with the loans being guaranteed by the federal and provincial governments.

The Auditor General feels that the arrangement which was made between the three governments, that is that these debentures would actually be issued by the federal Government, should be strengthened by additional grants at this time or by some more formal method of agreement on the repayment of these loans to the extent that the Corporation cannot produce revenue.

Senator BROOKS: Would the grants be made from the three sources that you are mentioning?

Mr. SHAW: In terms of the acts and the tri-partite agreement between these three governments, the net cost of the exhibition at the end of 1968, or whenever the books are closed, will be divided between the three different governments in the same proportion. That is provided.

The Auditor General feels that there should be at this time a more formal and detailed arrangement for recovering the net cost. I think that summarizes what he is saying in his report. He also mentions the asset value, which he feels should be at approximately zero for the time being, until a better figure is found. We have estimated, on what we hope is a conservative basis, that it would be of the order of $60 million. This may seem a lot, but, for example, one-third of that is for the bridge across the St. Lawrence River. It was quite impossible to make that bridge a temporary one, because of the depth and swiftness of the river. So we made it six lanes wide. It is well located for future use. The two bridges, therefore, that span two of the three waters, between the north shore and the south shore, have been made six lanes wide. Unless my memory fails me, they are estimated to have an asset value of the order of $20 million.

Senator BROOKS: Would the prospective purchasers be the City of Montreal or the Province of Quebec?

Mr. SHAW: Well, sir, this is one of the things we would like to have advice on, because from reading the newspapers it would seem to me that there has been a long debate as to who should own the bridges that are there now.

Then there is the amusement area on St. Helen's Island. The City of Montreal has expressed an interest in buying it. In fact, there is an agreement covering the terms under which they would buy it, which basically says that they will buy it for its cost less a one-year depreciation, subject to a two-year test period when they will check that it is actually a good operating investment based on post-Expo use.

We have had opinions from both Tivoli and Disneyland that it is one of the world's outstanding amusement areas, so we are quite confident that it will have a high economic value. Again we carry that at approximately $22 million in our asset values.

The balance of the $62 million is a series of other things that we feel will have some asset value: the Autostade, our office building, and one or two others. So that up to date we have been quite conservative, we think. We have only taken those things that have an obvious or fairly obvious asset value, and yet there is this big area of the unknown that I mentioned.

Senator BURCHILL: In estimating the $62 million, did you put in any estimate at all on the unknown.

Mr. SHAW: No, we did not, sir. Our hope is that we will have more visits than the 35 million we have set as our official target, and more asset values than we have set. We have tried to be conservative, and yet our net costs have mounted, partly through inexperience and partly through circumstances that developed as we went along.

Senator ISNOR: What per cent have they advanced over your estimate?

Mr. SHAW: You mean our net cost?

Senator ISNOR: Yes.

Mr. SHAW: Our original estimate was $47 million net, and the approval covered by the report of 1965 was for $82 million. The governments are now considering increases in that.

Senator ISNOR: It is 100 per cent, roughly, of the original.

Mr. SHAW: At least, I would say.

Senator KINLEY: You spoke of three governments. What did you mean?

Mr. SHAW: The Province of Quebec, the City of Montreal and the federal Government.

Senator KINLEY: They are the only ones responsible for capital costs.

Mr. SHAW: That is right. Those are the three sponsoring governments.

Senator KINLEY: What are the other provinces doing?

Mr. SHAW: They are all participating in the exhibition. Quebec has its own pavilion; Ontario has its own pavilion; the four Atlantic Provinces have a single pavilion, and the four western provinces have a single pavilion. All are excellent.

Senator KINLEY: That is good. Now, how is your advance sale of tickets? You have had great advertisements on them. Are you selling them at a discount?

Mr. SHAW: Yes, we are. The discount is less now than it was three days ago.

Senator KINLEY: It is getting less every month.

Mr. SHAW: The current situation is that we have sold $21 million in advance sales. This is well beyond our wildest hopes. In fact, we ran out of passports. It took us about four months to overcome the printing slack because we sold them faster than expected. In addition to that we have actually received cash for another $8 or $9 million on what are called guaranteed sales. That is, we have received cash, but the purchaser may return up to 80 per cent of the passports that he buys in the event of some disaster. But we only sell those to very reliable people. The biggest order, for example, comes from American Express. The next biggest order comes from caisse populaires. These people have made a pretty good assessment of what they think they can sell, and they are responsible people.

Senator BROOKS: You are selling them outside Canada?

Mr. SHAW: Yes, all over the world. However, we do not count cash in the bank for the returnable portion of the guaranteed sales. So, if you were to add only the 20 per cent, the figure would come out at about $23 million. We have not opened the gate yet, but it works out to something just over a dollar per admission. So it is very obvious that our original estimate of 30 million visits will be exceeded, and it is not impossible that we will even pass the 35 million that we are now anticipating.

Senator THORVALDSON: In connection with the sale of this latter group of tickets, what motivates American Express to buy them? Will they sell them at a profit or will they just keep them for their customers? The same question applies to caisses populaires. What is their purpose in buying these tickets?

Mr. SHAW: The caisses populaires are selling for a commission. American Express are selling for a commission, but in addition they are our distributing agent to retailers in the United States. They have a better entree than we have to the banks and similar business institutions in the United States. So they are actually our contractor for distribution in the United States. I believe that this $9 million order from American Express is comprised of what they can actually sell themselves, so that we are quite hopeful of the results.

Senator KINLEY: They bought them before the expiry date but are going to sell them at the regular rate.

Mr. SHAW: Anybody can buy wholesale from us at the wholesale price for that period, but they must not sell retail except at the published price.

Senator KINLEY: They have to buy $1,000 worth?

Mr. SHAW: Yes.

Senator THORVALDSON: When you refer to wholesale price, is that the price at which these tickets were available at the banks a few days ago? Is that what you call the wholesale price?

Mr. SHAW: No, that is the price at which we sold to the banks and they got a commission by selling at our published retail price.

Senator THORVALDSON: What percentage commission would the banks be entitled to?

Mr. SHAW: It is approximately 20 per cent—a figure which we took from the experience of other world exhibitions which had sold tickets in advance.

Senator DESCHATELETS: In fact, so far as passport sales are concerned, you are doing a lot better than the Brussels Fair did?

Mr. SHAW: Yes, much better. I believe they only sold their tickets for some 60 cents, and their total sales for the whole of the exhibition came to about $17 million. We have already surpassed their sales far and away. I am sure we will also do better than did the New York World's Fair. I do not have the figures, but I know that the New York World's Fair sold a million dollars of advance admissions in the first eight months that they had them on the market. This was where we got into trouble, because we provided only four times as many passports as that, thinking that we would not run out, but we actually sold $15 million worth in the comparable period, and if we had had more we would have sold more.

Senator DESCHATELETS: I understand that so far most of these sales have taken place in Canada.

Mr. SHAW: Yes. I am afraid that I do not have the figures, but that is true. Considerably more were sold in Canada than in the United States.

Senator DESCHATELETS: Is there any special effort being made to reach the American market?

Mr. SHAW: Very much so, and we are getting a very good response now. We did have to overcome the unpopularity of the New York World's Fair. There is no doubt that we have achieved this. There is tremendous interest in the United States and this is also reflected in a rapid rise in sales in that country. American sales are now standing at $3 million or $4 million plus that $9-million order we received recently which has a return feature.

Senator KINLEY: You are advertising extensively in the United States. I noticed you had quite an ad on Broadway in New York.

Mr. SHAW: Yes. We have had tremendous support advertising. By that I mean the press and commercial and industrial companies are including us in their advertising. Hockey fans will have noticed that the Expo symbol is now the focal point in the Montreal Forum. I would estimate that the support advertising we have received would have cost the Government something in the order of $40 million if we had had to buy it.

Senator KINLEY: You are getting a lot of free advertising at various functions. Practically every show today has something of Expo connected with it. Even last night at a fashion show for ladies' dresses, which was held at the Chateau Laurier, every third word was "Expo 67 style".

Mr. SHAW: Yes, we are doing surprisingly little of that ourselves. We are now slowing down on our advertising spending because we feel there is a snowball effect of support advertising, and that we can coast on it for a while.

Senator THORVALDSON: May I ask what is done with the funds that result from the sale of tickets? Are these going back to the Corporation or are they being used for operating?

Mr. SHAW: Yes, except for the guaranteed portions.

Senator THORVALDSON: They do not go back to the Government in payment of the loan?

Mr. SHAW: No, we have no major revenue until we open the gates.

Senator THORVALDSON: But these are major revenues.

Mr. SHAW: Yes, that is true, but our costs outstrip them by far.

Senator THORVALDSON: You are using these funds as well as the proceeds of the $21 millions which will result from this bill?

Mr. SHAW: That is correct.

Senator HAYS: Do you have any estimate as to the revenue you hope to receive, and what other forms of revenue there will be besides ticket sales? What about concessions and that sort of thing?

Mr. SHAW: Well, there are tickets, rides, the minirail—the little monorail that runs around Expo—performing arts, commissions on concessions including national pavilions—they pay us a percentage of their sales—and the factor which I am reluctant to mention, revenues from salvage value.

Senator HAYS: Do you have any estimate of what the net position will be at the conclusion of Expo? I think you estimated that $35 million worth of tickets have been sold.

Mr. SHAW: Yes, we do have estimates but I tremble to use them.

The CHAIRMAN: We will take them as guestimates.

Mr. SHAW: Will you, please? The approved budget as of March 31, 1966, which is the last published, although we are working on others, shows total revenues of $250 million. The breakdown included sponsorship at $54 million. One of the things we have done ourselves is to reduce that because it is obvious we are not going to make it. Revenue from all sources, concessions, rides and gates, is estimated at $125 million. Salvage value is estimated at $10 million, and there will be an asset value of $60 million, which I mentioned before.

Senator THORVALDSON: You referred to sales, Mr. Shaw, from the pavilions. What is the position with regard to sales tax on those sales? Will they carry provincial sales tax?

Mr. SHAW: They will carry sales tax. We have made a very interesting series of calculations for ourselves which indicate that the tax revenue to the three sponsoring levels of government will come to some $165 million. This tax revenue will derive from the money spent inside the grounds plus our calculation of unemployment insurance not paid, based on comparison between Montreal and the rest of Canada. Then we have had a consultant prepare a study on the economic impact of Expo on Canada. We have just received the report, and it indicates a minimum of $200 million in tax returns to the three levels of government. Therefore, our deficit can become rather husky before we cost the Canadian taxpayer anything. I suppose one can debate whether certain of these taxes would not be collected somewhere else, because, for example, my income tax is there and if it was not it would be on what I earned by working somewhere else. This is too complicated a matter for an engineer, but the truth of the matter is that the Government will certainly collect far more by way of taxes from Expo than they spend.

Senator QUART: May I inject a feminine note in this discussion? I understand that the National Council of Women, in order to facilitate the bookkeeping on all this, has acted as distributors for the various women's organizations. Haven't they done very well?

Mr. SHAW: They have indeed. I am told that the figure is $2 million.

Senator FLYNN: I want to ask Mr. Shaw if, without going into details, he can give us the various estimates of expenses and revenues for the various stages, and possibly give us an explanation of the gradual increases that have resulted.

Mr. SHAW: Yes. If you would permit me to skip the intermediate step, I would like to emphasize again that we are still working on it. The figure of $82 million in the latest report of the Auditor General and covered in the budget of March 31, 1966—I don't want to lead you astray but we are certainly asking for more at this time, although we have not come to the end of it and I will try to get through it as quickly—

The CHAIRMAN: I wonder whether it might help if we started with some figures that I think might be in Senator Flynn's mind. They are certainly in mine. In the Estimates before Parliament $80 million went to the exhibition in 1965-66 for the purchase of debentures, and in the Main Estimates $110 million, bringing it up to $190 million, and then in the Supplementary Estimates $21 million, which brings it up to $211 million.

Mr. SHAW: This is borrowing. I think you were talking about Estimates.

The CHAIRMAN: Yes.

Mr. SHAW: I think we can start out with $47 million and climb quickly to the $82 million. Under the capital heading we suffered early from the New York World's Fair, and we did not get a good response from the business community. There has been a marked improvement recently, but as we came to our deadlines

for doing things that were essential for the exhibition, things which we had assumed originally would be done by participants we had to pick them up and do them ourselves. This increased our costs by some $12 million.

We made a little gain on the amusement area because of the City of Montreal's interest in purchasing it from us, and so it improved its asset value by about $12 million. Then we had estimated our infrastructure—our facilities, our lots, our sewers, our water lines and power—for 50 nations in the original estimate and, as you know, we now have 72 foreign government participations, including cities and inter-government organizations like the European Economic Community. Therefore, we had to make more land and services available, and that cost us $4 million.

Then we had left out of our estimates, because we did not know you needed them in Montreal, two sewage treatment plants. Someone changed the Quebec law just at the wrong moment, and although others in Quebec had not done so we were obliged to provide these facilities. The City of Montreal is paying for them and is charging us rent. Nevertheless, we built them at that stage and it cost us $2 million.

We underestimated the exhibition capital-wise to the extent of $6 million. In other words, when we got into the details, certain things were more complex than we had realized. We put a contingency item of $9 million in the capital account because we were sure that when we got to this stage we would run into exceptional expenses. We have been having a terrible time with parking lots recently because of the increased number of cars that are going to come. We had to re-arrange the gates so we would not have a traffic jam that backed up on the expressway. We put a contingency in to cover that type of thing. We had originally thought of the theme buildings as being permanent. Therefore, they carried a fairly high asset value. Then we came to the conclusion they would be temporary, so we took something in the neighbourhood of one-quarter of a million dollars out of our asset value. Now I think we are going to swing the other way. They have begun to have a more permanent feel.

I have told you about sponsorship. The World Festival of the Performing Arts has had a greater response than we estimated. The cost went up and the revenue went up. The nations have begun to compete. They have been competing to bring us the best they have to offer, and we have had more bookings than we anticipated.

We assumed our minirails would be on a concession basis, but we could find no takers. We had to have secondary transportation, and therefore we took them into our own books and built them ourselves. That caused an increase in both cost and revenue, with a saving of about $3 million.

Senator THORVALDSON: You mention you could not find any takers for the minirail concession. What concession is that?

Mr. SHAW: There are the small monorails that we call minirails.

Senator KINLEY: You are going to take people free on the monorail if they have a ticket?

Mr. SHAW: No. Only the mass transit system is included in the price of admission. We jacked the basic ticket price up 50 cents. This is a three-rail electric system that is fenced off. This transportation is free, except we jacked up our tickets to take care of it; but the public pays to ride on the secondary rides around the site. We take them free to a place where they can walk if they want to. After that they pay to ride.

Senator BROOKS: How about salvage? Can the monorail be used after the fair is over?

Mr. SHAW: Yes, we carry a fairly high salvage value for the equipment. In fact, we bought it ourselves from the exhibition at Lausanne. We bought two of our three systems from Lausanne. Our area being greater than theirs, we had to build a third system to cover our requirements. The tracks you do not sell for much, but the trains have a good resale value.

Our administration costs rose $14 million between those two, and this can be attributed to nothing but inexperience and bad estimating, I am afraid.

Senator KINLEY: Bad engineering perhaps?

Mr. SHAW: This is administration costs. Bad engineering, I guess that is right. Am I being too long about this, sir?

The CHAIRMAN: No, I think we are all interested in this.

Mr. SHAW: I am almost there. Our cost for outside services went up $2.6 million. We felt that with a new and green organization we would be well advised to use such Government agencies as were available to us, and therefore construction contracts were called through Defence Construction Limited, and the purchasing for the most part through the Department of Defence Production. We have used the cost audit division of the Department of Finance for auditing wherever necessary, and the employment services of the National Employment Service and the City of Montreal and Quebec Employment Service to help us hire people. That increased our estimates by $2.6 million.

We underestimated our public relations estimates and they took a jump of $7 million.

The net effect of the increases was to increase the financing charges for these loans and the like in an amount of $3 million. That, sir, takes you from $47 million to $82 million.

Senator THORVALDSON: To whom are the financing charges paid, to the banks?

Mr. G. D. Rediker, Director of Finance and Administration, Canadian Corporation for the 1967 World Exhibition: The Government of Canada.

The CHAIRMAN: The federal Government.

Mr. REDIKER: Yes, the federal Government.

Senator THORVALDSON: That is interest on loans?

Mr. SHAW: Mr. Rediker has said, in answer to your previous question, that we have an offer from a large Hollywood studio to buy one of our monorails to show people around the studio. Of course, we will not consider it until we meet to consider the whole question of disposal.

The CHAIRMAN: Do the $110 million, the $80 million and the $21 million constitute the debentures being purchased?

Mr. REDIKER: No, that is not so. The amount which has been borrowed to date is $154 million, which is made up of $44 million in the Government fiscal year 1965-66 and $110 million for the Government fiscal year 1966-67. This makes a total of $154 million, thus leaving $21 million still to be borrowed for the fiscal year ending March 31, 1967, once we have approval for this latest $21 million.

The CHAIRMAN: That is a good explanation. The time lag has resulted in your spending greater than the estimates were prepared for.

Senator MACNAUGHTON: Mr. Chairman, how does Habitat fit this project?

Mr. SHAW: There were no Habitat costs included in our estimates. This was one of the increases. Habitat originally was to have been a commercial venture requiring tax concessions by the governments and it was carried in that way in our estimates. The governments felt that this was improper, so we put it into our own estimates and built it ourselves, and added the asset value to our revenues.

Senator HAYS: Mr. Shaw, if my arithmetic is correct, these figures mean that 200,000 people a day will visit Expo for 183 days. That number will peak up to—

Mr. SHAW: From 150,000 to 350,000 is our design range. We can handle more than 350,000. You cannot design for a peak day.

Senator HAYS: How do you propose to handle these people not only with respect to accommodation and restaurants, but in a gracious city, and that sort of thing. I know that you can pretty well control them within the confines of the World's Fair. I have been a director of the Calgary Exhibition and Stampede for 30 years. We had 100,000 people a day drop in when we have estimated for 60,000. It is not a big problem, after our experience, to make everybody happy for seven days. I am wondering how you are going to do it for 183 days. The World's Fair could be ruined or become a success in the first three weeks after it opens. This will depend upon the publicity the show gets.

Mr. SHAW: I think that inside the site we can handle quite an overload. We have even emergency methods of re-supplying hot dog stands if they run out in the middle of the day. We make the operators of them plan ahead. If an operator has to bring an extra truckload of buns, then he will have to pay $25 to bring it in. That will teach him not to repeat the error tomorrow.

Off the site the host becomes the Province of Quebec, and they have taken some measures. First of all, they have passed a bill to prevent gouging in lodgings, and another bill, which is much more difficult to administer, to control apartment rentals. These were showing some signs of getting out of hand. However, most people coming to Expo will not use apartments; they will use lodgings.

Then, we ourselves, in partnership with the Quebec Government, have gone into the reservation business through Logexpo. There was nothing that made us do this, except that we felt we should do everything we can to keep people happy, both on and off the site, and so we help people to find accommodation.

Senator THORVALDSON: Is it not true that while there has been a lot of talk about keeping down hotel charges, the fact is that every hotel in Montreal rearranged its rates considerably, and consequently was ahead of you in regard to that?

Mr. SHAW: They thought they were, but actually they were a good way behind us. The provincial Government felt that control of prices in peace-time circumstances was subject to some criticism. Therefore, they considered they should have sufficient evidence that it was necessary before they took action. They required, by Order in Council, that all commercial establishments that sold lodgings should post their rates for 1967 on the backs of the doors by June 30, 1966, and that they should file those rates in Quebec. Enough of them fell into that trap that the Government then passed a bill to prevent it.

Senator THORVALDSON: I was in Montreal on April 30, and I know that on May 1 the rate for the room I was in was increased considerably.

The CHAIRMAN: But you did not have to pay?

Senator THORVALDSON: No, not on April 30, but I was told I would have to pay it the next day if I stayed.

Mr. SHAW: I think that this would be rare. There were occasions when motels in Montreal during this past summer did charge the rates that were on the back of the door. Some hotels removed the high rates posted on the backs of the doors. But it was too late because the provincial government had sent around photographers. They had checked into the rooms, paid their bill of $16, and taken a photograph of the rate of $30 or $40 on the back of the door, and the Government had its evidence. One hotel I know of said: "There is no control in 1966, so we will start charging those rates". A lady was charged this excessive rate, and she wrote a letter to the Mayor and enclosed her receipt. He passed it to the Quebec Government, and the next week a Quebec Government representative went to this hotel and said: "We see that you have charged this lady so much," to which they replied: "Yes. There is no law to prevent it". The Quebec Government's representative said: "That is right; there is no law to prevent it, and you are perfectly justified. However, we just want you to know that the Quebec Liquor Board inspectors are coming into your hotel next week to take a complete inventory of your stock. You will have to close every bar you have while they are here. They will take from a week to ten days". The lady got a refund. So, you see, even before the law was passed there was some control, although, of course, it was only in isolated cases.

Senator MACNAUGHTON: Mr. Shaw, do we really do that in Montreal?

The CHAIRMAN: Senator Grosart?

Mr. SHAW: I am not through with finance. I do not want to leave the committee hanging in the middle of our financial studies. The reports that you are reading carry a deficit of $82 million, but the current approvals which will be published within a few days show a deficit of $137 million. I would be glad to take the committee the rest of the way.

The biggest reason for this is that we cut the sponsorship from $54 million to $25 million. That represents most of the difference between one and the other, although there are some rather large increases in operating. It is here that we still have an unknown ahead of us. We do not know how many hostesses we need, for instance. Possibly Senator Hays has forgotten that problem at Calgary from 1910, but it is really very difficult to estimate how many hostesses and how many security guards, and this sort of thing, you need. But, as we get closer to the opening day our knowledge becomes better.

I wanted to put that on record because I did not want to leave you with this amount of $82 million that I have been describing in the budgets that have been tabled so far.

Senator BROOKS: It is $137 million now?

Mr. SHAW: Yes.

Senator BEAUBIEN (*Bedford*): That is a deficit, Mr. Shaw?

Mr. SHAW: Yes.

Senator BEAUBIEN (*Bedford*): That is, over and above the money you have estimated?

Mr. SHAW: We estimate that this will be the situation at the end in 1968, when all the returns are in. I have explained to the committee that there are some large areas of guesswork in these figures.

The CHAIRMAN: Is this the overall deficit on both capital and revenue account?

Mr. SHAW: Yes.

The CHAIRMAN: And there is still a considerable amount of guesstimate as to the salvage value?

Mr. SHAW: Yes. That is capital, operating, administration—all costs on one side, and revenue on the other.

Senator BROOKS: Would it be fair to say it will be between $100 million and $150 million?

Mr. SHAW: If I must be completely honest, it is somewhere between $100 million and $200 million, until I get some guidance on assets. You are really guessing, you know. You have nothing to base the figure on.

Senator HAYS: You said that the net loss at the end of the period will be $137 million?

Mr. SHAW: That is the current figure. The published figure was $82 million, and the new figure will be published within days.

Senator HAYS: I should like to say at this point, Mr. Chairman, that Mr. Shaw and his people have done a fantastic job. I do not think there has ever been such a job done in the world by a country as small as Canada. I am sure that they have tied up every loose end. I have visited half a dozen world's fairs, and I think this will be the most outstanding. Thanks to you, Mr. Shaw, and your people the result will be excellent.

The CHAIRMAN: Are we ready for Senator Grosart, and afterwards Senator Deschatelets?

Senator GROSART: Mr. Shaw, as you know, we have waived our rules in a rather extraordinary fashion in the Senate and perhaps it is unprecedented. You say that you ought to have this money by the end of the week. I wonder if you could explain the urgency and how the urgency arose, particularly in view of the fact that we are dealing with amounts covered by Supplementary Estimates, and perhaps other, and now you notify the Government that you will need this money. I am anxious to know why we were faced with the ultimatum that we had to pass it this week or else—although we were not told what the "or else" was about.

Mr. SHAW: No, sir, I cannot tell you. We did make the request some weeks ago, and I am afraid that I do not know where it wandered.

Senator GROSART: That is the safest answer.

The CHAIRMAN: But are you faced with the actual requirement of the money at the present time?

Mr. SHAW: Yes. We ran out of money about yesterday, if I am not mistaken.

The CHAIRMAN: The answer is yes, they ran out of money yesterday. Senator Deschatelets.

Senator DESCHATELETS: Mr. Shaw, can we go back the matter of lodgings? I understand that so far as hotels and motels are concerned they are booked right now.

Mr. SHAW: No, they are not.

Senator DESCHATELETS: They are not completely booked?

Mr. SHAW: There is not one single day of the 183 that all of the lodgings known to Logexpo are booked.

Senator DESCHATELETS: Major hotels?

Mr. SHAW: I am not speaking of major hotels, excuse me. The "name" hotels were booked as much as a year ago. This leads to the rumour that there is no

accommodation, but there are many rooms in good motels. Our survey runs for a radius, of, I think, 75 miles, that is, one hour by expressway, theoretically. We have not yet booked anything off the Island of Montreal except the immediate south shore, St. Lambert, and so on, and except for a few reservations in the Laurentians by request. Motels in the east end of Montreal, and almost all of the private residences that are listed with us are still available. It is really a rumour that there is not accommodation. It is a rumour that has been faced by every world exhibition in history. I suppose the Calgary Stampede runs into this every year, even when there is accommodation. For some reason or other, some people must say there is not. If you wish to have reservations, please write to Logexpo.

Our problem with Logexpo is that we organized it two years ago, advertised it two years ago, and nobody used it until six months ago. The result is they do have a room full of letters that they are fighting with, but the accommodation is available. They are running about two weeks behind in answering their mail now.

Senator BROOKS: Mr. Shaw, are the railways running special suburban trains, say within a 35 or 40 mile area?

Mr. SHAW: I am sure they are; but I am afraid I do not know the details. I know all the transportation companies are putting on extra facilities in general from all over the world, but I cannot answer the question on commuter trains.

The CHAIRMAN: Senator Fergusson?

Senator FERGUSSON: I want to ask Mr. Shaw how the deficit of $137 million compares with the deficit suffered by the New York Fair.

Mr. SHAW: I am sorry, I do not know. I do know that every major world exhibition in history has shown a huge deficit. In my opinion if there is one sponsor, this somehow disappears. I have to be careful about this. If there are three sponsors dividing the cost, say 50 per cent, 37½ per cent and 12½ per cent, nothing disappears. I know one major exhibition, one of the best ever held, advertises that they broke even. They became so helpful to us that they let us dig into their books, and their deficit was something over $125 million; but they claimed to break even.

Senator FERGUSSON: What is the percentage of the cost of advertising as compared to the revenue?

Mr. SHAW: The advertising budget is $19 million, and as against a revenue of some $242 million, that would be approximately what—7 per cent?

Senator THORVALDSON: Does Expo act as its own advertising agency, or does it employ an agency?

Mr. SHAW: We employ agencies.

Senator THORVALDSON: Many of them?

Mr. SHAW: Basically one each in Canada, the United States, the United Kingdom, and France. Then there are lesser agencies in the Atlantic provinces, the prairie provinces, and British Columbia.

Senator THORVALDSON: What is the name of the agency in Canada?

Mr. SHAW: Cockfield Brown.

Senator BEAUBIEN (*Bedford*): How much has been spent in advertising in Canada, roughly?

Mr. SHAW: This would be a guess but I would say $4 to $5 million.

The CHAIRMAN: Any further questions? Senator Deschatelets.

Senator DESCHATELETS: Just one question for information. I understand that right at the beginning when Expo was planned an engineer said that without expressway access there could be no fair. Can you say that the expressways will be completed in time?

Mr. SHAW: I cannot answer with any great authority, but I think yes. We have watched them as well as we can. They are the problem of the provincial and municipal governments, although there is a section which is Trans-Canada Highway. As closely as we can see the complete ring of expressways around Expo will be completed, with the Decarie Boulevard possibly being a little late, but probably coming in before the summer crowd, and all around the ring is in pretty good shape. That is just an observation because we are not strictly associated with it.

Senator BEAUBIEN (*Bedford*): The University expressway does not look too complete.

Mr. SHAW: We have been using most of its length for almost a year. There is a big hole in the middle of it where the other expressway crosses it, but that is an expressway for the future.

Senator BEAUBIEN (*Bedford*): Can they not cover the hole?

Mr. SHAW: It is almost covered now, because that hole is two blocks long, and the rest of it is complete, which goes around to the Champlain Bridge. The Champlain Bridge crosses to Highway 3, and that takes you down to Boucherville and back to the Metropolitan Expressway, so you have a complete loop. I believe the only part left is Decarie Boulevard, and the provincial government says it will be finished this winter.

Senator THORVALDSON: There was some discussion in the Senate yesterday, Mr. Shaw, about lack of bilingual roadsigns. Is your group going to make sure that there will not be hazards and danger because of lack of bilingual roadsigns in the area?

Mr. SHAW: Well, sir, this is quite outside the influence of Expo; but my own view is that the non-French speaking people that visit Expo will be mostly Americans, and they love it.

Senator THORVALDSON: Love what?

Mr. SHAW: They love the French signs.

Senator THORVALDSON: But what if they cannot read them, travelling at 60 miles an hour on some of those roads.

Mr. SHAW: There are only two words I think they have to learn. One of those is *pont*, and the other is *sortie*. North, south, east and west look very much like *nord, sud, est* and *ouest*, so you do not have any problem.

I must tell you from my experience in speaking in the United States, that when we put on a display—and we have hostesses there to describe the display, that I have learned to insist that the hostesses who go to the United States have very noticeable and charming French accents and that they always say a few words in French. Although the audience may not understand them, they just love it, for some reason or other. So I really have no fear of criticism.

Senator THORVALDSON: Is it basically wrong that these road signs should be bilingual? I know that if the exhibition were in Winnipeg we would make sure that our road signs were bilingual.

Mr. SHAW: Are they?

Senator THORVALDSON: If we had a situation like this, where we would get people who did not understand the two languages.

Mr. SHAW: I think I am a good champion of the French Canadian, because I come from British Columbia.

Senator THORVALDSON: But this has nothing to do with being a champion of the French Canadian.

Mr. SHAW: If I were doing it—where am I being led, Mr. Chairman?

Senator BROOKS: I would ask a question, for illustration. We all like the French language, but we do not want to see an accident. You are dealing with a time when there may be only hundreds of cars moving in. We are speaking of a time when there will be tens of thousands of cars coming across from the United States. Do you think the same conditions will prevail then as at the time you have illustrated here?

Mr. SHAW: I think I have found the answer. All of the signs at Expo site are bilingual.

The CHAIRMAN: This is as far as your jurisdiction goes.

Senator BROOKS: There is a committee set up, is there not, for the purpose of looking after this?

Mr. SHAW: I am sorry, I do not like to get led into this, because I work for two governments, and you are putting me in a very sensitive area.

Senator WELCH: What parking facilities do you have?

Mr. SHAW: We have two parking lots of our own, one on the south shore with a subway station in the middle of it. Each of these handles approximately 12,000 cars. Then, the subway from the city runs up in the centre of the site and there are many, many parking lots along the length of that subway, so we think we have adequate parking.

Senator FERGUSSON: This is a question to which I probably should know the answer but I do not. I should like to say that I think "habitat" is a most exciting housing development. I would like to know what will happen to it afterwards.

Mr. SHAW: So would I.

Senator FERGUSSON: I thought you would have all the answers.

Mr. SHAW: I will give a guess. This is one of the things on which we would like to have direction from the three governments, as I mentioned earlier. They have in fact set up a committee that will be meeting this week to consider this. Habitat will certainly remain and it will certainly be a dwelling.

Senator FERGUSSON: That is what I meant.

Mr. SHAW: It will be the remaining vertical symbol of Expo 67, to remind the world of the exhibition, much as the Eiffel Tower has remained in Paris as a symbol of the exhibition held there, and which is also as meaningful as Habitat.

Senator FERGUSSON: I did not mean who was going to run it, but will it remain as a dwelling where people will live?

Mr. SHAW: I am sure it will.

The CHAIRMAN: Senator Brooks, I think you raised the question of the traffic problem. Has that been satisfactorily answered?

Senator BROOKS: I was quoting the chairman of the Safety Board of Canada. It was his question really, that was in the Montreal *Gazette* yesterday. Of course, I do not claim to know French at all.

Senator DESCHATELETS: Will you tell me did it refer to the Trans-Canada Highway or to the provincial road?

Senator BROOKS: I referred to whatever the chairman of the safety committee was referring to. I understood him to be referring to the Trans-Canada Highway and the approaches to Montreal from the United States, particularly.

Senator FLYNN: I would be surprised about that, because I always thought that all the Trans-Canada traffic signs were bilingual.

Senator DESCHATELETS: In Quebec, even on local roads.

Mr. SHAW: They are mostly bilingual, but not all.

Senator FLYNN: There was one example, where you would see only "sanctuaire," which has reference to a church. It is probably a private sign, and that is the difference.

Senator QUART: There is no one who could not understand signs in English and in French.

Senator KINLEY: Will there be free passes or adequate passes for transport by the seaway?

Mr. SHAW: They will be adequate, but not free. We have our own marina, it is in the amusement area. We believe that the yachting people will be there in large numbers.

Perhaps I may tell a short story. We had a consulting engineer prepare a study and he came to the conclusion that we should have 450 berths. I have spent 47 years as a yachtsman and so I said to our installations people that that was a poor report because there was not a marina anywhere in Canada with 450 berths. So I cut the size to 250 berths. We have succeeded now in squeezing it so that there are 362 berths and we are all sold out for the whole of July and August. So I apologized to that consulting engineer.

Senator ISNOR: Yesterday I put a question to the sponsor of the bill, Senator Connolly about these purchases. In whose name will they be vested?

Mr. SHAW: The three governments.

Senator ISNOR: All the development that is taking place and the money that is spent for certain assets, in whose name is that vested at the present time?

Mr. SHAW: In ours. The sponsor gets his value out of sponsoring something for six months and the ownership remains with us, except by special action of our board of directors. For example, the Salvation Army provided us with medical equipment at their own expense and asked us if they could receive it again after the exhibition; and because they are a non-profit organization we said yes.

Senator ISNOR: I do not think it is generally understood throughout Canada that the federal Government has donated, if there is a deficit, 50 per cent of the total cost. As regards the assets vested, if you sell them for 20 cents on the dollar, to the Province of Quebec or to the City of Montreal in the years to come—is that a fair statement?

Mr. SHAW: No, I do not believe it is, sir.

Senator ISNOR: That is why I am asking.

Mr. SHAW: Again we are asking for guidance.

Senator ISNOR: From whom?

Mr. SHAW: From the three governments, in committee. I am forecasting the action of the three governments, but I would expect that if one of the three wished to purchase an asset, that probably would be done on the basis of an

evaluation by an independent assessor. That would be my guess, although I must say that we have no guidance on this. There has been no decision which would give an answer to that question.

Normally, if none of the three governments wanted to retain these things, or do not want to retain them in partnership, we would call for tenders and sell to the highest bidder.

Senator ISNOR: That is fine.

Senator QUART: This has nothing to do with the report, Mr. Shaw, but may I be permitted to make a reference to your wearing apparel, to the Expo tie. I think that is one which the well-dressed man should wear during this year. I congratulate you and I hope many of our senators will adopt it.

The CHAIRMAN: We are open for gifts.

Senator BEAUBIEN (*Bedford*): If we pass the 21 million, we get a tie?

Senator QUART: After all, Mr. Shaw, you will tell them that the commission goes to the retarded children.

An hon. SENATOR: If we get it free, who gets the commission?

Senator QUART: Even if you got it free, the commission would go to the retarded children.

Mr. SHAW: May I mention three things. May I point out that not only am I wearing the tie but also the button and the cuff links. Secondly, I am not at all sure that the profits go to the retarded children. I think the commission goes to Expo.

Senator QUART: I know that they sell them and there is some profit in it for them—unless the ties have gone up in price. I bought these ties I have here, from Canadian industry. They were $1.75 each.

Mr. SHAW: I have learned something. If I may move to the other side of the room, Expo is recognizing that it is expensive and, believe me, we do not give anything away, not even passports.

The CHAIRMAN: I was not suggesting that.

Mr. SHAW: You will be interested to know that our board of directors, who theoretically are entitled to work passes for the site, have formally voted that each one of them will buy his own passport.

Hon. SENATORS: Hear, hear.

Mr. SHAW: Because the Commissioner General and I are directors we have therefore gone out and bought our own passports to get into the site.

Senator MACNAUGHTON: Does that apply to the Expo Club, which is in the International Trade Centre? In other words, would a senator be privileged to pay $75.00 for a membership.

Mr. SHAW: The membership fee for any businessman who resides beyond a radius of 100 miles of Montreal is $75.00. This includes a season pass to Expo. The membership fee within the 100 mile radius is $250.00.

The CHAIRMAN: To clear up any misunderstanding, Mr. Shaw, my suggestion had reference to Senator Quart and not to Expo 67.

Mr. SHAW: You gave me a lovely opening, senator.

The CHAIRMAN: Right, and we are glad to have what you have said on record also.

Now, if there are no further questions, then on behalf of the committee, I not only thank Mr. Shaw and Mr. Rediker for the evidence they have given us here today, but I think I voice the feeling of all senators when I say that I think Senator Hays was quite correct in his statement that this is a remarkable exposition, and we wish it every success in the world.

There is now the question of the draft report of the committee. I imagine you may not wish to go into it at this time, but I was going to suggest that, if you wish, we could refer the report back to the steering committee with authority to submit it to the Senate with any suggestions or amendments that can be put into the hands of the steering committee before next week. Is that agreed ?

Honourable SENATORS: Agreed.

The committee adjourned.

First Session—Twenty-seventh Parliament

1966-67

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

No. 18

Eleventh Proceedings on The Estimates

laid before Parliament for the fiscal year ending 31st March, 1967, and Supplementary Estimates "G".

THURSDAY, MARCH 16th, 1967

WITNESSES:

Treasury Board: Dr. Geo. F. Davidson, Secretary and J. G. Glashan, Deputy Director, Estimates and Supply Procedures.

REPORT OF THE COMMITTEE

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

25431—1

THE STANDING COMMITTEE ON FINANCE

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

The Honourable H. de. M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien *(Bedford)*
Beaubien *(Provencher)*
Bélisle
Burchill
Choquette
Connolly *(Halifax North)*
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Hnatyshyn
Isnor
Kinley
Leonard
Macdonald *(Brantford)*
MacKenzie
McCutcheon
Méthot
Molson
O'Leary *(Antigonish-Guysborough)*
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith *(Queens-Shelburne)*
Thorvaldson
Vaillancourt
Vien
Welch
Yuzyk—(47)

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

ORDERS OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, March 24, 1966:

"The Honourable Senator Leonard moved, seconded by the Honourable Senator Farris:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March, 1967, in advance of the Bills based on the said Estimates reaching the Senate; and

That the said Committee be empowered to send for persons, papers and records.

After debate, and—
The question being put on the motion, it was—
Resolved in the affirmative."

"With leave of the Senate,
The Honourable Senator Connolly, P.C., moved, seconded by the Honourable Senator Deschatelets, P.C.:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures set out in the Supplementary Estimates (G) laid before Parliament for the fiscal year ending 31st March, 1967; and

That the Committee be empowered to send for persons, papers and records, *to print its proceedings* upon the said Supplementary Estimates (G) and to sit during sittings and adjournments of the Senate.

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

J. F. MacNEILL,
Clerk of the Senate.

25431—1½

MINUTES OF PROCEEDINGS

THURSDAY, March 16th, 1967.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 11.00 a.m.

Present: The Honourable Senators Leonard (*Chairman*), Aird, Aseltine, Baird, Beaubien *(Bedford)*, Belisle, Brooks, Burchill, Croll, Deschatelets, Flynn, Gershaw, Grosart, Haig, Isnor, Kinley, MacKenzie, Phillips, Savoie, Smith (*Queens-Shelburne*), Thorvaldson, Welch and Yuzyk. (23)

The Estimates for the fiscal year ending March 31st, 1967, were further considered; together with Supplementary Estimates "G".

On Motion of the Honourable Senator Haig it was *Resolved* to print the report of the Committee as part of the proceedings of this day.

The following witnesses were heard:

Treasury board:

Dr. Geo. F. Davidson, Secretary.

J. G. Glashan, Deputy Director, Estimates and Supply Procedures.

At 1.00 p.m. the Committee adjourned to the call of the Chairman.

Attest.

Frank A. Jackson,
Clerk of the Committee.

REPORT OF THE COMMITTEE

THURSDAY, March 9th, 1967.

The Standing Committee on Finance to which was referred the Main Estimates and Supplementary Estimates "A" and "C" for the fiscal year ending March 31, 1967, has in obedience to the orders of reference of March 24, 1966, June 27, 1966, and November 17, 1966, respectively, examined the said Estimates and Supplementary Estimates and now reports as follows:

1. Your committee held seventeen meetings during this session of which ten were devoted to the consideration of these Estimates and, in all, some twenty-one witnesses appeared before the committee.

2. The committee followed the same procedure as in previous years of considering the Estimates in general, rather than embarking upon a detailed study of departments. The desirability of this form of procedure is strengthened by the new rules of the House of Commons. That chamber now refers the Estimates by department to its various Committees. It would be wasteful duplication for the Senate to follow the same procedure. However, the general study of the Estimates by your committee is supplemented by an examination of particular votes in those departments where committee members so desire, and during the current fiscal year, such investigations were made with respect to the National Research Council, the Atlantic Development Board and The Canadian Broadcasting Corporation.

3. The Main and Supplementary Estimates (A), (B), (C), (D) and (E) provided for total expenditures of $8,558,185,901 in the fiscal year 1966-67 of which $3,375,241,967 were statutory obligations and the balance of $5,182,943,934 required to be voted by Parliament. The Estimates also provided for loans and investments to be made amounting to $585,205,400. It is expected, however, that there will be further Supplementary Estimates and therefore, as has been customary in past reports of the committee, it is necessary to estimate the expenses for the current year in order to make a comparison with the total actual expenses of previous years. It has also been customary in such reports to exclude the payments out of the Old Age Security Fund because they have been considered to be a somewhat different character from the other expenditures.

For the purpose of this report, however, a table has been prepared (attached as Appendix "A") setting out government expenditures for the past 13 years, including all categories, namely those that are statutory, those that require parliamentary approval, and those under the Old Age Security legislation, but not including loans and investments. This table then shows the dollar amount of increase from year to year, and also the percentage increase over the preceding year.

4. The increase in the current year of 1966-67 over last year is estimated to be $949,000,000 or 10.9%. This is both the greatest dollar increase and also the highest percentage increase in more than 15 years. To the extent that the increase in government expenditures does not outrun the rate of growth of the economy as a whole, such increases can be absorbed without too great difficulty. Therefore, in its previous Reports your committee has examined federal Government expenditures as a percentage of the Gross National Production. For the

calendar year ending December 31st, 1966, it is estimated that Canada's Gross National Production increased between 10% and 11% over 1965. The increase in the federal Government expenditures for the fiscal year ending March 31st, 1967, is at a slightly higher percentage level than is the Gross National Product. To avoid higher taxes or more inflation it is desirable that the rate of increase of federal expenditures should moderate.

5. Your committee has maintained a continuing interest in the implementation of the Glassco Commission recommendations as to the form and text of the Estimates and on this matter we heard evidence from Dr. George Davidson, the Secretary of the Treasury Board, and Mr. Maxwell Henderson, the Auditor General of Canada. The number of votes in the Estimates is now 243 as compared with 495 in the Estimates of 1962-63, a 50% reduction. As a consequence, the average amount per vote is very much larger than previously and there is less information of the details of expenditures in the Estimates. The Auditor General expressed his concern that in this process some of the parliamentary control over spending was being eroded. Undoubtedly the theme of the Glassco Report is to throw a much greater degree of managerial responsibility upon departmental executives than in the past, and this in turn calls for increased supervision by the Treasury Board. The Auditor General's warning should be heeded and it is to be hoped that the new procedures of the House of Commons will prevent or minimize the danger of such erosion by the greater attention that now is being given by their committees to the individual departments and in turn the Senate's responsibility would seem to require that each year it should continue the practice of having the Secretary of the Treasury Board and the Auditor General appear before the Finance Committee.

6. In past years it has been a matter of great concern to all members of the Senate that Interim Supply bills were sent to the Senate so close to the deadline when the money was required to meet salaries and other essential expenditures that this chamber had insufficient time for adequate consideration of them. The practice of referring the Estimates to the Finance Committee overcomes this objection as there is now a continuing forum for consideration of all estimates throughout the year.

7. However, an unusual occurrence took place during the current fiscal year when Appropriation Act No. 7, 1966, was before Parliament. The previous appropriation acts had furnished the government with sufficient funds for its expenses up to November 1st, 1966 and the new act was to provide further Interim Supply. There was a prolonged debate in the House of Commons and when the deadline date came for the payment of the civil servants' salaries due in mid-November, the Treasury Board on November 9th transferred $2,160,000 from Vote 15 of the Finance Department, which is a contingency item vote, to those departments which did not have sufficient funds to meet their salary requirements. Your committee heard evidence on this matter from the Minister of National Revenue, the Secretary of the Treasury Board and the Auditor General and without entering into any dispute as to whether the Government or the Opposition were to blame, your committee believes that such use of Vote 15 should be avoided.

8. The affairs of the Canadian Broadcasting Corporation came under the scrutiny of the committee with particular reference to a program called "Sunday", about which members of the Senate had received many complaints. The committee had before it Mr. J. Alphonse Ouimet, President of the Canadian Broadcasting Corporation and he commented that the particular program which provoked the inquiry was a mistake. Your committee believes that to avoid in

the future such a mistake, which must have outraged a large percentage of viewers throughout Canada, there should be a stronger chain of supervising authority in the C.B.C. to insure that the programs do not offend against the standards of decency of the great majority of Canadians.

9. Your committee considered also the work of the Atlantic Development Board and had as its chief witness, Dr. E. P. Weeks, the Executive Director of the Board. His report was favourably received and the committee considers that the board is developing sound long-term plans to increase employment and production in the Atlantic region.

10. In its Third Annual Review at page 178, the Economic Council of Canada recommended that Parliament might consider the setting up of a "Standing Committee on Economic Affairs" of the House of Commons and the Senate, one of whose major purposes would be the examination of certain important documents which the Economic Council intends to produce annually, and the issues arising out of them. This is a recommendation which appears to your committee to have a great deal of merit and while it would not dispense with the study by the Finance Committee of the Government's Estimates, it would be a valuable adjunct for the consideration of the economic effect of such expenditures. The Economic Council points out that such a committee should have a small permanent staff of high quality. This indeed would be required and in addition such a staff could be of assistance to the Finance Committee because of the close relationship that should exist between government expenditures and government economic policies.

11. The Main Estimates contain an item, page 547, Vote L 30 to provide $110,000,000 for the purchase of securities issued by the Canadian Corporation for the 1967 World Exhibition, (commonly called EXPO 67) and Supplementary Estimates (E) provided an additional $21,000,000 for the same purpose. Your committee examined Mr. Robert F. Shaw, Deputy Commissioner General of the Corporation, and G. D. Rediker, its Director of Finance and Administration. These officials expect that its affairs will end up with a deficit as has been the history of all world fairs, but it is as yet too early to estimate the amount of such deficit. The salvage values of a number of costly assets are as yet unknown. However, advance sale of tickets has outstripped expectations, indicating that the Exposition will have a greater attendance than anticipated. Your committee was favourably impressed by the Deputy Commissioner General's evidence and expressed to him their hope that the Exposition would be a great success and that its results would be of substantial benefit to Canada.

12. Your committee considered other matters which need not be particularly mentioned in this report. It is desirable however to acknowledge the valued assistance and cooperation of the Secretary of the Treasury Board and of the Auditor General, two outstanding officials in the Public Service. Each in his own sphere carries a major responsibility for the due expenditure of public funds and in the opinion of the Committee they have been efficient and zealous in their duties.

All which is respectfully submitted.

T. D'ARCY LEONARD,
Chairman.

Table of Federal Government Expenditures showing Increases over preceding years and percentage increase

Fiscal Year ending March 31st	Expenditures including Old Age Security Fund (in millions)	Increase Over Preceding Year (in millions)	Percentage Increase of Expenditures over preceding year
1955	$4628		
1956	4799	$171	3.7
1957	5228	429	8.9
1958	5561	333	6.3
1959	5923	362	6.5
1960	6278	355	5.9
1961	6550	272	4.3
1962	7146	596	8.3
1963	7305	159	2.2
1964	7700	395	5.4
1965	8001	301	3.9
1966	8662	661	8.2
1967	9611	949	10.9

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Thursday, March 16, 1967.

The Standing Committee on Finance, to which was referred the Supplementary Estimates (G) laid before Parliament for the fiscal year ending 31st March, 1967, met this day at 11 a.m.

Senator T. D'ARCY LEONARD in the Chair.

The CHAIRMAN: Honourable senators, it is 11 o'clock and we have a quorum. I am sorry I cannot do anything about the temperature—I understand the heat is off all through the building—but perhaps we can get into some heated arguments or otherwise help ourselves keep warm.

The business before the meeting today is the Supplementary Estimates (G) which the Senate has referred to us. Before we proceed to consider them though, there is one item of business to be dealt with first. At our meeting last week the report of the committee was adopted, subject to such changes as the steering committee might incorporate pursuant to that meeting, which was the meeting which dealt with Expo 67, Mr. Shaw appearing before us.

A clause was added to the report by the steering committee, and that report has now been submitted to the Senate, but it has not been printed in our own proceedings. Therefore, I would ask for a motion to print the report as part of the proceedings of this meeting.

Senator HAIG: I so move.

Hon. SENATORS: Agreed.

(*See Appendix pp. 465-468.*)

The CHAIRMAN: We will now proceed with our consideration of Supplementary Estimates (G). We have with us Dr. George Davidson, the Secretary of the Treasury Board, and Mr. J. G. Glashan, Director, Estimates and Supply Procedures Division,Treasury Board.

If it is agreeable to you, we will follow our usual procedure and ask Dr. Davidson to deal with the supplementary estimates. Then, as honourable senators have questions to ask, if they will signify we can interrupt the proceedings and have the questions asked at the appropriate time. If that is agreeable, I will ask Dr. Davidson to go ahead.

Dr. George F. Davidson, Secretary of the Treasury Board: Mr. Chairman and honourable senators; unless we have to put a supplementary estimate through in order to furnish additional heat for the Parliament buildings this, I think you can be sure, is the final supplementary estimates submission for the year. If you look at the summary table of the front page of the printed material before you—

Senator SMITH (*Queens-Shelburne*): We have not copies of the printed material.

The CHAIRMAN: Copies will be available in a few minutes. Perhaps Dr. Davidson could quote the figures so that you will be able to follow without having the document before you at the moment.

Dr. DAVIDSON: Perhaps I could indicate, Mr. Chairman, that prior to the submission of these final Supplementary Estimates (G) for the fiscal year 1966-67 the total of the appropriations which have been approved or requested to date is $8,558,935,901, and all but $750,000 of that amount has already been authorized. There is an item in Supplementary Estimates (F), having to do with educational broadcasting facilities, that is still before the House and Senate for consideration. We can take it, I think, that the amount that I have referred to is, with the exception of this item, already approved by both houses of Parliament, and is in the expenditure stream.

Senator BROOKS: The item you speak of is less than $1 million?

Dr. DAVIDSON: Yes, it is $750,000.

We are now coming to Parliament with our final requests for the year, which total $236,681,818. If these estimates are approved they will bring the total spending authority for the year to $8,795,617,719.

In addition to the expenditure authority that these figures represent we have throughout the year sought authorities for loans, investments and advances totalling $585,203,400, and we are in this final supplementary seeking authority for further loans, investments and advances totalling $88,301,760, so that the total of loans, investments and advances in the full fiscal year, if this final authority is granted, will be $673,505,160.

Senator BROOKS: This does not include the old age security?

Dr. DAVIDSON: This is apart from the old age security entirely, Senator Brooks. As honourable senators are aware the old age security fund also carries the charge for the guaranteed income supplement program which was authorized by Parliament in December of this last year.

Senator KINLEY: This includes loans, does it not?

Dr. DAVIDSON: The last figure, Senator Kinley, includes loans.

Senator KINLEY: Loans, of course, are investments.

Dr. DAVIDSON: This item consists of loans, investments and advances. As you will note, when you get the document before you, some of these loans, investments and advances relate to authorities that we are seeking to set up working capital funds or revolving funds from which departments will be able to finance certain expenditures on behalf of other departments, for example, subject to recovery from the budgetary appropriations. So, those are not really—you could not call those investments. But, they have to be included as advances rather than budgetary expenditures.

Senator KINLEY: They are secured loans, I suppose?

Dr. DAVIDSON: Well, the loans include loans for capital construction requirements of crown corporations and a number of other agencies, but it is not normally the custom of the federal Government to actually secure these loans, since a crown corporation is in fact an agency or an emanation of the Crown.

Senator BROOKS: I see that there is an amount of $5 million for the Department of Veterans Affairs. That would be for erecting a building or something of that sort?

Dr. DAVIDSON: No, sir. That amount of $5 million, Senator Brooks, illustrates the very point I am making.

Senator BROOKS: That is what I wish to say. This illustrates the fact that this money is being spent, and we will not get it back; that is, the Depatrment of Veterans Affairs is not going to—

Dr. DAVIDSON: May I explain what that item is? The purpose of the advance of $5 million to the Department of Veterans Affairs is to enable the setting up of a revolving fund which that department will be able to use for the purpose of financing the acquisition and storage of materials and supplies for use by

departmental hospitals and other facilities in Canada. It is for the purpose really of financing an inventory of medical and other supplies. As the consumable stores are drawn down and used in a fiscal year they are then charged to that fiscal year. This is part of the accrual accounting concept advocated by the Glassco Commission. Under the former cash disbursement concept of maintaining the accounts, whatever was paid out in the year was charged as an expenditure in that year, and even if you carried forward into the next year medical supplies to the value of $1 million that showed nevertheless as a charge in the year in which the supplies were purchased rather than the year in which they were actually used.

The purpose of this revolving account for which we are seeking authority now is to enable us to charge more accurately to each fiscal year the stores and supplies which are consumed in that fiscal year, and which represent a proper charge against the accounts in that fiscal year. The purpose of the revolving fund is to enable the inventory to be carried over on a loan basis or an advance basis, so that it can be charged eventually as it is consumed to the fiscal year to which the expenditure truly relates.

Senator THORVALDSON: The C.B.C. is getting an advance or a loan. Is that amount included in these estimates?

Dr. DAVIDSON: The C. B. C. loan authority—that referred to an increase in the working capital advance to the C. B. C. and, if I recall correctly, Senator Thorvaldson, it was contained in the last set of supplementary estimates that was approved.

The CHAIRMAN: That is right.

Dr. DAVIDSON: The last supplementary estimates included authority to increase the working capital advance, or the revolving fund, of the C. B. C. by some $6 million to enable them to finance a particularly heavy inventory of programs that they had to produce in the current fiscal year but which they will carry over into the Centennial year, and expend in the Centennial year. But, the loans we are seeking authority to make in 1967-8 fiscal year to the C. B. C. for the year beginning April 1st next are not the subject of discussion today. Those are for capital purposes in the new year.

Senator THORVALDSON: They are designated as loans, rather than capital expenditures.

Dr. DAVIDSON: That is right, because they add to the value of the capital assets that are held by the C. B. C.

Senator THORVALDSON: I have another example to mention, Dr. Davidson. The other day we passed a bill creating a corporation for the purpose of promoting a film industry in Canada, and it was proposed that the capital of that corporation be $10 million. Will that amount of $10 million become a loan or will it come out of revenues?

Dr. DAVIDSON: If I recall it correctly—I am speaking now from memory—that amount of $10 million is set up as a drawing account. It will be drawn down by the Canadian Film Development Corporation as it requires funds. Some of those funds will be used by the corporation for investment in film projects that they are financing jointly with some private film enterprise. The hope is that in some of those cases at least there will be returns from the film when it is eventually produced and that we will recoup some of the investment that we have made.

Senator THORVALDSON: Consequently, it is deemed to be a capital expenditure?

Dr. DAVIDSON: Well, there is another portion of it, however. There is another portion of that same $10 million which is going to be used for outright expenditures. Consequently, we will pay out this money either as expenditures or as

loans to the Film Development Corporation as the years go by, but the maximum authority we have to pay out either on a grant or loan account to the Film Development Corporation is $10 million.

Senator THORVALDSON: With regard to the recent Rural Development Fund bill, for which there is a sum provided of $250 million, how is that taken care of, does that money come out of the revenue and then charged as an expense, or is that an advance on loan?

Dr. DAVIDSON: The effect of that reference to $250 million is merely a limitation that is set by statute on the amount of money that can be devoted to that program. Until money is actually spent on projects no money goes out of the Consolidated Revenue Fund into the fund for rural economic development. Likewise, until money is actually spent by the Atlantic Development Board money does not go over into the Atlantic Development fund. But that amount of $250 million constitutes the ceiling of the authority for the Rural Economic Development Fund. The fund for rural economic development is established on the basis of that authority. The administrators of the program can enter into joint agreements with the provinces to undertake certain expenditures; and as they require funds to discharge the obligations that they have incurred under the agreements, funds automatically are transferred out of the Consolidated Revenue Fund into the fund for rural economic development.

Senator THORVALDSON: Do those funds have to be voted again?

Dr. DAVIDSON: No.

Senator THORVALDSON: They are voted in that bill?

Dr. DAVIDSON: They will be listed from year to year in the Estimates, but with an "S" alongside of them to indicate that they are statutory.

I have one further comment. It would distort the accounts from year to year if on the passage by Parliament of legislation authorizing the creation of the fund of $250 million, we were to regard that full $250 million as expenditure in that year, even though most of that money is going to be spent in subsequent years. That is why we adopted the procedure of treating the legislative authority of Parliament as an authorization but recording actual payments as a statutory expenditure in each year in which the expenditure is incurred.

Senator BROOKS: The Estimates were made in that way too for many years, that is, money to be voted and money that is statutory.

Dr. DAVIDSON: That is correct.

Senator ISNOR: How would that be shown in your books, as a capital expenditure or an item of expense.

Dr. DAVIDSON: Which expenditure are we talking about now?

Senator ISNOR: Any portion of the $250 million.

Dr. DAVIDSON: Let us say, for example, following the authority that is granted by legislation to create a fund for rural economic development of $250 million, we find in the year 1967-68 that $15 million of it was actually drawn down as expenditure. That is recorded as a normal budgetary expenditure in that year, and we would include in the Estimates at the beginning of the year our best guess or forecast, from our knowledge of the agreements entered into or in prospect, as to the rate of expenditure that is anticipated under those agreements. We would print in the Estimates at the beginning of the fiscal year our best guess as to how much of that $250 million would actually be required to be paid out in the course of the coming year. We would print alongside of that an "S" showing that it is statutory. That means that it does not have to be voted by Parliament; that means that money is automatically available on the basis of a previous parliamentary authority. If at the end of the year it turns out that $17 million rather than $15 million was required we do not have to come back to

Parliamant for that extra $2 million; it is automatically made available, because a statutory authority exists for that expenditure up to a maximum of $250 million, and in the Public Accounts that $17 million would be recorded as a budgetary expenditure.

Senator ISNOR: My question was, does it show as an expenditure or as capital?

Dr. DAVIDSON: As an expenditure.

Senator DESCHATELETS: In the last case you mentioned, supposing $50 million is required for 1967-68 for rural economic development, and in fact $53 million instead of $50 million was expended, would you use the $250 million?

Dr. DAVIDSON: No, because when Parliament says the funds for a given program can be paid out of the Consolidated Revenue Fund—whenever the words appear in legislation that the expenditures required can be paid out of the Consolidated Revenue Fund—Parliament is saying to us, whether it knows it or not, "You don't ever need to come back to us for authority to dip into the Consolidated Revenue Fund for whatever expenditures are required under this program."

Senator HAIG: Up to the limit of the amount?

Dr. DAVIDSON: Up to the limit of the amount, if the amount is stated, Senator Haig. In other cases, such as family allowances, there is no global amount stated in the legislation as a ceiling. All it says is, $6 for a child under ten and $8 for a child over 10, and we could go on endlessly as long as there are children. This simply means we do not have to go back to Parliament. We have in the Estimates for next year—and perhaps I should not be speaking of them now—an item relating to the fund for rural economic development. It is marked statutory, with an "S" in brackets. It has no vote number. It says that we need $11 million next year, as our best guess. When this comes before the Committee on Supply in the other house, the chairman of that committee will not need to call that item. He will call the items that have numbers because those have to be appropriated by Parliament. The statutory item does not have to be appropriated by Parliament, it has already been authorized as an automatic charge on the Consolidated Revenue Fund. This $11 million may be $50 million too little. I hope it will not be, but theoretically it could be. If it is $50 million too little we don't have to come back to Parliament for that extra money, and the first time you senators will hear about it is when it turns up in Public Accounts as a recorded expenditure of considerably more than we thought it would be in the printed Estimates.

Senator BAIRD: A sort of ad lib?

Dr. DAVIDSON: No ad lib, if I may say so, Senator Baird. The authority was given to us by Parliament in the law itself. The statutory authority for next year, the gross amounts authorized by statute, amounts to $4,122,000,000, or over 40 per cent of the total budgetary expenditure of the Government.

Senator HAIG: When you come up to the limit of your statutory amount, say, $250 million, you have to come back?

Dr. DAVIDSON: That is correct. That is why Parliament was asked this year to increase the statutory limit that was written into the Atlantic Development Fund legislation.

Senator SMITH (*Queens-Shelburne*): In putting that item of an estimated amount that would be spent under a program of that nature you have been talking about, is the main purpose to give an estimate of the total cash required by the Government for that year? What happens to that item if some motion in Parliament was made to reduce that item to $1? Has Parliament still the right to reduce it to $1?

Dr. DAVIDSON: It cannot be done. It is not even called. In fact, there is no requirement whatsoever that the statutory items be printed in the Estimates that year. This is supposed to be a statement of the moneys that the Government is asking Parliament to appropriate, and we would be in a perfectly proper position if we came to Parliament with a blue book that asked you to vote us only $5 billion instead of $9 billion in 1967-68, because that is actually what we are asking you to vote when we present next year's Estimates. That is all we are asking you to vote; but for information purposes, in order that Parliament may have a complete picture of the total expenditure requirements of the Government, we also print the statutory items as part of the total presentation. So you see the total requirement of the year is, for next year, $9½ million.

Senator BEAUBIEN (*Bedford*): Would all such statutes be introduced by a resolution?

Dr. DAVIDSON: All such statutes have to be introduced by a procedural resolution, of course, because they involve expenditures and revenue of the Crown. But you are all aware of the device of introducing a continuing statutory authority in a vote item in the Estimates. That has to be preceded, just as any appropriation bill has to be preceded, by the resolution. But one resolution may in an appropriation bill cover a good many continuing authorities.

Honourable senators now have before them the printed Supplementary Estimates and they will see the figures I have been referring to, at the bottom of the table on the first page. Mr. Chairman, I do not know what you would wish me to do with respect to the treatment of the individual items which are fairly numerous. Perhaps we could call the pages?

The CHAIRMAN: Let me call the headings and then Dr. Davidson can give a comment on each amount, and questions can be asked with regard to any other amounts. Under Agriculture, the largest amount is the Agricultural Stabilization Board. He can comment on that.

Senator MACKENZIE: May I ask a general question? Who scrutinizes the applications for requests for these supplementary amounts? I take it that the officials of the department do so. Does the Treasury Board go through them with a fine-tooth comb?

Dr. DAVIDSON: Very much so, Senator MacKenzie. The staff of the Treasury Board examines them in detail, it discusses them with the departments, eliminating, where it can succeed in doing so, items that the department is prepared to get along without. Where they do not agree with us that they can get along without a certain amount—

Senator MACKENZIE: They have to convince you?

Dr. DAVIDSON: They have to convince us, or the ministers over our heads. There is prepared for this group of estimates alone, a detailed set of papers for each minister on the Treasury Board, explaining in detail each of the individual items in the supplementary Estimates.

Senator MACKENZIE: This is what I assumed, and I just wanted to have it confirmed.

Senator BROOKS: On page 1, under the St. Lawrence Seaway Authority, the previous estimate was $2,510,000 but the total is $13,209,000. I wonder why there could be such a difference in the estimate and the total amount.

Dr. DAVIDSON: It is very simply explained by the following, Senator Brooks. It has not been customary to present a request for repayment to the St. Lawrence Seaway Authority of the deficit they incur in operating the Welland Canal, until the end of the year. At the end of the year, when the operating deficit is known, it has been customary to include, in the final supplementary Estimates for the year, an item that represents the deficit on the Welland Canal system. At page 25, you will see, if my recollection is correct, that this is—except for $549,000, attributable to the Welland Canal operation.

Senator MACKENZIE: There are no tolls on the Welland Canal now?

Dr. DAVIDSON: Not now, but I think the Minister of Transport announced earlier this week they were introducing a system of lockage fees.

Senator MACKENZIE: They hope to get some money. It has been a free waterway.

Dr. DAVIDSON: Of the total amount, $10,150,000 is to reimburse the St. Lawrence Seaway Authority for the Welland Canal deficit, which is part of the arrangement under which the St. Lawrence Seaway Authority operates as agent for the Government the canal systems that are not revenue producing. The cost of that is paid out of the Consolidated Revenue Fund.

Senator BROOKS: There would not be many others like that, would there?

Dr. DAVIDSON: Are there other canals—or other items?

Senator BROOKS: Are there other items where you would have to wait until you get the actual cost?

Dr. DAVIDSON: There are a good many. The committee will be interested to know that this is the last time the St. Lawrence Seaway will appear in this form. We have been criticized when I appeared earlier before the committee—at least, the practice has been criticized—for failing to provide in the main Estimates for items which it is known in advance will have to be incurred.

In deference to the views expressed by this committee, we have included in the main Estimates for next year about $350 million worth of expenditure items which have traditionally been carried in the later supplementary Estimates.

This St. Lawrence Seaway Authority item is one of them—the Welland Canal deficit. Senator Brooks, you will find, for example, in the main Estimates, 1967-68, on page 508, an item which is precisely a counterpart of this, for next year. It is shown as $9.9 million, as against $10.1 million in these year end supplementaries. This item will henceforth appear in the main Estimates.

Senator HAIG: Then, Mr. Davidson, at the end of the year you might have to bring in a supplementary. This is $10 million this year. You have estimated for $9 million. You might have to bring in a supplementary estimate?

Dr. DAVIDSON: This is the reason these have been carried in the past, in the year end, because there is uncertainty about the amounts. What we are trying to do is to put in the best estimate of what we think the requirement will be, ask Parliament to authorize it; and, if we find we have misjudged the amount by $150,000 or so, we will have to come back with a minor year end supplementary estimate.

Senator DESCHATELETS: You will start this year, then, with a more reasonably arranged working budget.

Dr. DAVIDSON: Yes sir. We are advising Parliament, at the beginning of the year, more fully of what the true known requirements of the Government will be, for the year as a whole.

If you could turn back, you will see a much more striking example of this on page 3 of the Final Supplementary Estimates. You will see two items there, the very first ones in these printed Estimates. One of the items is for $89.9 million, to recoup the Agricultural Commodities Stabilization account,—to cover the net operating loss of the Agricultural Stabilization Board as at March 31, 1967. The second is in regard to $5 million for the Agricultural Products Board.

For years, we have waited until the end of the year to see what the deficits of these two agricultural boards would be, before we provided money in the year and estimates to reimburse them for the moneys they had, throughout the year, been paying out of advance accounts.

Senator THORVALDSON: Are these deficits unusually high?

Dr. DAVIDSON: No, they are quite normal. We spend about $90 million. Let me correct that statement. A new dairy program, costing an additional $20 million, was added a little more than a year ago and the amount is higher on this account.

Senator THORVALDSON: It has been the practice to include them in the supplementary Estimates?

Dr. DAVIDSON: Always, but we had some comment in this committee in the last couple of years: "Why do you not provide in the main Estimates for these items, when you know it will cost about this amount of money; why do you hold them back when they are perfectly foreseeable?"

I think it is a valid point, and this is why they have been moved into the main Estimates this year.

Senator THORVALDSON: You say "perfectly foreseeable". Are these estimates, such as the losses of the Agricultural Stabilization Board, foreseeable a year ahead?

Dr. DAVIDSON: Within limits, I think so. They are certainly just as foreseeable, within the same margin of error, as many other items which we have been forecasting in the advance perspective.

Senator DESCHATELETS: They must be, because the Minister of Finance, when he makes his budget, takes them into account.

Dr. DAVIDSON: That is correct.

The CHAIRMAN: How much in the aggregate did you say this transfer, from what were previously supplementary estimates into the future main estimates, would amount to?

Dr. DAVIDSON: Next year, I think they are of the order of $350 million.

The CHAIRMAN: That is, the 1967-68 estimates?

Dr. DAVIDSON: Yes.

The CHAIRMAN: Thank you.

Senator FLYNN: On page 3, Vote 17g, you mention "less funds available in previous estimates"—and I see somewhere else—for instance, on page 19, Public Works, Vote 30g—"less anticipated lapses." Is that not something new that you are trying: indicating what amounts have been spent?

Dr. DAVIDSON: No. This has been customary, Senator Flynn, in the supplementaries. When we come to Parliament to ask for additional money to be credited to a different vote, we take the position that we are not entitled to ask Parliament for anything more than we think we will need. If, in the vote authority that has already been given, we know that there are certain funds that, because of delays or for other reasons, are not likely to be spent, we say to Parliament that these are the gross amounts we need for these programs, but we have funds already in this vote that we know will not be spent, and we reduce our request by the available amount.

Senator FLYNN: In the same vote?

Dr. DAVIDSON: In the same vote, yes.

Senator FLYNN: It would not be in another vote?

Dr. DAVIDSON: No, not in another vote, but in that same vote.

Senator FLYNN: I see.

Dr. DAVIDSON: The best example is Vote 35g, where you will see that we have to come and ask you for assistance in the construction of potato warehouses and for certain contributions to people in British Columbia who lost their grape vineyards and orchards as a result of some weather conditions a few years ago. Then there is a variety of other things on which we are seeking authority to make payments. We are telling Parliament in those vote wordings, those head-

ings, what we want this money for. Then, at the end of it all, we say we already have money in this vote that is unspent because of an unexpected situation which developed in respect of another program that was to be financed from this same vote. Therefore, we are simply informing you and asking you for the authority to spend for these other purposes the money you have already given us for a different purpose.

Senator FLYNN: It could not be from one vote to another, though.

Dr. DAVIDSON: No, it could not be from one vote to another.

Senator FLYNN: Well, you have not got a true picture, then. If you knew that you had not spent very huge sums which were voted for other purposes, I think it would give a better picture of the supplementary Estimates, would it not, if you showed them.

Dr. DAVIDSON: Could I have that question again, Senator Flynn?

Senator FLYNN: You say that you credit only the amount voted under the same vote number. I was suggesting that in your department, if in other votes there were lapses like that, you could give an indication of the amounts that were not likely to be spent by a given department and, as a result, we would have a better picture of what the supplementary Estimates mean.

Dr. DAVIDSON: Yes, but we do not get complete information as to lapses until the very end of the fiscal year. I would question whether the Estimates presentation is the place where this should be provided, unless we are seeking additional authority in respect of a particular vote.

The CHAIRMAN: In other words, the expenses are bound to be less than the estimates.

Senator FLYNN: It would be a consolation to know.

The CHAIRMAN: Well, we have to pick that up somewhere else. Perhaps Dr. Davidson can give us some guesses as to what the over-all expenditures might be, regardless of the estimates.

Dr. DAVIDSON: I am not free to give you, Senator Leonard, anything more than the last public figure which the Minister of Finance gave at the time of the mini-budget.

The CHAIRMAN: Which was last December?

Dr. DAVIDSON: As I recall, the figure was $8,580,000,000. I think I can say that it will not be less than that. That is pretty close.

The CHAIRMAN: Have you anything further than that? Is there anything further on the Stabilization Board, which is the largest item there?

Senator HAIG: Dr. Davidson, on page 5 of the Supplementary Estimates (G), the estimated amount required to provide for the operating loss of the Farm Credit Corporation for the fiscal year ending March 31, 1967, is $2,600,000. In the future estimates that will be shown in the original Blue Book.

Dr. DAVIDSON: This arises entirely from the change in the interest rates. The Farm Credit Corporation legislation requires that the Farm Credit Corporation lend money to farmers at a fixed rate which is less than the borrowing rate at which the federal Government itself can borrow money. During this last year the federal Government has had to borrow money at higher interest rates than they thought they were going to have to pay. They lend to the Farm Credit Corporation at the rate that they themselves can borrow plus one-eighth, I think. Therefore, the higher the federal borrowing rate goes, the larger the gap between the rate at which the corporation can borrow and the fixed rate by which the corporation is required to lend money to the farmers. That is the loss.

Senator HAIG: This is the difference.

Dr. DAVIDSON: That is the loss, yes.

Senator THORVALDSON: With regard to the Agricultural Stabilization Fund, Dr. Davidson, perhaps I am mistaken, but is that item not costing us a little less in the last year than it has for the past two or three years? Can you give us a brief review? Probably I should know this, but what is the main item causing this high figure?

Dr. DAVIDSON: Dairy products: $81,624,000.

Senator THORVALDSON: Would that be for butter?

Dr. DAVIDSON: No, this was butter, cheese and fluid milk, as I recall. It would include all dairy products, but there was a new program introduced last year at an additional cost, as I recall, of something in the order of $20 million, under which we increased the price that we paid per hundredweight for fluid milk that goes into certain kinds of use. I could give you the details of that, if you like.

Senator THORVALDSON: Just in a very general way, Doctor.

Dr. DAVIDSON: Summing up the breakdown of this, it is as follows: dairy products, $81.6 million; sugar beets, $7.5 million; wool, $726,000; eggs—

Senator THORVALDSON: At any rate, it is really mainly dairy products and sugar beets which comprise the bulk of the money.

Dr. DAVIDSON: Well, out of the total, $81.6 million is for dairy products.

Senator GROSART: May I ask a rather general question, Mr. Chairman, dealing here with some unforeseen expenditures amounting to approximately $236 million. This year we have had many unforeseen expenditures. For example, the Guaranteed Income Supplement which in this period cost $70 million will at that rate be $286 million a year. Would the details of that figure come before the Treasury Board?

Dr. DAVIDSON: The details of the Guaranteed Income Supplement?

Senator GROSART: The $70 million which applies to the same period or the $286 million which will apply to next year.

Dr. DAVIDSON: It would come before the Treasury Board initially as part of the Cabinet paper which led to the Cabinet decision to introduce that legislation and it will be reviewed again each year at Estimates time.

Senator GROSART: Would the Treasury Board say, "We are satisfied that this is the amount required?"

Dr. DAVIDSON: They would have to check the accuracy of the estimates figure. But the Treasury Board would not decide what the scale of benefits would be. That would be a Cabinet decision.

Senator GROSART: I am merely saying that the amount asked was properly related to the statutes.

Dr. DAVIDSON: That is correct.

Senator GROSART: It seems extraordinary then that we have not been able to get this breakdown.

Dr. DAVIDSON: Which breakdown, senator?

Senator GROSART: I would merely say that we asked for it in committee and were told it was not available. This seems to happen over and over again. The minister, in his main budget or in his mini-budgets, presents these figures and everybody says, "Yes, we accept that." Why is there not a breakdown to justify these very large amounts that are asked for from time to time, just as here you ask for $236 million and there is a complete breakdown with an analysis? Regarding these other figures, such as this $286 million, under the present circumstance, Parliament has merely to accept the figure and to accept that it is going to cost $286 million.

Dr. DAVIDSON: Senator Grosart, I recognize that Parliament needs to know the amount of that figure before it authorizes the program to be embarked upon

by passing the legislation; but once the legislation is passed and the authority is given to provide this guaranteed Income Supplement, really the amount of dollars involved in any year's expenditures is merely the mathematical result of the conditions of eligibility set out by Parliament itself in the land. It has no particular significance in terms of anyone controlling the amounts the Government can spend on the program. The details spelled out in the act determine that.

Senator GROSART: I agree fully with that. That is the point you made earlier about statutory disbursements. I am not concerned with that at all. What I am concerned with is the fact that we do not know—and I think we should know—what percentage of this money is going to one particular group of beneficiaries under the act and what percentage is going to another group.

It is a matter of public interest, perhaps public concern, who is going to get the money. In this we have a reasonable idea because we have a complete breakdown of the $236 million and these other figures—and this is not an isolated case. I am not discussing Government policy, but I am suggesting that if the Treasury Board has the figures—and the breakdown is in very large amounts—it would be in the public interest that they be made available to the minister, or that it be in his discretion what he wants to do with them.

Senator SMITH (*Queens-Shelburne*): He really spoiled his question, did he not?

Dr. DAVIDSON: Well, I suspect that if the discussions of the guaranteed income supplement arise in the House of Commons when the house is discussing supply, and the Health and Welfare estimates are called, the minister of that department will have available all the information that could be given to him as to how the estimates are arrived at.

Senator GROSART: We had the minister before this committee dealing with that and he and his officials said they were sorry but that the figures were not available.

Senator BAIRD: How much of this money has been spent?

Dr. DAVIDSON: It would be difficult to say how much has been spent. I can only say that some of it has in fact been spent. Take, for example, the money that is shown in the first two items in the Agriculture estimates—there is authority for the Agricultural Commodities Stabilization Board to pay out of an advance account, that is put in its hand under proper legislative authority—to pay these amounts for dairy subsidies and sugar beet subsidies, etc. They are paid out of a special advance account, but they are authorized. Since $89.9 million is paid out of that account, the purpose of this vote is to authorize the money to be taken out of the Consolidated Revenue Fund, and the special account of the Agricultural Commodities Stabilization Board is reimbursed from this vote for what it has already paid out.

Senator THORVALDSON: It really has statutory authority—there is authority for paying it out?

Dr. DAVIDSON: That is right, and the statute authorizes that an advance account may be established, and the minister can make advances from time to time to the board to pay these amounts.

Senator THORVALDSON: Does the same apply to the Secretary of State? I notice there is a sum of some $22 million—I assume that is to cover the additional gifts of foods to India. It is on page 20.

Dr. DAVIDSON: This item in the Secretary of State's department does not cover food for India. That would come under External Affairs. The Secretary of State will use the $22 million for the final instalment of the $5 per capita grants to universities, which it was originally intended to pay in May 1967; consequently it would have appeared in the Estimates for next year. But, because of the

change in the arrangements with the provinces under which the direct grants to universities terminate in this fiscal year and a new regime of grants to provinces replaces it, we thought it would be more orderly if we dealt with the final instalments of direct university grants in this year.

Senator MACKENZIE: When does the new regime become effective? Do the new payments begin from the 1st of April with the new taxes?

Dr. DAVIDSON: Subject to legislation now before Parliament—I am not sure if it is through Parliament yet.

Senator GROSART: It is before us at the moment.

Dr. DAVIDSON: Well, if it is before you now, it depends what you do with it.

Senator DESCHATELETS: I think we are all trying to improve the position with regard to these estimates and their purpose, and referring back to the question put by my colleague, would it not be possible in future years to indicate by an asterisk the votes where the money has already been spent?

Dr. DAVIDSON: It could be done, I think, by and large but the problem is that some of the money within a given item may be spent and some may not be spent. In some cases the money will have been advanced from the contingencies fund and will have to be reimbursed to that fund. I think it would be difficult to do this.

Senator DESCHATELETS: I am talking now of the final supplementaries.

Dr. DAVIDSON: I think it would be difficult though not impossible to do so. I must add that I get many suggestions as to the desirability of including additional information all the time to the printed Estimates. I can assure you it is a very difficult task to get a booklet of this kind out on schedule. It seems to me that the basic purpose of the Estimates presentation is to present what is required in statutory form, and to leave it to the responsible minister in the House of Commons and to committees like this in the Senate to elicit any additional information that may be required. I could produce for you a table which would show of these items that are being requested here how many are reimbursements to contingencies, and different operating accounts, and so on. But I would think if this information were added to the printed Estimates together with the requests we have had for other information to be added, it would not be very long before the supplementary Estimates would become as big a book as the main Estimates.

Senator HAIG: You mentioned about the contingencies fund. Didn't you use moneys from the contingencies fund in connection with pay lists some time back?

Dr. DAVIDSON: Yes, we used money which Parliament had already given to us. It was used in Vote 15, Contingencies, which exists for the purpose of supplementing other votes in other departments.

Senator HAIG: This is a slush fund?

Dr. DAVIDSON: I would never accuse Parliament of voting a slush fund.

Senator HAIG: This vote is not appropriated to any special department—it can be used as your officials decide it should be used?

Dr. DAVIDSON: As Treasury Board decides. Can I give you the wording of the vote?

Senator HAIG: Yes.

Dr. DAVIDSON: This vote has appeared for many years now in the Treasury Board estimates.

> Vote 5—Contingencies—To supplement other votes and to provide for miscellaneous minor and unforeseen expenses not otherwise provided for including awards under the Public Servants Inventions Act, subject to the approval of the Treasury Board, and authority to re-use any sums repaid to this appropriation from other appropriations.

The actual wording has been changed from year to year, but it is essentially the same. This clearly contemplates that Parliament should give to the Government a sum of money which can be used throughout the year to meet emergency requirements; and this was an emergency requirement that was met last year through the use of the contingencies vote to supplement the votes of a number of departments of Government, to the extent of $1½ million, to meet mid-month pay demands.

Senator HAIG: In the next Public Accounts that $1½ million will be shown as expended in different areas?

Dr. DAVIDSON: As a charge against the votes.

Senator HAIG: But the specific amounts spent out of that $1½ million will be shown in the Public Accounts?

Dr. DAVIDSON: The salary items are not refunded to the contingency vote and, therefore, the Public Accounts will show that a certain vote to which Parliament voted so many hundreds of thousands of dollars had a supplement of so many thousands of dollars added for salaries from the Vote 15 contingencies.

If you look at the Estimates for 1967-68 you will find, for example—and I use the Fisheries department for illustration—Vote 1 lists the salary requirements, and shows for last year:

> Salary and Wages (including $86,000 allotted during 1966-67 from the Finance Contingencies Vote for increases in rates of pay).

So, each of the votes presented to Parliament next year records, as a matter of information, how much money was added to that particular vote for salaries.

Senator HAIG: But $1½ million was already provided by Parliament?

Dr. DAVIDSON: Yes.

The CHAIRMAN: The wording that has been added, or the change that has been made in the 1967-68 Estimates from Vote 15 due to some words referring to a pay list, has that any significance with respect to what happened in November last year?

Dr. DAVIDSON: Not really, Senator Leonard. For two years prior to last year a specific reference was made in the vote wording that the vote could be used to supplement pay lists or for other purposes. Last year the vote wording was made more general, but it included at all times authority to use the funds for pay list purposes even though pay-lists are not specifically referred to. Because of the concern that was expressed last year we decided—rightly or wrongly and, I think, without really needing to do so—to make it explicit. But there has never been any question from the legal point of view that Vote 15 could always be used to supplement other votes for pay list purposes.

Senator DESCHATELETS: Is the amount under Vote 15 nearly the same year to year, or does it change much?

Dr. DAVIDSON: It has risen very sharply in the last couple of years, for the simple reason it is difficult to predict what wage escalation is going to take place in the course of the year; and if we did not have some recourse such as this we would be badly handicapped in our ability to meet changing wage conditions as they occur throughout the year. Of the $110 million that we will spend this year out of the contingencies vote, $101 million approximately is for additional salary requirements incurred in the course of the year. This is much larger this year than last because in these last two years, we have been going through, a situation in respect of wage escalation which is unprecedented since 1950.

Senator BURCHILL: This might be the appropriate time to bring up a general suggestion I have had in mind for some time. I go back to the days when Senator Crerar was chairman of this committee and there was some alarm as to the amount of money that was being spent by the federal, provincial and municipal governments in Canada that we were spending too much.

In view of the report of the Governor of the Bank of Canada the other day and also reports that have been made across the water, in other markets, regarding Canada, and the comments one sees in the financial papers all across the land, I am wondering if we have not a job to do here in this Finance Committee of the Senate, in making a study, perhaps preceded by preliminary discussions, of just how far Canada can go without endangering her whole economic position in the world, and then putting that warning out to the public.

This is not a party matter; this is a Canadian matter; it transcends party politics altogether. I know the position governments are in of either party and the demands that are being made upon them, and how hard it is to resist those demands, and all that sort of thing; but I think that the Senate, being a body constituted for sober second thought, has a job to do and a duty here at least to warn as best we can the Canadian public as to just how far this nation can go without endangering our whole position. This is an important matter and it is bothering me greatly.

I am, in a small way, in the business world, and I know just what is happening. I think it is a serious situation; that the Senate has some responsibility in connection with the matter; and that this Finance Committee is the proper body to deal with it. Perhaps it is a matter that should be taken up by the steering committee, or a small body, to discuss it, but certainly I think we should tackle it.

Senator MACKENZIE: I seems to me that this point raised by Senator Burchill, and raised yesterday by Senator Beaubien (*Bedford*) in the Senate itself, is directly related to the present and anticipated Gross National Product and capacity to provide taxes, and I feel that if we do this kind of thing we want the Economic Council, or a body of that kind, to make the necessary studies, and then we could act on the basis of those predictions. You cannot say that you can or cannot spend money, unless you base your pronouncement on factual information. I was wondering whether Dr. Davidson would comment on this—though I think in a sense, it is out of order.

The CHAIRMAN: I do not know that, because it is all within the purview of the committee. Perhaps Dr. Davidson can comment, if he likes, although it may not be specifically his problem.

As far as I am concerned, I appreciate what Senator Burchill and Senator MacKenzie have said, and I contemplated making some remarks myself on the report of the committee when it is before the Senate, because I think the point is very important. I do not know whether Dr. Davidson wants to say anything about this matter or not, but we always appreciate any comment he makes.

Senator SMITH (*Queens-Shelburne*): Just before Dr. Davidson makes any comment, I think it should be pointed out that this matter was discussed in private in the Senate yesterday, the discussion having been initiated by Senator Beaubien (*Bedford*), and the general idea expressed by Senator Beaubien was accepted by the Leader of the Government in the Senate, and I thought there was a clear indication given to us, speaking in camera, that this matter would be brought to the attention of the Finance Committee, and that the necessary powers would be added to those already possessed by the Finance Committee, perhaps at the first opportunity to delve into this general subject.

Senator HAIG: Mr. Chairman, on page 17—

Senator MACKENZIE: Are we going to get anything on this point we have raised here, or not?

Senator GROSART: I think Dr. Davidson should be asked—

Senator THORVALDSON: I agree with that too, and I would like to add that the concern being shown by senators and others in regard to the general increase in Government expenditures applies not only to the federal area but also to other areas of public expenditure. We do have an opportunity of observing what

happens in the various provinces of this country. It is obvious that taxes have escalated tremendously, or are about to escalate greatly.

The CHAIRMAN: Dr. Davidson, if you wish to comment then you may, but if you do not wish—

Dr. DAVIDSON: I do not think there is anything I can usefully say. The Economic Council has already done some work on this in its initial study. They made some projections as to what they thought the policy of the federal Government should be in terms of expenditure in order to promote a certain level of national growth. If you go back to their very first report you will find that the Economic Council was pointing rather in the direction of the obligation of the federal Government to increase its spending in order to achieve the growth goals that were projected at that time by the Council. I am not sure that they would take the same position now.

A great deal of work on this has also been done in the Tax Structure Committee which was set up with provincial and federal participation for the purpose of projecting expenditure plans for the federal and provincial Governments as a preliminary to an attempt to allocate tax fields and resources. So, there is a wealth of material available, but it really comes down in the final analysis to an assessment, which in many respects is an opinion judgment, as to how much a nation can or should spend through the public channels as distinct from the non-public channels. This argument could go on almost endlessly.

Senator SMITH (*Queens-Shelburne*): Many people in this country are convinced, I think, that a great deal of our spending is not money that is just gone with the wind and soaring around the world, but is in the form of an investment in making a structure upon which the future economy of the country can grow. I had occasion to look at some of the extraordinary expenditures that have been made with respect to providing a structure upon which the economy of the Atlantic provinces could grow. I am very hopeful that that money is going to be returned in due course as the people of that part of the country will be in a better position to pay taxes themselves and so help poor old Ontario.

Senator GROSART: Mr. Chairman, I suggest we get on with the department—

The CHAIRMAN: We have been having a very useful discussion. Senator Haig was about to ask a question a minute or two ago. If we have finished with the economic results of our expenditures, Senator Haig has—

Senator KINLEY: Did we deal with the crown companies at all? I see an item in respect of Central Mortgage and Housing Corporation on page 14, and yet we are told that that Corporation makes money for us.

Dr. DAVIDSON: Senator Kinley, these items in respect of the Central Mortgage and Housing Corporation are exclusively for certain tasks that the Corporation is asked by the Government to undertake on behalf of the Government, on the understanding that any losses will be reimbursed to the Corporation. The municipal sewerage system program is an example of that.

Senator KINLEY: Vote 30g is:

> To reimburse Central Mortage and Housing Corporation for losses sustained by it during the calendar year 1966 as a result of the operation of Public Housing Projects—

Now, on their own work they show a profit of, I think it was, $2 million.

Dr. DAVIDSON: Yes, which is turned back to the Government.

Senator KINLEY: Yes, but if they do some work on which they lose money do we reimburse the Central Mortgage and Housing Corporation?

Dr. DAVIDSON: If the National Housing Act authorizes that arrangement then the answer is: Yes.

Senator KINLEY: Then, they do not have any losses.

Senator SMITH (*Queens-Shelburne*): Mr. Chairman—

The CHAIRMAN: Are we being fair to Senator Haig?

Senator HAIG: I will wait.

Senator KINLEY: Yes, let one member speak at a time.

THE CHAIRMAN: It is your turn.

Senator KINLEY: There is an amount of $18 million odd in the supplementary estimates, and we have no original estimate of the housing. There is nothing in the—

Dr. DAVIDSON: Nothing in the Main Estimates.

Senator KINLEY: Yes, but they have got $18 million for housing in respect of the losses they made. If you take this amount of $18 million away from the housing do they still make a profit?

Dr. DAVIDSON: I cannot tell you what the profit position of Central Mortgage and Housing Corporation is on its main operation, because for its main operation it does not come to Parliament for funds except on a loan basis. I can only say to you that these four items represent tasks which the Central Mortgage and Housing Corporation has been specifically asked to undertake on the understanding that any losses that are incurred by Central Mortgage and Housing Corporation will be reimbursed to it.

Let me give you an example. Vote 35g is the best illustration I can give you. Under section 36H of the National Housing Act the Central Mortgage and Housing Corporation is authorized to enter into agreements with provinces and municipalities or municipal sewerage corporations for the installation of sewer systems. It is authorized to lend money to a province or a municipality for that purpose. It is further authorized at the completion of the project to forgive 25 per cent of the loan.

Senator KINLEY: I see.

Dr. DAVIDSON: And it is the forgiveness of the loans—

Senator KINLEY: This represents the 25 per cent that is forgiven?

Dr. DAVIDSON: Yes, that makes up that amount of $7.89 million.

Senator KINLEY: That is news to me. I did not know that.

Dr. DAVIDSON: Now, if you look at the top of page 29 under the heading "Loans, Investments and Advances" you will see there that we are lending Central Mortgage and Housing Corporation $32.5 million so that it can make loans to provinces and municipalities for the purpose of these sewerage programs. It is when 25 per cent of those loans have to be written off that they are brought in as expenditures. So, these two items, one of which is a loan item and one of which is an expenditure item, go hand in hand.

If we are giving to Central Mortgage and Housing Corporation, let us say, $1 million by way of a loan this year to enable it to lend money to a municipality for the carrying out of a sewerage project, that is recorded as a loan item. Then a year or two years from now, when the project is completed, 25 per cent of it is forgiven, and that has to be brought back as an expenditure item and the authority of Parliament sought to reimburse the Central Mortgage and Housing Corporation for that forgiven portion. Seventy five per cent of the loan is reimbursed by the municipality, of course.

Senator KINLEY: Where does it come from?

Dr. DAVIDSON: From the municipality or the province.

Senator KINLEY: The province will pay that, and you give them 25 per cent, which will be put in as a loan to the Corporation.

Dr. DAVIDSON: We lend them all of the money.

Senator KINLEY: It is not a loan; it is a contribution.

Dr. DAVIDSON: We lend them all of the money, and we require them to pay back 75 per cent of it. When they have paid back 75 per cent we say that we forgive the rest of it.

The CHAIRMAN: Is that a sufficient explanation, Senator Kinley?

Senator KINLEY: Yes.

The CHAIRMAN: Senator Haig?

Senator HAIG: On page 17 under "Privy Council" there is Vote 5g in respect of ministers without portfolio, in the amount of $1,715. Does that provide for the extra salaries of the two ministers? Is that the reason for that?

Dr. DAVIDSON: Yes, the Salaries Act provides for ministers who are listed by their portfolios, and ministers without portfolio have to be provided for by a separate authority.

Senator HAIG: And this is what you are doing now?

Dr. DAVIDSON: That is correct.

Senator GROSART: Mr. Chairman, on a point of order may I ask again—I understood you to rule that we were to go through these estimates page by page. I am trying to respect that ruling.

The CHAIRMAN: Yes, but the committee seemed to feel that it wanted to go ahead in this way. I am going to get the consensus of the committee within a minute, but Senator Smith has a question.

Senator SMITH (*Queens-Shelburne*): No, I pass.

The CHAIRMAN: I did make the suggestion that members of the committee might wish to ask questions at this point. We have had quite a discussion on other matters. Is it the wish of members of the committee that they ask questions now on any part of the Estimates, rather than to take it page by page and department by department?

Senator THORVALDSON: Yes, Mr. Chairman. Some of the items are quite obvious.

The CHAIRMAN: Senator Grosart, have you any questions on the Estimates?

Senator GROSART: I had one question, but if we are not going through them ad seriatim, my question would not be relevant.

The CHAIRMAN: I do not quite understand that, because your question must be relevant, no matter how it is asked.

Senator GROSART: I was going to suggest to Dr. Davidson, regarding the first $1 item of the 15 items here, that he might tell us without detailed explanation the category in which each one falls. I am not suggesting that we have a complete explanation.

The CHAIRMAN: I think he has already explained the first one, has he not?

Senator GROSART: But not as simply as I would wish.

Dr. DAVIDSON: Could I just attempt this, Senator Grosart? The item on pages 3 and 4, 35g—Agriculture, seeks authority which up to the present moment has not been granted by Parliament, to spend $963,000. That is the first $1 item.

Senator GROSART: I am not suggesting that you give a detailed explanation of all 15.

Dr. DAVIDSON: It seems to me that 35g presents no problems.

The CHAIRMAN: It is the one Dr. Davidson explained earlier.

Dr. DAVIDSON: 45g does not present any problem because it seeks authority only not additional moneys. All we need is the authority, and the amount is reduced to $1.

The same is true of Vote 1g—External Affairs, on page 7. The funds are available to meet this.

The same is not true of Vote 6g—External Affairs, on page 8. The explanation of this is that we concluded an agreement with the Italian government arising out of the war settlement many years ago, around 1950, under which the Italian government agreed to make available certain of its bonds, the proceeds of which would be used to promote cultural purposes involving that country and our country. It has taken all these years to get the details worked out, but the Italian government now is placing at our disposal this amount of capital, the proceeds of which, the yield on the bonds, are to be used for cultural purposes. This vote is to authorize us to receive and hold these bonds and to use the proceeds from those bonds for these purposes, without running into the difficulty of that money having to go into the Consolidated Revenue Fund, which otherwise it would have to do. Therefore, what this provision really says is that notwithstanding section 35 of the Financial Administration Act, which says that every cent the Minister of Finance gets must go into the Consolidated Revenue Fund, this can be set up in effect as a trust fund for this special purpose.

Senator GROSART: It is a segregation?

Dr. DAVIDSON: That is, in effect, legislative authority to segregate these funds.

The CHAIRMAN: The next is Indian Affairs.

Dr. DAVIDSON: Indian Affairs, on page 11, is the same as the earlier ones. It is an authority and the money is there. The same is true of Vote 15g. However the Department of Industry vote is of a legislative character. It is in effect an amendment to the provision of the Area Development Incentives Act which at the present time sets a ceiling on the amount of the commitment authority that can be entered into under the provisions of this program.

The CHAIRMAN: How much is the increase?

Dr. DAVIDSON: This is the second time this year. The legislation as passed by Parliament last July set a commitment ceiling, as I recall it, of $50 million. The program went exceptionally well. This has not involved very much in the way of a pay-out of funds, but it has been found that companies in planning their future programs have to have in advance an assurance from the Government that if they move into a certain area grants in accordance with provisions of the legislation would be forthcoming. Therefore, these commitments have to be made now. It was quickly found that the $50 million originally set in the act of Parliament was far too little for a commitment authority. It was raised by the previous Supplementary Estimates to $125 million, and it now has to be increased again unless the program is going to come to a complete halt.

Senator GROSART: It is one of those cases where public participation has exceeded the estimate?

Dr. DAVIDSON: Yes. Frankly, this is something that in my judgment should be the subject of an amendment to the legislation, but with the Parliamentary log jam we have to decide whether we will wait for this to get through Parliament next fall or whether to resort to this device, and frankly we have had little choice but to resort to this device if we are not going to have to accept responsibility for bringing the program to a complete halt.

Senator GROSART: This is sort of half way between the statutory type of commitment of the Consolidated Revenue Fund and the specific?

Dr. DAVIDSON: This does not affect the expenditures. All this affects is the amount of future commitments that the Government can enter into. My recollection, Senator Grosart, is, and I will have to ask you to accept this with some reservations, that there is a statutory limit on the amount that can be spent in the original legislation as well as a statutory limit on the commitment authority

that can be entered into; and what these two changes have done is to alter upwards the commitment authority without affecting the amount of the appropriation itself.

Senator GROSART: That was my point. In the initial act you can set up this type of limit, and then if the program is a real success you may have to come back and say, "Let us have some more money, or have the power of commitment."

Dr. DAVIDSON: What will happen is that the department will take this legislation to Parliament and get the new ceilings established by amendment of the legislation in what I would regard as the more orthodox way.

Senator SMITH (*Queens-Shelburne*): If we did not do this in this way, there would be a very strong likelihood that important industries not being able to be assured that there would be funds to give them the grants under the act, would change their minds about locating in one of the designated areas. Perhaps industry already set up in a designated area might then abandon plans to expand. So we are faced with either doing it in this way or taking a chance on the industry being able to reconsider their whole position either this fall or next year. Is that not why it is in the form of a dollar item?

Dr. DAVIDSON: The alternative is to declare that this deserves priority on the limited time of Parliament for legislation going through the house. This is the alternative.

Senator SMITH (*Queens-Shelburne*): And getting towards the end of the session, it is difficult.

The CHAIRMAN: Are there other dollar items?

Dr. DAVIDSON: On page 15, there is a dollar item. There is no problem there.

Senator GROSART: What category does it come into?

Dr. DAVIDSON: It comes under the category of the authority, with the money already available.

The next is on the top of page 19. It is the same. There is money already in the vote. Authority is required for those two projects.

Senator GROSART: But this is also in effect a legislative item?

Dr. DAVIDSON: No, sir.

Senator GROSART: Are you not including projects that were not under the original vote?

Dr. DAVIDSON: That is correct, but every item in this vote, that involves construction of more than $50,000, has to be listed. These two were not listed in the main Estimates. They were added to the list in the course of the year. The wording prevents these projects being proceeded with, if they are going to cost more than $50,000. Therefore we have to get authority to proceed with them.

Senator GROSART: So you are really amending the act.

The CHAIRMAN: No. All expenditures are originally under statutes.

Senator GROSART: But you have not the money to include these two specific projects. You have neither the money nor the authority.

The CHAIRMAN: Because they were not in the original estimates.

Dr. DAVIDSON: This is precisely the same as the vote on page 3. Precisely. There was no authority in the original estimates 35g to assist in the construction of these potato warehouses.

Senator GROSART: That is what I mean. You are expanding the original act, therefore you are amending it. You may have the money but you are amending the act.

The CHAIRMAN: The Estimates, not the act.

Senator GROSART: The vote, the action of Parliament. You are amending the action of Parliament.

Dr. DAVIDSON: Every supplementary estimate does that, every single one of them does that. What I am arguing is that this is in no way different from any normal supplementary estimate. All we say is that we do not need the additional money because we have already got it available in the vote, but we do need the authority to spend that money on this particular item.

The CHAIRMAN: Have we finished with the one dollar items?

Dr. DAVIDSON: No, there is another of the same kind on page 22, which I would regard as being a normal item.

On page 24 there is an item which is different, it seems to me. It is not quite normal. We want authority here to increase the future commitment authority under the Railway Grade Crossing Fund, by $6 million. This involves no further expenditure this year but it does involve our having the authority to enter into more agreements with municipalities that will result in expenditures in future years. This is very much the same as the Area Development Incentives legislation.

Senator GROSART: You would call this a commitment category?

Dr. DAVIDSON: That is right.

Then we come to the Treasury Board, and we have a number of dollar items. May I deal with the last one first, as it is simpler. This is simply the normal item that has to be brought in from time to time which will authorize write-offs of uncollectible debts, or dead accounts.

The Financial Administration Act permits the Treasury Board, without coming to Parliament, to write off debts under $1,000, but anything over $1,000 has to be brought to Parliament for specific authority. That is Vote 25g.

Senator GROSART: Does this item have to come in each year as a final supplementary?

Dr. DAVIDSON: It does not have to come in each year, but it is the practice. Nothing over $1,000 can be written off without coming to Parliament at some point in time.

Vote 19g is really required in order to correct an oversight that arose from our amendments to the Public Service Superannuation Act. Last spring, Senator Grosart, you may remember we made extensive amendments to the Public Service Superannuation Act. Inadvertently, we found we had included under the coverage of the Superannuation Act a number of what I call defunct corporate entities, by keeping their names in schedules to the legislation.

The first purpose is to delete these defunct corporations.

Secondly, we found that, inadvertently again, we had swept into the ambit of the legislation employees of certain Crown corporations already covered by pension legislation that they had negotiated under collective bargaining. It is obviously not the intention that they should be required to contribute to two different pension funds. The purpose of this vote wording is to permit the Governor in Council to delete from the coverage of the Public Service Superannuation Act employees of any board, commission or corporation which has its own pension plan and where this pension plan is in force and can take the place of the Public Service Superannuation fund.

Senator GROSART: In other words, this adds to the power of the Governor in Council to make regulations.

The CHAIRMAN: It is the legislation which does that.

Dr. DAVIDSON: It allows him to delete.

Senator GROSART: But it adds to the power given to the Governor in Council for purposes of the act.

Dr. DAVIDSON: The Public Service Superannuation Act already authorizes the Governor in Council to add categories. This in effect authorizes the Governor in Council also to delete categories.

Senator GROSART: It gives additional power to the Governor in Council which is not in the act as it was passed. So it is legislative in itself.

Dr. DAVIDSON: That is correct. If we had thought of this, we would have put it in the legislation at the time.

Senator GROSART: I do not object.

Dr. DAVIDSON: This next one is a complicated one and I must be quite frank in explaining the point. The item on page 26, Vote 34g, goes back to the beginning of the Canada Pension Plan. Prior to the Canada Pension Plan being enacted, the rate of contribution under the Public Service Superannuation Act was 6½ per cent. Then along came the Canada Pension Plan and its rate of contribution was 1.8 per cent. It was decided to integrate these two schemes and the Government gave public assurances to all of the members of the Public Service that they would not have to pay a higher premium under the two schemes than they had previously paid under the original scheme. That meant that the 6.5 per cent would be reduced by 1.8 per cent.

Parliament passed the Canada Pension Plan, imposing an additional 1.8 per cent, before it passed the Public Service Superannuation Act amendment reducing the 6.5 per cent. Therefore, at the end of 1965, the Government was in a position where, under these two laws, it had to begin deducting the additional 1.8 per cent before it could stop deducting the full 6.5 per cent.

Parliament decided that, in order to honour its commitment to its employees, it would loan, and pay on their behalf, into the Canada Pension Plan account, and the Quebec Pension Plan account, the 1.8 per cent that was additional; that they would set this up as an advance. Authority for doing that was sought and obtained in the supplementary Estimates a year ago.

Then, when the Public Service Superannuation Act was amended, it had the effect of reducing the 6.5 per cent. The result of that reduction was that there was excess contribution still in the Superannuation account, to the extent of that 1.8 per cent excess that had been collected.

The purpose of this vote wording is to authorize the money that had been paid out on advances, to be charged to the Superannuation Fund, thus using the surplus funds already in that fund to cancel these advances.

I hope honourable senators will accept that as the basic purpose of this vote wording.

There is one further explanation which I will try to make. The Canada Pension Plan legislation requires that any income that is received in 1966, even in respect to arrears of salaries earned in 1965, or earlier, is subject to this additional 1.8 per cent. Therefore certain advances had to be made in respect of income earned in 1965 or earlier, but paid in 1966. There is no counterbalancing credit in the Public Service Superannuation Account available against which to charge off that 1.8 per cent since the reduction of the public service superannuation contribution rate from 6.5 per cent to 4.7 per cent did not take effect until January 1, 1966.

We are nonetheless charging the whole amount of these advances off against the Public Service Superannuation Fund, and when the next actuarial evaluation is calculated—and this is done on a quinquennial basis—it will be necessary for the federal Government to make whatever adjustment is required to be made at that time to bring the fund into actuarial balance. At that time the relatively small amount of money that is involved here due to the factor that I have just referred to will be picked up by the federal Government in meeting the over all actuarial deficit in the fund at that time.

Senator HAIG: It means, Dr. Davidson, that the public service employees were paying the 6.5 and the 1.8 for six months, and you are really balancing off the excess payment made by the public service employees to these different funds.

Dr. DAVIDSON: That is correct. In essence that is it.

Senator HAIG: I followed you up until about the last three minutes; then you got me completely confused on the excess payments.

Dr. DAVIDSON: I am sorry, because in 1966 there is really no problem and, if the Canada Pension Plan legislation had not required the deduction for the Canada Pension Plan to be made in respect of previous years' income received in 1966, we would have had no problem. But because it did require us to deduct 1.8 per cent from moneys received in 1966 that were earned in 1965 and because the 6½ per cent rate rather than the 4.7 per cent rate applied in the Public Service Superannuation legislation to all of 1965, we really have no surplus in the Public Service Superannuation Account to charge that 1.8 per cent to.

Senator GROSART: Accepting the fact that the reasons are necessary and good, Dr. Davidson, the effect, as I understand it, is actually to reduce the statutory amount of contributions required under the Public Service Superannuation Act.

Dr. DAVIDSON: No, Senator Grosart, the effect of this is not to do that.

Senator GROSART: It is not to reduce it?

Dr. DAVIDSON: No. The legislation passed by Parliament last spring has already done that. The effect of this is really to wipe off the books the advances now on them that were made a year ago during that interim period when we had to make the advances on behalf of civil servants to the Quebec Pension Plan and the Canada Pension Plan. At the present time these stand as loans.

Senator GROSART: Yes, sir. I am not speaking of the over-all effect of these transfers; but this vote says that notwithstanding anything in the act certain contributions shall be reduced.

Dr. DAVIDSON: No.

Senator GROSART: That is what it says.

Dr. DAVIDSON: No, it does not.

The CHAIRMAN: It is just the repayment—

Senator GROSART: I am saying that it says notwithstanding anything in the act certain contributions shall be reduced. Now, I am merely asking, if they do not mean that, why do they say it? Or am I reading it incorrectly?

Dr. DAVIDSON: I think you are picking some of the words out but not all of them. This says that it is to authorize the charging to the Superannuation Account.

Senator GROSART: Yes?

Dr. DAVIDSON: Of the amount of all advances that were made. That is what its basic purpose is.

Senator GROSART: That is number one, and then it says, "and to provide" that there shall be reductions. One is to authorize the charging; the second is to provide that contributions shall be reduced.

Now, all I am speaking about is the one act, the one part of it. Does it or does it not amend that act by permitting a reduction that is not permitted in the act as it stands?

Dr. DAVIDSON: This last portion merely provides that the combined contribution to the Public Service Superannuation Fund and the Canada Pension Plan shall not be in excess of 6.5 per cent. The combined contribution, that is, shall not be in excess of 6.5 per cent.

Senator GROSART: I agree, but I am still asking you does it not say that this provides that certain contributions, payable pursuant to the Superannuation Act, shall be reduced, and then go on to define the extent?

Dr. DAVIDSON: Yes, I see your point.

Senator GROSART: It shall be reduced to a certain extent. And my point is that this does reduce the statutory requirement as to contributions under that one act. I am not arguing what the purpose is.

Dr. DAVIDSON: I know. The easy thing would be for me to say, "Yes, it does." But I honestly do not think it does, Senator Grosart.

Senator GROSART: Why does it ask for it in such specific words, then?

Dr. DAVIDSON: May I just begin again?

Senator GROSART: They ask us under Vote 24g to charge, which is one thing, and, secondly, to provide that contributions payable pursuant to the act of Parliament shall be reduced to a certain extent.

Dr. DAVIDSON: I have to say to you that the amendments that were made to the Public Service Superannuation Act by Parliament last spring did that.

Senator GROSART: Then why do they have to pass this vote to provide to do it again?

Dr. DAVIDSON: May I finish? They provide that the amount of the contribution to the Public Service Superannuation Fund would be 6.5 per cent in the case of a male and 5 per cent in the case of a female less the contribution that was made to the Canada Pension Plan or to the Quebec Pension Plan. Now that was done by the Public Service Superannuation Act amendments last year.

Respecting this one, you have got me at a disadvantage because I have not read it for so long, but this one is a technical change that accomplishes some other purpose which, I say to you quite honestly, I cannot explain to you at the moment. But if you want to call me back, I will figure it out for you and bring it back.

Senator GROSART: It is getting late and cold, Dr. Davidson. I will not pursue this any further.

Dr. DAVIDSON: May I settle this with you privately?

Senator GROSART: Yes. You understand my point is merely to try do understand the language in these $1 votes?

Dr. DAVIDSON: I assure you I do, and it would be very easy for me to say that I think you are right, but I do not think that that is really the correct explanation. I will get it for you and bring it to your attention, however.

Senator GROSART: Thank you very much.

The CHAIRMAN: Now, you have dealt with all of them on page 26. On page 27 we have Veterans Affairs.

Dr. DAVIDSON: This is to add the names of the children in question to the authority that is contained in the War Dead Assistance Act to pay allowances to certain children of former veterans. There is some technical reason—which I must admit I have forgotten—why these children do not come under the coverage of the statute. It is considered that there is a special circumstance which justifies asking to have these children brought under the statute as though they were legally under it. This is the purpose of it.

Senator GROSART: It is probably what we might call a compassionate category.

Dr. DAVIDSON: It extends the existing legislation; it is an amendment to the legislation.

The CHAIRMAN: Page 28.

Dr. DAVIDSON: Here we get into loans, investments and advances. These dollar items are essentially for the purpose of establishing revolving funds. I described the purpose of that earlier. It merely is for the purpose of enabling us to get a working capital advance which will enable us to purchase supplies and then to charge as an expenditure to the correct fiscal year the cost of those supplies as they are in fact being used.

Senator GROSART: Might I say that in my judgment if all of these $1 votes were as frank in their wording as this one, I would not be bothering you with so many questions.

Dr. DAVIDSON: Yes. Then the one further down the page is the same. Within the next few months it is anticipated that the Government will require a great deal of hotel accommodation in Montreal in connection with Expo. Furthermore because of the difficulty of getting accommodation at Expo and because a number of departments such as Trade and Commerce, External Affairs, Agriculture and numerous other departments have special requirements for accommodation there, partly for the use of their own officials and partly because they are receiving delegations from overseas, it is desirable to assure that there will be a supply of accommodation in Montreal for the purpose of all government departments. Rather than have 20 or 25 different departments of the Government each going down to try to grab hold of some accommodation, it was decided it would be preferable to ask the Department of Defence Production, which is being converted into a department of common procurement, to obtain the accommodation on a block reservation basis.

Senator ISNOR: This expenditure is being made in connection with privately owned hotels?

Dr. DAVIDSON: Yes.

Senator ISNOR: In other words you are subsidizing the hotel business.

Dr. DAVIDSON: No.

Senator ISNOR: Just a minute, now.

Dr. DAVIDSON: There is a revolving fund already available to the Department of Defence Production. The department already has money in this revolving fund that it can pay out subject to recovery from other government departments. It can pay out moneys for certain purposes such as the purchase of supplies. If the Department of Public Works wants to get some pencils or some paper it requests the Department of Defence Production to purchase such paper or pencils or whatever equipment it may need—typewriters or filing cabinets. It may be purchasing for a dozen different departments. It buys the supplies in bulk and pays for them out of this revolving fund and charges the Public Works department or any other department for whatever supplies they require, whether it be filing cabinets or typewriters. What is done here is to extend the purposes of this fund to hotel accommodation in Montreal during this period so that if I want hotel accommodation during Expo, for business purposes, my department will ask the Department of Defence Production to obtain this hotel accommodation for me. The Department of Defence Production has retained en bloc a certain amount of hotel accommodation in order to assure that there is accommodation available. When that reservation is made they will pass on the charges to me for the hotel accommodation for the individual night that I occupy it, and it will be charged to my department. However, since this accommodation will be reserved on a block basis there may well be nights on which some of the space will be vacant.

Senator HAIG: When can we apply for those?

Dr. DAVIDSON: Well, there is no reason why it should not be available to senators. But the Department of Defence Production pays for this out of the revolving fund subject to seeking reimbursement.

Senator ISNOR: I hope it will stop there.

Senator KINLEY: I want to refer to page 22, where it deals with the Newfoundland ferry, the Prince Edward Island car ferry and the Yarmouth-Bar Harbor ferry. Is that the whole deficit for the year shown there?

Dr. DAVIDSON: Yes.

Senator KINLEY: That is the entire deficit?

Dr. DAVIDSON: I am quite sure—

Senator KINLEY: For the Newfoundland ferry, the Yarmouth-Bar Harbor ferry and the Prince Edward Island ferry?

Dr. DAVIDSON: I am reasonably certain that these are the full amounts of the deficits because you will notice in the vote wording that these deficits are based upon the certification of the auditor at the end of the year that this is the amount required. The practice is to wait until the end of the C.N.R. fiscal year and then to get a certificate as to the amount of the deficit and to pay on that basis.

Senator KINLEY: Have they had deficits in some cases and surpluses in others, or have they had deficits in all cases?

Dr. DAVIDSON: May I correct my answer? The main Estimates at page 490 show $11,901,000, and this is merely the additional amount required.

Senator KINLEY: What about the Yarmouth-Bar Harbor ferry by itself?

Dr. DAVIDSON: The amount of money there is $122,100 in the Main Estimates.

Senator KINLEY: That is a deficit?

Dr. DAVIDSON: Yes, and I gather from the fact that it is not listed here for a further amount that no additional amount beyond that is required.

Senator KINLEY: I hope so. What about the Prince Edward Island ferry?

Dr. DAVIDSON: The amount in the main Estimates is $4,393,100, and $138,000 extra was required.

Senator KINLEY: I hope that somebody else but the railroad will be managing it. The deficits don't look like they should be there at all. I don't think all the ferries should have a deficit. The Prince Edward Island ferry is always loaded with passengers, and I know that the Newfoundland ferries have been having trouble because the boat is not big enough. The one from Yarmouth to Bar Harbor has been doing very well too. It surprises me that the deficits there are so much.

Dr. DAVIDSON: The deficit for the Yarmouth-Bar Harbor ferry is $122,100.

Senator KINLEY: What about the one to Newfoundland—how much is that?

Dr. DAVIDSON: There was $11.9 million in the main Estimates—but there is more than one ferry there.

Senator KINLEY: It seems to me that that deficit should not be there. I am afraid the railroads are not marine-minded.

Senator BURCHILL: The $128,000 for the Prince Edward Island ferry is not bad.

The CHAIRMAN: Any further questions? Have you any further $1-item questions, Senator Grosart?

Senator GROSART: Yes, I have one, referring to page 30.

Dr. DAVIDSON: Page 30—Loans and Investments item—that again is a purely technical provision. The Department of Transport revolving fund carries the cost of accumulating inventories on a wide variety of parts and equipment purchased at various times at prices that can vary. You may purchase an article for $1.50 in one year and then a year later you may purchase a further supply of the same article for $1.57.

This is to permit a standard pricing to be used for all the units of the same kind in that account regardless of what the price was when they were acquired—a sort of averaging. If, as a result of the adoption of standard pricing, the result is a marginal profit on a particular item when it is charged out to a particular Department of Transport consumer use program, this vote wording permits that margin of profit, so-called, to be carried in the revolving fund rather than having to be extracted and returned to the Consolidated Revenue Fund.

Senator GROSART: What happens to amounts retained when the vote runs out?

Dr. DAVIDSON: If there were any evidence that the amount in this revolving fund were rising above the limit authorized for the revolving fund, it would be drained off to the Consolidated Revenue Fund; but this wording is really to enable them to set off the pluses against the minuses in order to balance off the cost.

The CHAIRMAN: Are there any further questions?

Senator ISNOR: Dr. Davidson, you use three words there—"Loans, Investments and Advances." Would it not be just as easy, from a bookkeeping point of view, to separate those—"Loans, Investments and Advances"? There are three distinct classes.

Dr. DAVIDSON: Certainly, I think it would be easy enough to separate out the advances, which are essentially this revolving fund kind of thing. I am not so sure I would want the job of deciding what is a loan and what is an investment.

Senator ISNOR: That is the very thing I had in mind.

Senator GROSART: Are you always sure of the distinction yourself, Senator Isnor, between "Loans, Investments and Advances"?

Senator ISNOR: From a business pont of view, I know what you charge off if you are in doubt.

Senator GROSART: Then you argue with the income tax people!

Senator DESCHATELETS: It is an "investment" when the money comes back.

The CHAIRMAN: Are there any further questions?

It is purely a matter of the study of these Estimates and we do not report back to the Senate on them, but we can always take them up in dealing with the general report on the Estimates. So, on your behalf, I thank Dr. Davidson again for the great help that he always gives us in these matters, and a motion to adjourn would be in order.

The committee adjourned.

First Session—Twenty-seventh Parliament

1966-67

THE SENATE OF CANADA

PROCEEDINGS

OF THE

STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

No. 19

First Proceedings on The Estimates

laid before Parliament for the fiscal year ending 31st March, 1968.

WEDNESDAY, APRIL 26th, 1967

WITNESS:

Treasury Board: Dr. Geo. F. Davidson, Secretary.

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

26019—1

THE STANDING COMMITTEE

ON

FINANCE

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

The Honourable H. de M. Molson, *Deputy Chairman*

The Honourable Senators:

Aird
Aseltine
Baird
Beaubien (*Bedford*)
Beaubien (*Provencher*)
Belisle
Burchill
Choquette
Connolly (*Halifax-North*)
Croll
Denis
Deschatelets
Dupuis
Farris
Flynn
Gélinas
Gershaw
Grosart
Haig
Hayden
Hays
Isnor
Kinley
Leonard
Macdonald (*Brantford*)
MacKenzie
McCutcheon
Méthot
Molson
O'Leary (*Antigonish-Guysborough*)
Paterson
Pearson
Phillips
Pouliot
Power
Quart
Rattenbury
Reid
Roebuck
Savoie
Smith (*Queens-Shelburne*)
Thorvaldson
Vaillancourt
Vien
Welch
Yuzyk (46)

Ex Officio members: Brooks and Connolly (*Ottawa West*).

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Wednesday, April 26th, 1967:

"With leave of the Senate,

The Honourable Senator Connolly, P.C., moved, seconded by the Honourable Senator Deschatelets, P.C.:

That the Standing Committee on Finance be authorized to examine and report upon the expenditures proposed by the Estimates laid before Parliament for the fiscal year ending 31st March, 1968; and

That the Committee be empowered to send for persons, papers and records, to print its proceedings upon the said Estimates and to sit during sittings and adjournments of the Senate.

After debate, and—

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

J. F. MacNeill,
Clerk of the Senate.

26019—1½

MINUTES OF PROCEEDINGS

WEDNESDAY, April 26, 1967.

Pursuant to adjournment and notice the Standing Committee on Finance met this day at 2.00 p.m.

Present: The Honourable Senators Leonard (*Chairman*), Beaubien (*Provencher*), Beaubien (*Bedford*), Burchill, Deschatelets, Flynn, Grosart, Haig, Isnor, Kinley, Molson, O'Leary (*Antigonish-Guysborough*), Phillips, Pouliot, Power, Smith (*Queens-Shelburne*) and Welch. (17)

The Estimates laid before Parliament for the fiscal year ending March 31st, 1968, were considered.

The following witness was heard:

Treasury Board:

Dr. Geo. F. Davidson, Secretary.

At 3.00 p.m. the Committee adjourned to the call of the Chairman.

Attest.

Frank A. Jackson,
Clerk of the Committee.

MINUTES OF PROCEEDINGS

THE SENATE

STANDING COMMITTEE ON FINANCE

EVIDENCE

OTTAWA, Wednesday, April 26, 1967.

The Standing Committee on Finance, to which was referred the Estimates laid before Parliament for the fiscal year ending 31st March, 1968, met this day at 2 p.m.

Senator T. D'ARCY LEONARD (*Chairman*) in the Chair.

The CHAIRMAN: Honourable senators, it is 2 o'clock and we have a quorum. We have a limited amount of time, because the Senate will be sitting at 3 o'clock this afternoon.

When I was arranging this meeting, Dr. Davidson generously agreed to work in his time so that he would be here from 2 to 3 o'clock and he offered also to come back after the Senate rose today. I think we should try to get in as much as we can before 3 o'clock and, in the light of all that is going on, perhaps we would not need to expect him to come after the Senate rises, as we will be busy with the debate going on there, until late in the day.

As honourable senators are aware, the 1967-68 Estimates have been referred to us. We have been asked to deal with them and as usual we might start off by Dr. Davidson giving us in broad outline what the picture for 1967-68 is.

I have one question to raise before we start. I wish to ask Senator Grosart and Dr. Davidson whether they want the letter, which cleared up some questions in Senator Grosart's mind, filed as part of the proceedings, or whether the matter has been dealt with satisfactorily on the basis of the correspondence.

Senator GROSART: It is quite satisfactory to me, unless you, Mr. Chairman, or perhaps Dr. Davidson, would like to have it on the record. It is immaterial to me. I am quite satisfied.

The CHAIRMAN: It is the explanation of a question which Senator Grosart asked. I do not think it needs to go on the record, unless either of them wish it to be so.

Dr. George F. Davidson, Secretary of the Treasury Board: I would be delighted to have all my correspondence with Senator Grosart either kept secret or put on the record, as he wishes.

The CHAIRMAN: It is agreed, then, that this need not go on the record.

Dr. DAVIDSON: Mr. Chairman and honourable senators, I see that the members of the committee do not have in front of them the Blue Book of Estimates, so I will make reference as best I can to the tables and will try to do so slowly enough to give the members of the committee time to digest the import of these numbers.

The Estimates for 1967-68, the Main Estimates as tabled on March 13, total $9,535,132,584. That is by a considerable amount the largest total of Main Estimates tabled at any time in recent years and possibly even taking account of the war years.

In addition to that, Parliament is being asked to authorize loans, investments and advances totaling $579,301,500. The latter figure is slightly below the total of loans, investments and advances for the preceding fiscal year, 1966-67.

I suspect we will not be devoting too much time to the portion relating to loans, investments and advances. I can come back to that if honourable senators wish me to do so. Otherwise, I will concentrate my attention for the moment at least on the total of budgetary expenditures for which parliamentary authority by way of appropriations is in large part required.

This figure of $9,535 million compares with 1966-67 Estimates, which totalled $8,795 million—so we are up, in terms of the Main Estimates over the total Estimates of last year, by $740 million.

However, I should put one additional figure on the record, although this comparison is not altogether a fair comparison, for reasons which I will explain later. The Main Estimates for 1966-67, as distinct from the total Estimates by the end of the year, were just under $8 billion—something of the order of $7,950 million.

Senator BEAUBIEN (*Bedford*): Last year?

Dr. DAVIDSON: Yes, last year. If I may sum up this broad outline, to compare the main Estimates for 1966-67 as printed in the Blue Book a year ago, with the Main Estimates for the current year as tabled last month, the difference is between $7,950,000 and $9,535,000.

If you set out to compare the total Estimates as Parliament officially approved them for the fiscal year 1966-67, to the Main Estimates of the current year, it is a comparison between $8,795,000 and $9,535,000.

Senator HAIG: An increase of $739 million?

Dr. DAVIDSON: Yes sir.

Senator BEAUBIEN (*Bedford*): What are we contemplating in that $9½ billion? Is that considering the people actually on the payroll now, or is that considering people expected to be on the payroll during the next twelve months?

Dr. DAVIDSON: Senator Beaubien, this does not relate to payroll only but to the totality of Government expenditure.

Senator BEAUBIEN: (*Bedford*): I know, but there is a lot in it that deals with payroll.

The CHAIRMAN: It deals with salaries as well as other items that come into the Government account.

Dr. DAVIDSON: That is correct. It takes account of anticipated increases in the establishment, anticipated increases in the salary levels during the year, and it takes into account to a greater extent, I think I can say than our main Estimates have ever taken into account before, all the foreseeable items of expenditure that we can set down at the beginning of the year as required to meet the obligations of the Government in the fiscal year ahead.

I stress this latter point because, as I said once before when I testified before the committee, Mr. Chairman, we have endeavoured in the main Estimates this year to follow the advice of the Senate Finance Committee and to bring to the main Estimates certain large items of expenditure which we know full well we are going to incur but which for a variety of reasons in previous years it has been the practice to leave out of the main Estimates and bring in only at a later stage sometimes in the final supplementaries.

Senator HAIG: Dr. Davidson, in the last supplementary Estimates you got last year there were certain items you knew at the beginning of the year were going to be charged against the Government, so now you are including those in the main Estimates.

Dr. DAVIDSON: That is correct: The total of what I have just referred to as items that we are presenting in the main Estimates this year—unlike previous years—amounts to $353 odd million.

Senator POULIOT: Dr. Davidson, I asked you last fall if the Treasury Board had any regulations and you answered me that there were none.

The CHAIRMAN: Order. Senator Pouliot, there was some noise over here and Dr. Davidson could not hear your question.

Senator POULIOT: Excuse me. I will raise my voice, although I find it embarrassing to do so because it could be wrongly interpreted. Dr. Davidson, I wondered if you could remember that last fall I asked you if there were any regulations for the Treasury Board and you answered that there were none. I wonder if since last fall the Treasury Board has passed any regulations.

Dr. DAVIDSON: I do not recall having said, Senator Pouliot, that the Treasury Board had no regulations, because, for example, when the Treasury Board issues a minute outlining new pay scales for certain groups in the Civil Service that has the effect of being a regulation and has to be published under the provisions of the Regulations Act.

Senator POULIOT: Yes. You told me in particular, though, that there was nothing with regard to the quorum. There were no regulations concerning the quorum. Do you remember that?

Dr. DAVIDSON: Oh, yes, yes. As to the procedure by which the Treasury Board regulates its meetings, I did say there was no regulation providing for a quorum.

Senator POULIOT: Would it be possible to have a copy of the regulations of the Treasury Board published as an appendix to the daily report?

Dr. DAVIDSON: All of the regulations that are regarded as regulations approved by the Treasury Board, Senator Pouliot, are published in the Canada *Gazette*.

Senator POULIOT: Oh, they are published in the Canada *Gazette*.

Dr. DAVIDSON: Yes. You see, every decision taken by the Treasury Board, that is under the law interpreted as being a regulation, must be published in the Canada *Gazette* by virtue of the provisions of the Regulations Act.

Senator POULIOT: In Part II of the *Gazette*.

Dr. DAVIDSON: That is right.

Senator POULIOT: Now, is there any compendium of those regulations put together for the use of the Treasury Board and other officials?

Dr. DAVIDSON: No, sir, not to my knowledge. I am afraid we may be talking at cross purposes, Senator Pouliot, because I am referring to decisions of the Treasury Board covering a wide variety of working conditions and other factors, problems for which Treasury Board has to make provision, but I think you may be talking about regulations by which the Treasury Board governs its own proceedings. Is that what you are thinking of?

Senator POULIOT: Yes, basic regulations.

Dr. DAVIDSON: The Treasury Board has no regulations governing its own proceedings any more than the Cabinet has regulations governing its own proceedings.

Senator POULIOT: But the Treasury Board is different from the Cabinet, although the members of the Cabinet comprise it.

Dr. DAVIDSON: The Treasury Board is a committee of the Cabinet, in fact.

Senator POULIOT: Yes.

Dr. DAVIDSON: There are many other committees of the Cabinet, and to the best of my knowledge it has never been the practice for the Cabinet or for its committees to lay down regulations to govern their own proceedings.

Senator POULIOT: Now that the Treasury Board has been increased to such a large number of Cabinet ministers, is there anything concerning the quorum?

Dr. DAVIDSON: No, sir.

Senator POULIOT: You told me in the fall, in October, that there might be something done to establish a quorum.

Dr. DAVIDSON: Yes, sir.

Senator POULIOT: Nothing was done?

Dr. DAVIDSON: No, sir. And the only difference in the numbers of the Treasury Board is the increase in the number of the Treasury Board from five to six, Senator Pouliot.

Senator POULIOT: From five to six, but there were substitutes. There were eight substitutes.

Dr. DAVIDSON: Oh, yes.

Senator POULIOT: And besides that, any Cabinet member who was not a member of the Treasury Board and who was not a substitute could be appointed to the Treasury Board also. You told me that.

Dr. DAVIDSON: That is correct. The Governor in Council can of course determine, as he sees fit, the number of alternate members of the Treasury Board, but the law, which is I think the governing consideration, the law prescribes six as being the number of the members of the Treasury Board as such. The practice, if I might add, has been—and I have put this in the testimony once before I think—the practice has been to regard three members present as being the quorum or the number of ministers necessary to transact the business of the board.

Senator POULIOT: It is the unwritten practice.

Dr. DAVIDSON: That is correct.

Senator POULIOT: It could be two just as well. Do you think an order of the Treasury Board could be considered null and void because there were only two Cabinet ministers instead of three?

Dr. DAVIDSON: I would have to leave that to the Department of Justice to give an opinion on it, sir.

Senator POULIOT: Not only that, but if a Cabinet minister who was not at a meeting of the board signed the report, that would be just as good as if he had been there.

Mr. DAVIDSON: That is correct. However, when we require a Treasury Board decision to be taken in an interval between regular meetings of the board, we constitute what we call a pro forma board. A pro forma board consists of circulating the submission that is at issue, submitted by the department, the recommendation of the staff as to how that submission should be dealt with, and the signatures of three ministers who are members of the Treasury Board covering that submission. That is regarded as constituting a pro forma board meeting which has approved the submission in question.

Senator POULIOT: The signature of a minister who has not attended the meeting is equally valid to his presence at the meeting.

Dr. DAVIDSON: No, sir. I am talking now about Treasury Board submissions that are circulated without a meeting in fact being held in intervals between

meetings of the Treasury Board, between the regular Thursday afternoon meetings of the Treasury Board.

Senator POULIOT: So they can make decisions without meeting together.

Dr. DAVIDSON: Without formally meeting, so long as it is circulated to and signed by three ministers who are members of the Treasury Board.

Senator POULIOT: Do they have a pen, as they had in the Civil Service Commission, a multiple pen with which they could sign many orders at the same time without reading them.

Dr. DAVIDSON: No, sir.

The CHAIRMAN: Senator Pouliot, this is all very interesting, but what I asked was do you think we could now get on with Dr. Davidson's presentation?

Senator POULIOT: Yes, certainly. But I wanted that information. I have other questions to ask as well, but unfortunately I will not be able to stay to the end. I wonder if we will meet again next week.

The CHAIRMAN: Probably at the call of the Chair, and we will try to work this out. We will not meet again this week, because as I understand it we will not be sitting tomorrow and Friday looks like a pretty busy day.

Senator POULIOT: Thank you. I want to express my appreciation to my colleagues.

The CHAIRMAN: We appreciate that, and we are all glad to see you back. I think we have all told you that personally, and if you would like to pursue this matter further—

Senator POULIOT: Well, I wanted to know that.

The CHAIRMAN: We will ask Dr. Davidson to proceed with his statement and further questions can be asked afterwards.

Dr. DAVIDSON: I was going to put on the record, for the benefit of Senator Beaubien who asked a question that had some relevance to the size of the payroll that in the Estimates for 1967-68 the amount of the total that I referred to is $9.5 billion. That is related to the payroll in that it includes the following items—civil salaries and wages $1,307,000,000, civilian allowances $25.3 million, and pay and allowances for the defence forces and the R.C.M. Police $690,763,000. These three items combined constitute the payroll and at a rough calculation you would come to about $2 billion out of the $9.5 billion.

Senator GROSART: On that general breakdown, every time we have a situation such as this, where there is an increase in the total Estimates and the main Estimates there is a rash of speeches and editorials saying that this is a terrible thing and that the Government is spending more money and does not seem to care how much it spends. Has there ever been an attempt to break down these Estimates to show what is the cost of federal Government less transfer payments, whether to individuals or to provinces, because it seems to me absurd to keep on putting up the total figures without adequate explanation. For example, if there is a transfer of $1 billion in tax money from the federal Government to the provinces, the federal Government would have to collect the extra $1 billion. But this would not be extra expenditure by the federal Government at all. Why has there never been an attempt to present the real figures or the real cost of Government to the public?

Dr. DAVIDSON: Well, Senator Grosart, I think there have been numerous attempts made to do just that. The attempts may not have included the precise one you have in mind at the moment, but there certainly have been all sorts of efforts made to establish what the proportion of the federal budget is related to

transfer payments to individuals in the form of social security benefits, family allowances, old age pensions, unemployment insurance payments and so on. That kind of breakdown is made from time to time. There is also frequently made an attempt to show the amount of taxes raised by the federal Government which go by way of payments to the provinces and are thereby regarded as transfer payments. This is done frequently.

Senator GROSART: Yes, in the terms you are now mentioning, but there is not to my knowledge ever included a breakdown of the payroll. Let us take the income supplement, for example. If we did not have the income supplement, we would not have so many people on the payroll. The fact that we have the income supplement means that there are that many more people on the payroll. Furthermore the fact that we are reducing the age limit gradually for old age pensions also results in having more people on the payroll. Quite frankly I get tired of hearing people quote these broad figures without relating them to the services provided and assuming that every time somebody goes on the payroll the Government is hiring willy-nilly. Why don't we have a breakdown that would relate the federal Government spending to the services provided—not only to the various departments?

Dr. DAVIDSON: You have heard me make references previously to program budgeting, which is a different way of presenting the Estimates to the House of Commons and the Senate. This does precisely what you are referring to. Program budgeting endeavours to break down the functions of a department into programs which are displayed in such a way as to represent, so far as it can be done, the total cost of that program including the amount paid out by way of allowances to individuals, and the supporting establishment, the payroll and related costs that are necessary to give effect to that particular program. The attempt that will be made in the program budgeting presentation will be an attempt to put together the total costs of that particular decision of the Parliament of Canada in such a way that you could reasonably see—if the Parliament of Canada were to decide to wipe out this program, that these are the costs, including the positions on the establishment and all salary costs—these are the costs that would be eliminated from the Government's total expenditure.

Senator GROSART: In time, no doubt, we will get to it.

Dr. DAVIDSON: It seems to me that your next question should have been "We have been hearing a lot about this program budgeting, when are we going to get something on it?"

Senator GROSART: I was kinder than that. I say that in time we will get it.

Dr. DAVIDSON: We have been waiting for some time to make our presentation on program budgeting to the Public Accounts Committee of the House of Commons to whom we feel we have a major obligation in this regard. The practice has developed that we do not make major changes in the form of presenting Estimates without reference to that committee, and we have printed samples of departmental material all ready to present to that committee. If we can ever get before them with our material, we would hope we could move on, after obtaining their approval, to the presentation of the Estimates of individual departments in a program budgeting form. I come back in this regard to a warning that Senator Isnor gave in this committee the very first time I began to talk about this new form. Senator Isnor and some other senators expressed some reservations about the suggestion that we should eliminate from the present Estimates presentation a lot of material that I frankly regard as being meaningless in terms of the picture it conveys to members of Parliament who are endeavouring to assess the true significance of federal Government expenditure programs. Having in mind those reservations and those expressed in the House

of Commons we are proceeding very carefully. We don't propose to substitute in the blue book the new form of the Estimates presentation based on program budgeting for the presentation as it now stands. What we do propose to do, if we can ever get to the Public Accounts Committee of the House of Commons, is to continue this year and next year presenting the Estimates in their traditional form; and when the departmental estimates are presented to the various Estimates committees of the House of Commons, and the departmental officials go to testify before those committees, we propose to furnish the Department of Indian Affairs and Northern Development, for example, with a separate white paper, a brochure which will show members of the Committee on Estimates how the estimates of the Department of Indian Affairs and Northern Development would look in this Blue Book if they were presented as a program budgeting presentation. We hope we will get enough favourable reaction from the members of the Commons committees on the Estimates and also, at the same time, from the members of the appropriate committee in the Senate—which I take it would be this committee—to justify us, even with Senator Isnor's concurrence, in introducing in a future year the new program budgeting presentation in substitution for the traditional presentation we make to you in the Blue Book at the present time.

Senator POULIOT: During the last war no item under $25,000 was mentioned in the Estimates.

Dr. DAVIDSON: No item under $25,000?

Senator POULIOT: Yes—was mentioned in the Estimates.

Dr. DAVIDSON: We have items below $25,000 that are mentioned now because the Auditor General from time to time has raised a specific point regarding grants, for example, and has made the point that according to the best practice no grant should be made to any non-governmental body unless that grant is listed by name in the Estimates. If we propose to give a grant of $500 to an association, a welfare body outside, the Auditor General's argument is that it should be listed by name in the Estimates.

Senator POULIOT: Dr. Davidson, Mr. Chairman, if I am permitted, I have only one question to ask. It is; At the last sitting I attended I mentioned to you, Dr. Davidson, the loans that were made without interest. I asked you for a list of the loans that have been made without interest to countries or individuals. Would it be possible to have it?

Dr. DAVIDSON: I recall that very well, Senator Pouliot, and I think you will recall the point was made—I think, by members of the committee—that this was a proper request to direct to the External Aid branch of the Department of External Affairs, but that it would not be proper to have me present a tabulation of that kind.

Senator POULIOT: I thought the loans came from the Department of Finance.

Dr. DAVIDSON: The loans are made available through the External Aid branch of the Department of External Affairs. It is that department that is responsible for presenting material relating to its Estimates, including both the budgetary items and the loans, investments, and advances.

Senator POULIOT: So the only way to have an answer would be to put a question on the Order Paper?

Dr. DAVIDSON: On the Order Paper, yes; or to call the head of the External Aid branch before the committee and have him give his testimony.

Senator POULIOT: They never answer me satisfactorily.

Dr. DAVIDSON: I think I made it quite clear before, Mr. Chairman, and I feel I must do it again, that I am not in a position where it would be proper for me to

begin to give substantive answers dealing with the Estimates of all departments of Government. Basically, it is the responsibility of the ministers and their officials to explain to you what you want to know about the Estimates of the External Affairs Department or the Department of Trade and Commerce, and so on. I can give you information of a general nature about the total problems that arise in the presentation of budgetary Estimates of the Government as a whole.

Senator HAIG: Following that question of Senator Pouliot, that could come up in the supplementary Estimates, could it not? If you did not know at the time of the preparation of the Blue Book and some exceptional circumstances developed, you could put that in the supplementary Estimates?

Dr. DAVIDSON: That is correct.

Senator BURCHILL: Was program budgeting a recommendation of the Glassco Commission?

Dr. DAVIDSON: That is correct.

Senator BURCHILL: Are you making pretty good progress?

Dr. DAVIDSON: We think we are, but we think we have to break out at some point in time by getting some form of parliamentary approval of the program budgeting presentation before we incorporate it in the official documents laid before Parliament. That approval is a little slow in coming because we have not been able, thus far, to get before the Public Accounts Committee of the House of Commons with our presentation. They are too busy examining all the mistakes in the administration of the affairs of the Government of Canada that the Auditor General has brought to their attention.

Senator SMITH (*Queens-Shelburne*): In other words, they are spending too much time on the Auditor General, and there is no time left for you.

Dr. DAVIDSON: I did not say that!

Senator SMITH (*Queens-Shelburne*): Well, I did.

Senator ISNOR: From the total figures you have given, are we to assume the supplementary Estimates will be very much lower for the balance of the year?

Dr. DAVIDSON: I am assuming that, Mr. Chairman. Our supplementary Estimates last year rose to something of the order of $800 million or more. I think this was an abnormally and, if I may express a personal opinion, an unhealthily large volume of supplementary Estimates.

One of the objectives that the President of the Treasury Board set, and that we have endeavoured to give effect to, was the reducing of the supplementary demands on Parliament by way of supplementary Estimates. It was for this reason we decided to build into the main Estimates items we knew full well would be coming up for provisioning in the course of the fiscal year. I hope that we have absorbed a large part of our requirements.

Senator HAIG: Many of those supplementaries were statutory, were they not, that you brought in at the end of the fiscal year? You have included them in the Blue Book?

Dr. DAVIDSON: No, senator.

The CHAIRMAN: Perhaps we could take two examples. I think one was the Agricultural Stabilization Board.

Dr. DAVIDSON: Yes, that is $100 million right there.

Senator HAIG: Is that not statutory?

Dr. DAVIDSON: No, sir.

The CHAIRMAN: That is a matter for parliamentary approval of the expenditure.

Senator HAIG: If I remember correctly, that is pretty well standard throughout the years, is it not, and that is what you have done?

Dr. DAVIDSON: How do you mean? What is "standard"?

Senator HAIG: In other words, it is $100 million each year?

Dr. DAVIDSON: No, it is increasing. As a matter of fact, since we have had the Estimates prepared, it has increased by another $30 million because of the decision of the Government to adopt a price of $4.75 a hundredweight for manufactured milk. This will be an additional $30 million that has to be paid out of the Agricultural Stabilization account, and it will dash my hopes of avoiding a supplementary on this account later this year.

Senator O'LEARY (*Antigonish-Guysborough*): Based on last year's figures, you have provided an additional $352 million this year?

Dr. DAVIDSON: We have provided in our main Estimates this year for $353 million of items we would normally have left until later in the year.

Senator GROSART: Dr. Davidson, from an administrative and not a political point of view, could you tell us how the decision is made as to the timing of the request for interim supply? If we spend normally, we know how much we are going to spend, and why do not these come to us at regular times? Why the irregularity?

The CHAIRMAN: Just let me see whether I understand your question. We have already had interim supply for one month, with some extras?

Dr. DAVIDSON: Yes.

The CHAIRMAN: That runs out in a few days, and there will be another bill of interim supply for May. Is that your question, is that to be for one month, two months or three months?

Senator GROSART: No, how is the decision made as to the timing. We have all objected to these last-minute decisions and to being told, for example, that if we do not pass this or that supplementary there will be no pay on Friday—and we have had other examples of this. I am not speaking of the political aspects, but from the administrative point of view. When and how is the decision made that we must have interim supply by such and such a day?

Dr. DAVIDSON: I can give you a couple of examples. For example, we tabled our Estimates for 1967-68 in Parliament in about the Middle of March. We knew at that time that we had to have interim supply for at least one month before the end of that month. So, we had a choice of 15 days. That is about all the margin we had.

First of all, we have to make a decision as to how many fractions of interim supply we are going to ask for. Are we going to ask for what we loosely call one month's supply, or for two months' supply? Obviously, from our point of view, we would like to have 11 months' supply, but we know better than to ask for it.

Senator GROSART: Except that you have it when—

Dr. DAVIDSON: Yes, but we would like it all in one bite. We start off hoping that perhaps this year Parliament will commence by giving us supply for April and May. We seek instructions from the Minister. We are probably told first of all that we had better prepare a bill in alternative form; that we had better have a one month's supply bill ready, and a two months' supply bill ready.

Then we have to go to every department of government and ask them to let us know within a prescribed period in respect of which votes they will require

more than one month's supply in the event that it is a one month's supply bill, or those votes in respect of which they will require more than two months' supply if it is a two months' supply bill.

We get in the requests of the different departments for what we call extra proportions. Those extra proportions are eventually listed in the supply bill itself. We review those extra proportions, and the Treasury Board does not agree in all cases that the requests are justified. We whittle down those extra proportions in one way or another.

Eventually, we present the Minister with a package based upon the two alternatives. In the meantime, the house leader has been exploring with the leaders of the other parties in the House what they will agree to, and usually there is some agreement reached off the record with the opposition parties that they will be prepared to see a one or two month's supply bill put through without raising too much in the way of delaying debate.

Senator GROSART: You are going further in your answer, Dr. Davidson, than my question anticipated.

Dr. DAVIDSON: Well, this is the basis upon which it is done. Departmentally we have to be in a position at the bureaucratic level to give the Minister the material that he needs in order to present his interim supply bill in the House at any time, let us say, between the 15th and the 20th.

Senator GROSART: Am I correct in assuming that the specific amounts of the one-twelfths required by each department are justifiable at the Treasury Board level?

Dr. DAVIDSON: Yes.

Senator GROSART: I have raised this, Mr. Chairman, because I have been insisting that the interim supply bills come to this committee first in order to be examined, and often I have been told that years ago the House used to pass them in half an hour. I suggest that the evidence we have now from Dr. Davidson completely justifies an examination of the interim supply bill vote by vote by this committee before it is presented to the Senate.

The CHAIRMAN: May I say that from the information I have received the interim supply bill that will provide money after April 30 may be presented in the House of Commons today. It might be before us tonight, or on Friday morning. It is impossible to call another meeting of this committee—well, it is not impossible, but it is impractical—in order that the one-twelfth proportions that are in that particular bill can be examined, and still have the bill go through in the reasonable length of time in which it should go through. So, a question such as that which you have in mind should really be asked right now. We do not know—and I do not think Dr. Davidson is at liberty to say—what one-twelfth proportions would be included in that supply bill, because the House of Commons does not know it yet. This is the kind of information that should not be disclosed here.

So, all one can ask is that the interim supply bill for April come back to this committee, so that questions may be asked to why one-twelfth is granted in this case and two-twelfths are granted in that case, and so on. I think that that is all we can do. It would amount to obtaining an explanation *ex poste facto*. In so far as the Senate is concerned, we have to get that information on the floor of the Senate when the bill arrives there.

Senator GROSART: I agree it is impractical to call another meeting, but it is impractical because we make it so. If the Senate passes a resolution that it would require a report from this committee, then—

The CHAIRMAN: I agree with you to this extent, that had that interim supply bill been introduced in the House of Commons this morning we would have had

it here this afternoon, and Dr. Davidson would have been able to tell us about it. But, until it is introduced in the House of Commons I do not think we can—

Senator GROSART: No, I agree.

Dr. DAVIDSON: I could just say this, Senator Grosart, that the Minister, when he presents the interim supply bill in the House—and I presume also whoever is handling it in the Senate—always has at his disposal, supplied by the Treasury Board staff, information which enables him to explain with reference to each request for an additional proportion the essential reason for that particular need. We do not furnish the Minister in the House, or the Senator who is carrying the bill through the Senate, with any elaborate explanation as to why we need one-twelfth for every vote, but if there is an unusual request for an additional proportion or proportions in respect of any one particular vote, and a member of the Senate asks the sponsor of the bill why that particular vote needs those extra proportions, then the answer is in the hands of the sponsor of the bill.

Senator GROSART: I understand from supplementary estimates that come before us that certain monies are paid during certain seasons of the year. You ask for, say, nine or ten-twelfths of the estimate, and you explain that in your supplementary Estimates.

Dr. DAVIDSON: In the interim supply bill?

Senator GROSART: Yes.

Dr. DAVIDSON: I will take one example, if I may. The committee is aware of the fact that the Government is embarking on a program of bilingual training in the public service, under which we are sending some members of the public service down to Quebec city with their families for a year, and also some with their families down to Toronto for a year. Expenses are being incurred in obtaining housing for those individuals. At the beginning of the year options were taken out on a number of properties. The vote to which those properties will be charged is a reasonably small vote. But, the options expire on varying dates in May and June, and we have to have, therefore, a disproportionately large amount of that particular vote so that we can complete the purchase of those particular residences by the end of June.

It will not do any good to say that we can have the normal three fractions for April, May and June because then we would be able to buy only one quarter of the houses.

That is the kind of thing that is available by way of explanation, Senator Grosart, in respect of each one of these requests for additional fractions.

The CHAIRMAN: I think if, as, and when we receive the interim supply bill this week, or next week, questions that are not satisfactorily answered in the House should be reserved for the next meeting of the Finance Committee. We can always pick them up at that time.

Have you anything further to say in the way of a general statement, Dr. Davidson?

Dr. DAVIDSON: I have a fair amount of additional material here, Mr. Chairman, but I think it would be more useful to the members of the committee if I endeavour to answer their questions.

Senator ISNOR: I should like to ask a question, arising out of earlier questions put by Senator Grosart, in regard to increases. What amount comes under the heading of increased salaries, and on what percentage basis would that be?

Dr. DAVIDSON: I have a tabulation here which I think I will give you. It covers three years—1965-66 compared to 1966-67, and compared to 1967-68.

I am sorry, Senator Isnor, but this covers the pay of the Civil Service and the R.C.M.P.; it does not include the pay for the armed forces, which is under the

separate heading of National Defence. However, this will give you some idea of the escalation of payroll costs.

In 1965-66 our Civil Service and R.C.M.P. estimates totalled $910 million. They went up in 1966-67 to $1,046,000,000, and according to our 1967-68 Estimates now before you, will go up again to $1,159,000,000.

Senator CHOQUETTE: What would be some of the reasons, increase in personnel and raises in salaries?

Dr. DAVIDSON: Both. I think it is also probably fair to say, an improvement in the vacancy rate, a reduction in the vacancy rate, which is always a factor in keeping payroll rates down. If salaries become more competitive with the outside market the tendency is for the vacancy rate to be reduced from 9 per cent to say 7 per cent. I think this is definitely a factor.

Senator GROSART: What percentage of the total would be straight transfer payments?

Dr. DAVIDSON: I will give you the figures. Grants and contributions other than those paid to provinces represent 13 per cent of the 1967-68 budget. Payments to the provinces represent 17 per cent. Payments to veterans represent 3 per cent. You might take those three as representing both kinds of transfer payments that we traditionally talk about and that means that in terms of transfer payments to individuals you have got about 16 per cent of your total budget, and in transfer payments to provinces about 17 per cent.

Public debt charges represent 13 per cent of the expenditure budget. National Defence represents 18 per cent, and that is in the case of National Defence both pay, allowances and other costs.

The Civil Service and R.C.M.P. payroll represents 12 per cent.

I should have included family allowances as representing 6 per cent, which should be added to the 13 per cent and 3 per cent I gave you before.

Construction and equipment, civilian, represents 5 per cent and the remaining 13 per cent is under "other". We have not broken it down, because it covered a miscellany of things.

Senator GROSART: So we have 39 per cent of the total budget which is straight transfer payments?

Dr. DAVIDSON: Straight transfer payments to individuals or to other governments and institutions.

Senator GROSART: For organizations, grants and so on?

Dr. DAVIDSON: Yes.

Senator GROSART: So 40 per cent is just a bookkeeping entry. You cannot call it the cost of government?

Dr. DAVIDSON: Agricultural stabilization payments are included in these amounts, and contributions other than those paid to provinces. Payments to farmers are included in that.

The CHAIRMAN: What is the growth in numbers of the establishment?

Dr. DAVIDSON: This is contained in the tabulation Mr. Chairman, at the end of the Blue Book on page 598. I will give you first the establishment figures, for last year and for this year, for the departments of government. That excludes the Crown corporations and certain other entities. The approved establishment in 1966-67 was 229,438, of which on October 1, half way through the year, 211,858 positions were actually filled. The approved establishment for this year is some 10,000 higher than the approved establishment for last year, namely, 239,710, and one would expect that mid-way through the year the actual numbers on

strength would be correspondingly higher than last year. Depending on the vacancy rate experience, that could be somewhere around 218,220.

Senator HAIG: In other words, you have increased your approved establishments by 10,000?

Dr. DAVIDSON: Yes.

Senator CHOQUETTE: How long could that go on?

Dr. DAVIDSON: The population of Canada is 20 millions, senator.

Senator SMITH (*Queens-Shelburne*): What is the estimated cost of that additional 10,000 persons working for government?

Dr. DAVIDSON: The payroll cost is only a part of it. I am just guessing here, but I think it would be a conservative guess to estimate that the average salary will be not less than $5,000.

Senator HAIG: Dr. Davidson has not included Crown corporations.

Dr. DAVIDSON: I have not finished, because other questions came in between. We estimate that our fringe benefit costs represent 28 per cent of our salary costs, so you can add 28 per cent to your salary costs. That includes superannuation, liability and all the rest of it. That in turn does not include housing and support costs; and the fact is that if you hire a civil servant at $5,000 with fringe benefits, you have to put him somewhere, and if you have 10,000 additional, it means renting more buildings or building more buildings, and acquiring more furniture and all the paraphernalia of the extra infrastructure that is required to get work out of 10,000 additional people.

Senator GROSART: The common figure in business is two and a half times.

Dr. DAVIDSON: I am glad to get that figure. This will give you some means by which you could translate the 10,000 additional civil servants averaging $5,000 a year salary into an over-all cost.

Senator HAIG: Is the increase of 10,000 normal for each year in the past four or five years?

Dr. DAVIDSON: I would not think it goes back that far, Senator Haig. I can give you the 1965-66 figure, when 219,606 was approved. But prior to 1965-66 my recollection is that the figures ranged between 210,000 and 215,000.

Senator HAIG: Then you are not increasing at 10,000 a year?

Dr. DAVIDSON: Not over the long-term average, but it has increased over my lifetime on the Treasury Board—and I do not want you to blame me. Over these last three years there have been a variety of large programs introduced, such as the Canada Pension Plan, which is the first one that comes to my mind—the Guaranteed Minimum Income is another. Each time you introduce one of these you create new staff requirements. There has been, for example, a drastic reorganization of the Manpower Service, the former National Employment Service. We have pumped large numbers of additional staff in there in order to meet the criticism advanced and levelled against the Government of the inadequacy of the service rendered through the Manpower Service.

Senator DESCHATELETS: Have we reached a stage, in your opinion, where salary increases over the past five years have reached a point in 1967 to where the civil servant is at the same level as the person outside who has the same responsibility?

Dr. DAVIDSON: You will have to take my opinion, Senator Deschatelets, with a grain of salt, but is has to be my opinion in the position that I hold, that we are paying competitive salaries with the outside market so far as the vast majority in the Civil Service are concerned.

It is our objective, through the Pay Research Bureau, and through all of the pay determination processes which we have been following up to now, to establish the going rates outside and the comparable rates of pay which should apply, and to follow the practices of a good employer and pay those rates.

I have to add that the civil service associations will, I am sure, promptly insist we have not met that requirement. When we get to collective bargaining, I have no doubt that we will have it put to us very forcibly that our wage levels are not the equivalent of wage levels outside. But we will have to see what happens in collective bargaining, as to whether those assertions are right or wrong.

Senator GROSART: Are some comparative studies under way?

Dr. DAVIDSON: Senator Grosart, I can truthfully say that in the Pay Research Bureau—which was established in 1957 and which has been functioning under the Civil Service Commission up until last month and has been transferred now to the Public Service Staff Relations Board—we have an instrument for the gathering of statistical data and for determination of comparable wage and salary levels, which is as good as anything to be found in the country.

Senator GROSART: I agree.

The CHAIRMAN: Honourable senators, it is 3 o'clock now and we should be on our way to the Senate. If senators have questions respecting the interim supply bill, which may reach us during the next few days, or before another meeting of this committee, would they please make note of those questions, so that when Dr. Davidson appears again we will be able to have them answered.

Whereupon the committee adjourned.

SENATE OF CANADA

Standing Committee on Finance
1st Session, 27th Parliament, 1966

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