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3rd Session, 24th Parliament, 1960

THE SENATE OF CANADA



PROCEEDINGS
OF THE
STANDING COMMITTEE ON
FINANCE

on the Report of The Canada Council for the year
ended March 31, 1959.

THURSDAY, JUNE 9, 1960

THE HONOURABLE T. D. LEONARD,
Acting Chairman.

WITNESSES:

Mr. A. W. Henderson, Auditor General of Canada.

Dr. A. W. Trueman, Director, Canada Council.

THE QUEEN'S PRINTER AND CONTROLLER OF STATIONERY
OTTAWA, 1960

THE STANDING COMMITTEE ON
FINANCE

Chairman: The Honourable Clarence V. Emerson.

The Honourable Senators:

*Aseltine	Euler	Petten
Baird	Farris	Power
Barbour	Fraser	Pratt
Beaubien	Gershaw	Quinn
Bouffard	Golding	Reid
Brunt	Haig	Robertson
Buchanan	Hayden	Roebuck
Burchill	Higgins	Savoie
Campbell	Horner	Smith
Choquette	Isnor	(<i>Queens-Shelburne</i>)
Connolly	Lambert	Stambaugh
(<i>Halifax North</i>)	Leonard	Taylor (<i>Norfolk</i>)
Connolly	*Macdonald	Thorvaldson
(<i>Ottawa West</i>)	McKeen	Turgeon
Crerar	Molson	Vaillancourt
Croll	Paterson	Vien
Dupuis	Pearson	Wall
Emerson		White
		Woodrow (49)

**Ex officio* member

ORDER OF REFERENCE

Extract from the Minutes of the Proceedings of the Senate, Thursday, May 19, 1960.

“That the report of the Canada Council for the year ended March 31, 1959, laid before the House on July 14, 1959, be referred to the Standing Committee on Finance in order to provide a review thereof, pursuant to section 23 of the *Canada Council Act*.”

J. F. MacNEILL,
Clerk of the Senate.

MINUTES OF PROCEEDINGS

THURSDAY, June 9, 1960.

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

Present: The Honourable Senators: Aseltine, Barbour, Beaubien, Buchanan, Burchill, Croll, Euler, Golding, Haig, Higgins, Leonard, Macdonald, Paterson, Reid, Stambaugh, Taylor (*Norfolk*), Turgeon, Vaillancourt, Wall and White.—20.

In the absence of the Chairman, the Honourable Senator T. D. Leonard was elected Acting Chairman.

In attendance: The Official Reporters of the Senate.

The Committee proceeded to the consideration of the order of reference of Thursday, May 19, 1960, being the report of The Canada Council for the year ended March 31, 1959.

The following were heard: Mr. A. M. Henderson, Auditor General of Canada; Dr. A. W. Trueman, Director, Canada Council.

In attendance: Mr. Eugene Bussiere, Associate Director, Mr. Douglas Fullerton, Treasurer, Mr. Peter M. Dwyer, Supervisor of Arts Programs and Miss L. Breen, Secretary, all of The Canada Council and Mr. A. B. Stokes, Supervisor, of the Auditor General's Office.

On motion of the Honourable Senator Aseltine, it was resolved to report recommending that they be authorized to print 800 copies in English and 200 copies in French of their day to day proceedings on the said order of reference.

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

Attest.

A. Fortier,
Clerk of the Committee.

THE SENATE
STANDING COMMITTEE ON FINANCE

OTTAWA, Thursday, June 9, 1960.

EVIDENCE

The Standing Committee on Finance, to which was referred the second report of the Canada Council for the year ended March 31, 1959, met this day at 10 a.m.

Senator T. D'ARCY LEONARD (*Acting Chairman*) in the Chair.

The ACTING CHAIRMAN: Honourable senators, this meeting has been called to consider the second annual report of the Canada Council, to March 31, 1959. We have with us today, Dr. A. W. Trueman, Director of the Council; Mr. Eugene Bussiere, Associate Director; Mr. Douglas Fullerton, Treasurer; Mr. Peter M. Dwyer, Supervisor of Arts Program; and Miss Lillian Breen, Secretary; we also have Mr. A. M. Henderson, the Auditor General of Canada.

I understand it is the wish of the delegation that Mr. Henderson give his presentation first. I would therefore now call on Mr. Henderson.

Senator MACDONALD: Mr. Chairman, before Mr. Henderson commences his presentation, may I be permitted on behalf of the committee, on this his first occasion to appear before us in his new capacity, to congratulate him on his appointment and say that we look forward to hearing him from time to time.

Mr. A. M. Henderson, Auditor General of Canada.

Mr. Chairman and senators, I very much appreciate Senator Macdonald's kind introduction. It is a privilege for me to make this my initial appearance before you and to speak on the accounts of The Canada Council.

Dr. Trueman and I have worked out an arrangement whereby I would deal with the figures and give a quick rundown of what they show, and then he will follow up speaking with respect to the operations, and I am happy, Mr. Chairman and honourable senators, that you feel we should follow that procedure today.

Section 22 of the Canada Council Act requires the accounts and financial transactions of the Council to be audited annually by the Auditor General and the report on the audit to be made to the Council and to the Prime Minister as the member of the Queen's Privy Council for Canada designated by the Governor in Council for the purpose.

The report of the Auditor General dated May 14, 1959, covering the examination of the accounts for the year ended March 31, 1959, summarized the transactions in the Endowment Fund and the University Capital Grants Fund. The audit for the council's financial year ended March 31, 1960, has been completed, and I have delivered the certified accounts to the Canada Council but they have not as yet published their annual report which contains those accounts. We have the figures here, and if you would like them up-dated later on in the questions, then we can do that.

With respect to the balance sheet, you will see from the annual report that it is broken down into the Endowment Fund on the one hand, and the University Capital Grants Fund, on the other.

The ACTING CHAIRMAN: That is to be found at pages 50 and 51 of the report, honourable senators.

Mr. HENDERSON: Yes.

With respect to the Endowment Fund, the report shows that interest and dividends earned on investments during the financial year 1958-59 totalled \$2,758,760 to which was added the unexpected balance of \$771,871 brought forward from the preceding year, making a total of \$3,530,631 available for expenditure. Expenditures amounted to \$2,960,757 consisting of \$2,666,299 for authorized grants and awards, \$269,838 for administrative expenses and \$24,620 in respect of direct outlays on behalf of the Canadian National Commission for UNESCO. Expenses relating to this Commission and also to the administration of the University Capital Grants Fund are included in the administrative expenses of the Endowment Fund. The surplus remaining at March 31, 1959, available for expenditures under section 16 of the Canada Council Act thus totalled \$569,874.

An outline of the manner in which the investment portfolio of the Fund was managed during the year is given in Part Seven of the Annual Report of the Council. Under section 19 of the Act, the Council has authority to invest and reinvest. The Investment Committee of the Council approved purchase of securities during the year to a total figure of \$55,821,601 representing a turnover ratio of 1.12 times during the year in terms of the \$50,000,000 original principal amount of the Fund. The interest yield for the year in relation thereto was 5.5%.

With respect to the University Capital Grants Fund, the balance at credit of this Fund at March 31, 1958, was \$48,250,685. Interest on investments amounted to \$1,812,384 and net profit on the disposal of securities was \$1,101,832. After providing \$8,732,264 for authorized grants under section 9 of the Act, a balance of \$42,432,637 remained at the credit of the Fund at the end of the year.

In the 1957-58 audit report, information was given regarding those grants made to Universities for student residences. The nature of these came up for discussion before the Public Accounts Committee and was referred to by the Committee in its Third Report, 1959, although no suggestion or recommendation regarding the matter was made by the Committee.

In April 1958, the Council obtained legal opinion regarding the question: "Could a grant be made for a building to be used as a students' residence?" In answer to this question, the opinion stated:

"Yes, provided the proposed residence to be established and operated is more than a mere rooming or boarding house, so that its existence and operation may fairly be said to be in furtherance of the Council's objects as defined in section 8(1) of the Act. Drawing a precise line in this respect is not easy, and indeed is probably not necessary. Clearly the inclusion in a residence of such facilities as a library, music room, common room, discussion room and so on, with a warden and possibly one or more members of the faculty living in, makes such residence much more in the developing life of a resident student than a mere rooming or boarding house."

Our examination of the grants made to universities during the year ended March 31, 1959, disclosed that those made for students' residences during that year were for residences having the facilities suggested by this legal opinion.

Enquiries have been made regarding grants made for student residences during the financial year just ended, that is, to March 31, 1960. The following table shows the grants approved for students' residences during the three years ended March 31, 1960, in relation to the total grants approved for the construction of buildings, and shows a drop in this relationship during 1959-60:

	Students' residences	All buildings	%
	\$	\$	
1957-58.....	1,694,000	4,084,300	41%
1958-59.....	5,060,791	8,732,264	58%
1959-60.....	697,000	9,175,979	7%
Cumulative to March 31, 1960.....	7,451,791	21,992,543	34%

In its Third Report, 1959, the Committee considered the question of the allocations of grants to Provinces and noted that the grants were conditional on (a) no grant exceeding one-half of the total expenditures made in respect of the assisted project, and (b) the \$50 million being allocated to each province in the same proportion as the population of the province, according to the latest census, is to the aggregate population. The amounts annually added to the Fund for interest earned on investments and for net profit on disposal of securities are allocated to the Provinces on the same statutory basis regardless of the extent to which original allocations had previously been used in the making of grants.

Records are maintained by the Council showing the allocations to the several Provinces, and the grants approved in relation to such allocations. The following is a summary of the position at March 31, 1959:

Province	(in \$1,000)				
	Original allocations	Interest and profits	Total allocations	Grants approved	Balances available
	\$	\$	\$	\$	\$
Alberta.....	3,499	367	3,866	305	3,561
British Columbia.....	4,357	457	4,814	2,333	2,482
Manitoba.....	2,649	278	2,927	1,130	1,797
New Brunswick.....	1,727	181	1,908	1,132	776
Newfoundland.....	1,293	136	1,429	—	1,429
Nova Scotia.....	2,165	227	2,392	979	1,413
Prince Edward Island.....	309	33	342	142	199
Quebec.....	14,419	1,514	15,933	—	15,933
Saskatchewan.....	2,744	288	3,032	437	2,596
Ontario.....	16,838	1,768	18,606	6,359	12,247
	50,000	5,249	55,249	12,817	42,433

With respect to the scope of our audit, the books of account of the Canada Council are maintained at its offices in Ottawa under the direct supervision of its Treasurer. In addition to his responsibility for the collection of revenues accruing to and expenditures made from both Funds pursuant to the Canada Council Act, the Treasurer handles all purchases and sales of securities in the investment portfolios under the general direction of the Investment Committee of the Council.

Our examination for the fiscal year ended March 31, 1959, included a review of the Council's cash and banking transactions and reconciliation of its bank balances with certificates received direct from its bankers at the close of the financial year. All awards made out of the University Capital Grants Fund and awards in excess of \$1,000 from the Endowment Fund were checked with the authorizations issued by the Council. All transactions involving purchases and sales of securities in the investment portfolios were verified and checked with the Minutes of the Investment Committee of the Council. The bond and debenture holdings at March 31, 1959, were verified by direct certificate from the Bank of Canada and the stocks

were similarly verified by the Montreal Trust Company, Montreal, where they are held. Confirmations were received direct from chartered banks covering the principal amounts of National Housing Act insured mortgages, held as part of the Endowment Fund portfolio.

I would like to conclude, Mr. Chairman, by stating that with respect to the accounts of March 31, 1959, the members will have already noted there was no qualification in the audit certificate, and the same position has prevailed with respect to the accounts of March 31, 1960. Thank you very much.

The ACTING CHAIRMAN: Thank you, Mr. Henderson. Are there any questions of Mr. Henderson by members of the committee? If everything is in order then we might hear now from Dr. Trueman, the Director of The Canada Council.

Senator ASELTINE: Before we hear from Dr. Trueman I would like to say how much we regret the unavoidable absence of the Chairman of The Canada Council, the Honourable Brooke Claxton, who is unable to be present and give his report as he did last year.

You all know that Mr. Claxton has been very ill and on that account is unable to be present today. We hope that he will soon recover and continue the unfailing support he has always given to the position of Chairman of The Canada Council, which I understand is an honorary position but which requires a great deal of time and attention.

I would like to have my few remarks placed on record so that Mr. Claxton will know we appreciate what he has done in the past, that we regret he is not able to be present today and that we hope he will soon recover his former good health.

The ACTING CHAIRMAN: I am sure that the honourable Leader of the Government (Hon. Mr. Aseltine) voices the sentiments of all of us. I think we all recall what a fine exposition Mr. Claxton gave us last year when he appeared before us with practically no reference to notes and told us the full story of the Canada Council. The honourable Leader of the Government has expressed very well our regret at Mr. Claxton's absence today, and our wishes for his return to good health soon.

Dr. A. W. TRUEMAN, *Director, The Canada Council*: Mr. Chairman, honourable members of the Senate Standing Committee on Finance, Mr. Claxton, the Chairman of The Canada Council, has asked me to express his profound regrets at being unable to be here this morning. I am also sorry to report the inability of the Vice-Chairman, the Very Reverend Father Georges-Henri Lévesque, to be present.

The report under review covers the second year of the Council's operations, the year ending on March 31, 1959. The fiscal year of the Council coincides with that of the government.

The third year has just ended, on March 31, 1960. The report covering the third year has not yet been completed, approved, or printed. Nevertheless, the Council wishes to make every effort to provide the honourable members of the committee with as much information as possible. We have therefore prepared certain figures which cover the greater part of the third year's operations, that is, up to February 22, 1960, which may be used for comparison. In the use of these figures, therefore, it should be understood that they are for only part of the year 1959-60, that some of them are estimates, and that they have not been subjected to complete audit. But we thought the inclusion of some of these, and a few charts that we have prepared, would at least give the committee the sense of being more up-to-date than if our remarks were confined exclusively to the report which, after all, covers to the end of March, 1959.

Turning to the report for 1958-59, we see that it begins with a general introduction followed by Part 1 which deals with Organization. I may add to this part that whereas the staff at the end of this fiscal year under review stood at 25, it now numbers 29. A large part of the work of the staff is the handling of applications for assistance from individuals. The scholarship and fellowship scheme is reported

in Part 3, the Endowment Fund. I shall point out one or two facts in connection with that section of the programme when I come to Part 3.

Part 2 deals with the University Capital Grants Fund. This is set out at page 9, where grants given during the year are listed. Further details of the financial statement concerning the University Capital Grants Fund are given on page 46. The Honourable Senators will recall that payments to universities and similar institutions of higher learning, for assistance in meeting the costs of buildings, are to be made out of the capital, profits and interest of the University Capital Grants Fund. The total amount of the fund, which began at \$50,000,000, is to be divided among the institutions in the various provinces in the proportion which the population of each province bears to the total population of Canada. As a matter of policy the Council decided to recognize as eligible for grants the universities and similar institutions of higher learning which are recognized as such by the National Conference of Canadian Universities and Colleges, and used by that organization as a basis for the allocation of the annual per capita federal grants. The Council has consistently sought the advice and co-operation of the universities in connection with this part of the Council's programme, and what has been done has had the complete approval of the universities acting through their national organization. So far, grants have been made only from the original capital sum of \$50,000,000. At present the Council is considering how the profits and the interest from the University Capital Grants Fund are to be allocated, first as among all the eligible institutions, and second as among the eligible institutions within each province.

Part 3 deals with the Endowment Fund. The grants made from this fund are listed in some detail on pages 12, 13, 15 and 16. With reference to the scholarship and fellowship programme, the Honourable Senators may be interested to have the following figures. The numbers of applicants and of scholarships awarded in each of the years 1957-58, 1958-59, together with an incomplete return for 1959-60 are as follows:

In those three years, there were 1,615 applicants and 450 awards; and in the second of those two years, that is, the year under review today, 1958-59, 1,620 applicants and 571 awards. In 1959-60, up to February 22, there have been 1,764 applicants and 435 awards.

Now, I can tell you, unofficially, and with an unaudited figure, that in this year just past the number of applicants considerably exceeds the 1,800 mark. The number of inquiries was 2,500 or 2,600.

Senator REID: What are awards?

Dr. TRUEMAN: The actual fellowships or scholarships given under the programme. I can talk about that later in detail, if you are interested. Whereas the awards at February 22 were 435, that number by the end of the year will certainly go beyond the 500 mark.

I should point out that in considering the various categories of awards we are in constant touch with representatives of leading organizations representing the arts, humanities and social sciences, and that we have also held a number of conferences at which the programme has been considered in detail.

Part 4 of the report is an endeavour to make our policies clear and to discuss problems which arise in connection with the arts programme of the Council. Between pages 28 and 29 is inserted an interesting chart, to which the attention of the honourable senators is directed. This chart shows something of the work which the Council has done in the dissemination of the arts in Canada from St. John's to Vancouver.

Part 5 deals with one of the special functions of the Council, which is to exchange with other countries knowledge and information respecting the arts, humanities and social sciences, and to arrange for the representation and interpretation of the arts, humanities and social sciences in other countries. This responsibility has been discharged in a number of different forms, as will be seen on pages 36 to 41 of the report.

Another special function of the Council, under P.C. 1957-831, has been to set up the Canadian National Commission for UNESCO, to maintain its secretariat, and to act as liaison between the Commission and the government.

I might interrupt myself, putting aside my notes for the moment, to explain that the Canada Council is not the National Council for UNESCO. I find that here and there across the country there is a little misunderstanding on this point. We were asked to create the National Commission for UNESCO, to set it up, to maintain the secretariat for it, and to act as a liaison between this body and the Government, largely, I suppose, with the Department of External Affairs; but the Council itself is not the National Commission.

A review of these activities is given in Part 6. The opening meeting was addressed by the Prime Minister.

In Part 7, the finances of the Council are dealt with. The financial statements are here. The report of the Auditor General is here. You have heard the Auditor General this morning. If any further questions are raised, the treasurer is here.

At this point, I should like to express on behalf of Mr. Claxton and all the members of the Investment Committee and indeed of all members and officers of the Council, deep regrets at the loss of the late Mr. James Muir. Mr. Muir had been a highly valued member of the Investment Committee from the start, and had given services of the highest quality to its work.

On a completely different note, of course, the committee regrets the loss of another valued member in the person of General Georges Vanier who on becoming the Governor General of Canada of course resigned his place on the Council and therefore on the Investment Committee as well.

Part 8 of the report is the conclusion in which are recorded some reflections on two years of Council activity.

On April 15, 1959, the terms expired of six members of the Council: Mrs. Reginald Arkell, M. Jules Bazin, Mr. L. W. Brockington, Mr. Samuel Bronfman, Mr. Fred Emerson and Mr. Eric Harvie. Two of these were re-appointed for a second term, Mr. Brockington and Mr. Bronfman. I know the chairman would wish me to express appreciation for the Council generally, of the loyal and effective work which the retiring members performed so fruitfully during their period of service in the early, formative days of the Council. The remaining members most cordially welcome the new appointees: Mrs. Margaret Harvey, Mr. F. Lynch-Staunton, M. Emile Tellier, Mr. Gerald Winter and M. Marcel Faribault, the latter of whom was appointed to fill the place vacated by General Georges Vanier, now our Governor General, to whose resignation reference has already been made.

That serves as the general statement that I wanted to make. I am prepared to answer any questions to the best of my ability. I have some charts here which give in condensed form information which the honourable senators may like to have.

Senator ASELTINE: Is there any objection to explaining the charts to us?

Dr. TRUEMAN: None at all. I will do this quickly, and as long as it seems profitable to the committee. The chart I am showing illustrates the University Capital Grants Fund, and shows the beginning capital. The first column is for the year ending March 31, 1958, and for purposes of comparison there is a second column for March 31, 1959, this being the actual year under review. The fund stood at \$50 million in 1958, and \$48 million in 1959. Grants made in the first year were rather smaller, as you would expect, than in the second year, which shows a total of \$8,732,000 in grants out of this fund in the year under review.

Senator MACDONALD: In that amount, is the amount which you allowed for residences included?

Dr. TRUEMAN: Yes; it is the total in that year.

Senator REID: Is that from interest or capital?

Dr. TRUEMAN: That is entirely from the capital fund. This is, as you know, an expendable fund. As a matter of fact, I think this information might be helpful at the moment: By the end of March 31, 1960 we had authorized out of this original fund of \$50 million total expenditures of approximately \$22 million. Now, if the difficulty which has hitherto existed in relation to the expenditure of this fund in the province of Quebec were got around, their share being something like \$16 million—I am quoting roughly here—you would see then that \$22 million having been authorized and \$16 million being available for the province of Quebec, making a total of \$38 million, there is only \$12 million in this Capital Fund left, exclusive of interest and profits, that is, of course, spreading it out across the rest of the country outside Quebec. Since we are expending \$8,730,000 of the \$50,000,000 a year, it would not be an absurd prediction to say that in a year, or a year and a half or two years, the capital fund might become exhausted.

Senator BURCHILL: How did that amount compare with the amount spent this year?

Dr. TRUEMAN: Just about the same. I have not the audited figure here, Senator. About \$9,300,000, or very close to it.

Senator MACDONALD: Would this be an appropriate place to ask why there was such a drop in the last year in the amount allowed for the building of university residences?

Dr. TRUEMAN: It is a good question, but I am afraid unanswerable. It did not result from any overt action taken by the Canada Council. In the other house this question was raised, too, and discussed, and we took no action except to go back to the university organization, which was the National Conference of Canadian Universities and Colleges, and to say to them, "The question has been raised before us about the validity of using part of these funds for the erection of halls of residence. Do you still hold to the view you took before? Do you suggest that the Council in any way modify its operation or allocate a smaller percentage of this fund for the building of halls of residence?" And the answer we got unanimously from the governing council was, "No, we have not changed our mind; we feel this is a demonstrable and legitimate thing to do in the service of education." Well, the Council continued as before; the percentage is reduced because—to use the slang phrase—that is "the way the ball bounced this year". The application for halls of residence has dropped to almost nothing, and instead of spending something like 40 per cent, we spent seven percent. Whether that is a trend or not, it is not possible for me to say.

Senator MACDONALD: In any event, it was not as a result of a change in policy on the part of the Canada Council?

Dr. TRUEMAN: No. We took a careful look at it and asked, "Are we right?" and the answer was a confirmation of the policy we were following. You will notice of the \$8,732,000 spent by the end of this fiscal year, 1958-59, actually only this much had been paid out in grants—\$3 million. This is of course because the universities receive these grants in the form of progress payments; that is to say, we gave them one-quarter of the grant when the foundation is dug, one-quarter when the walls are up and the roof is on, one-quarter when the interior plaster is finished, and the final payment when the contractor and the university certify that the building is completed and ready for occupancy. So, while the authorization may take place in one fiscal year, actually payment of a lot of that sum may not take place until the next year.

Senator REID: Is that income of \$2,151,000 entirely from the amount of money you have in hand? Does that income come from interest on bonds?

Dr. TRUEMAN: That comes from interest and realized profits. That is to say, the investment committee reinvests from time to time, and you have two things to deal with: the interest that you receive and the increase in the value of the funds.

Senator CROLL: Will you take a look at those two figures on realized profits. These two figures are almost comparable and yet are so staggeringly different—realized profits.

Dr. TRUEMAN: Well, the year 1957 was a short year. The Canada Council was not formed until that year, and our first meeting was on April 30th or May 1st and so we did not get into operation on the investment programme until later on. I presume that is the correct explanation, is it, Mr. Fullerton?

Mr. D. FULLERTON: Partly.

Senator CROLL: What is the other part?

Mr. FULLERTON: The Conversion Loan took place in that year in 1958-59, and a substantial profit was realized on that.

Senator BARBOUR: Did I understand that at the end of the year you have only \$42,433,000 now in the capital account?

Dr. TRUEMAN: That is right.

Senator BARBOUR: Do your by-laws allow you to spend more than the interest each year?

Dr. TRUEMAN: No. We spend the capital. You understand that out of this \$50 million we make large capital appropriations, and so far all the authorized payments and grants to universities have been made out of this initial capital sum; the profits and the interest have been kept to one side, as it were, and that is a matter concerning which the council is now asking itself questions.

Senator BARBOUR: Is your fund now reduced to \$42 million?

Dr. TRUEMAN: It is below that. This is for the year ending March 31, 1959. We have authorized \$22 million—\$34,600,000 perhaps is available, that is \$50 million, minus \$22 million plus interest and profits.

Senator WALL: A propos of the distribution of that realized profit, and the problem that the university is considering, will that be done without prejudice to institutions that have already received grants and should get a little bit of the profit too?

Dr. TRUEMAN: Those are the questions which are being raised and discussed. One question, of course, is this: is the distribution of the interest being tied to the amount of money which a given institution has already drawn down. We have had to allocate this sum amongst the universities, first amongst the provinces in accordance with the act, that is on a population basis, and then in accordance with the Canada Council policy of determining a list of eligible institutions, and then in conformity with our policy and formula we allot sums among the universities—in this province of Ontario, for instance, to McMaster, Toronto, and so on. If the university has drawn down the greater part of its allocation from this fund this question certainly arises: to what extent and in what way should it participate in the distribution of the interest. It is a nice question.

Senator WALL: May I ask a question that is not quite tied to this. In the allocation of the funds within the provinces on a student basis is there anything to the criticism that I have heard voiced by small colleges, which are mainly arts colleges, that they suffer because a large university obtains its share of this capital grant on its total student population, that is engineering, science and others as against the lower enrolment in the arts colleges, which are heavily humanistic, if I may put it in that sense, and this fund is really in its essence directed to the humanities and the social sciences and the arts, and by virtue of that formula they suffer a relative discrimination because they specialize in humanities and social sciences.

Dr. TRUEMAN: This has been a difficult question. We have consulted with the universities again and again on this point in order to try to arrive at the best

formula possible, and this has seemed to us and to the university authorities with whom we have talked about the only possible formula.

Senator WALL: Why?

Dr. TRUEMAN: Well, here is a student in science. He is out, isn't he: we do not count him as a student in the arts, humanities or social sciences.

Senator WALL: If we accept that the funds were originally to be directed to this broad area—

Dr. TRUEMAN: The funds are directed to that area. It is a question of how to determine the allocation.

Senator WALL: How do you determine whether a science student is partly in the humanities?

Dr. TRUEMAN: Exactly. All of them have to study so much science and so much humanities. The art student is also studying chemistry, physics and biology, and the engineering students study some arts subjects, and when we really put our minds to this and tried to see how we would work it out, the only solution that presented itself was to work it out on a student representation basis. We found it completely impossible to confine the formula to those students who are studying only the arts and the humanities, and we found that the burden that had to be carried by the universities and colleges could be as satisfactorily represented by their total population as by any other way.

Senator REID: What do you mean by humanities?

Dr. TRUEMAN: It has not been stated in the act, as the arts were defined in the act, but we mean such disciplines as literature, history, philosophy and language. Those are the humanities. By the social sciences we mean the big three, political economy, political science and sociology and other disciplines that are related to that.

Senator REID: I am glad you include politics.

Dr. TRUEMAN: Political science, Senator Reid.

Senator HIGGINS: You mentioned interest and profits. How are the profits made?

Dr. TRUEMAN: By reinvestment and switching of the bond investments; capital gains would be the idea.

Senator MACDONALD: Is the finance committee composed of members of the Council?

Dr. TRUEMAN: Three members of the Finance Committee are not members of the Council. The chairman is an *ex officio* member of the Investment Committee; and Council appoints out of its membership the fifth member of the committee. At the present time the committee consists of Mr. Graham Towers, Mr. Jack Hungerford of the National Trust Company, Mr. Arnold Hart of the Bank of Montreal, the Chairman of the Council, and one other member appointed by Council who, at the moment, is Mr. Marcel Faribault from Montreal.

If I may, I shall now move on to another topic. The Endowment Fund shows income for the year ended March 31, 1958 of \$2,369,000, and \$2,759,000 for the year just completed.

Senator REID: How is the income obtained?

Dr. TRUEMAN: From interest on the funds. For the year just ended it was \$2,856,000, and my Treasurer predicts—not with his hand on his heart and swearing to the complete truth of it—some \$2,925,000 as the probable income on the Endowment Fund for the year 1960-61.

Senator EULER: Are you restricted to bonds in your investment program?

Dr. TRUEMAN: No. The Endowment Fund is invested as the Council chooses; that is, there is nothing in the act which specifies how this fund shall be invested.

On the other hand, it is specified in the act, with respect to the Universities Capital Grants Fund, that it must be in bonds of the Government or guaranteed by it. The Endowment Fund is left open.

The first act of the Investment Committee was to meet and draw up a series of rules and regulations concerning the way in which the fund could be invested. Those rules and regulations are roughly those which by law regulate the investments of insurance companies in Great Britain and Canada.

Senator MACDONALD: There are no profits on this item?

Dr. TRUEMAN: There are.

Senator MACDONALD: You have not mentioned them yet.

Dr. TRUEMAN: No, I have not yet referred to the profit. During the first year it was \$855,000, and for the year ended March 1959 \$248,000. That increased the value of the fund.

Senator MACDONALD: May I ask you, do you just distribute the income from this fund?

Dr. TRUEMAN: That is right.

Senator MACDONALD: Do you not also distribute the profit?

Dr. TRUEMAN: The profit adds to the corpus of the fund, and the interest that we distribute is the interest on the original \$50 million, plus the interest on whatever increased value the fund has reached. Does that answer the question?

Senator MACDONALD: Yes.

Senator BURCHILL: I presume the Investment Committee handles both funds?

Dr. TRUEMAN: That is right.

Senator BURCHILL: How does it function and how often does the committee meet?

Dr. TRUEMAN: There are no specified times at which the Investment Committee meets. They meet as often as necessary, but I suspect that a great deal of their business is done by telephone and correspondence between our office and Mr. Fullerton's office, and the operations are under the policies and suggestions of the Investment Committee.

The ACTING CHAIRMAN: I may say there is a list of securities in the report.

Senator BURCHILL: I was wondering how switches were made and reinvestments carried out? Would that be by telephone?

Dr. TRUEMAN: Largely by telephone. I am advised that a great deal of the investment business is carried on by telephone; and this I personally suspect to be the fact, because of the difficulty of getting through from my own office to Mr. Fullerton by telephone when he is discussing matters with the Investment Committee.

Senator REID: Do you buy municipal bonds throughout Canada or just those of one or two provinces?

Dr. TRUEMAN: I think we have spread them pretty well across the country.

The ACTING CHAIRMAN: I see by page 108 of the report there are some from British Columbia—none from New Westminster.

Dr. TRUEMAN: I do not pretend to be an expert on investment; this matter is handled by the Investment Committee and the Treasurer.

I would point out with respect to the general picture that the first year, which was a short year, shows grants authorized of \$1,417,000. We only got into the business of the grant-giving program by September or October of that year. The next year we authorized \$2,666,000-worth of grants. This is less than our income, but not included in this is the administrative expense of the Council. Actually this year, 1958-59 we have overspent our income by about \$200,000. We did this knowingly because we had carried over from the first year \$772,000, because, as I say,

the first year was a short year. A quick look at the chart will indicate that the difference between the two columns is the amount we took from the "Kitty" to meet our deficit. We have at the present time about a half million dollars in reserve, which we have carried on.

Many suggestions have been made as to how this money should be disposed of. One is that with 1967 approaching and the inevitable Centennial celebrations it might be a good idea for the Canada Council to have some amount over and above its annual income to do extra things.

Senator MACDONALD: I recall when you gave the number of grants that it ran somewhere about 25 per cent for each of the applications, and when the applications were in greater numbers the percentage was still about 25 per cent.

Dr. TRUEMAN: Are you thinking now perhaps of scholarships and fellowships?

Senator MACDONALD: Yes. If you have a limited amount of money, unless you reduce each scholarship, how do you handle it?

Dr. TRUEMAN: That can be explained in two ways. During the second year we allocated from our total fund a rather larger amount for scholarships and fellowships. We were not dealing with quite the same amount of money as we were in the first year. Then we adjusted the amount of scholarships. We say in our pamphlet describing our scholarship and fellowship program that they are of the average value of thus and so. We adjust the values of scholarships in accordance with circumstances: for instance, if an applicant is a married man with two children, working towards his Ph.D., we try to allot him up to the full value; on the other hand, if an applicant is a single man working towards his Ph.D., instead of giving him \$2,000, he may get \$1,400 or \$1,500. Then, when we begin to run short, as we do at the end of the year, we may ask certain types of applicants if they would prefer to have \$1,000 to undertake the program, supplemented by their own resources, or to have no assistance at all. In that way we sometimes spread \$5,000 or \$6,000 around among five or six people, whereas, if we gave the full amount there would be only two scholarships.

Senator BURCHILL: You allocate the scholarships as best you can all over the country?

Dr. TRUEMAN: We hope it works out that way. Council has set its face against breaking the endowment into mathematical proportions, and allocating so much here and so much there. We want to live, and we want to keep the peace.

Senator REID: May I ask, why would Edmonton bonds be payable in U.S. funds?

Dr. TRUEMAN: This is a rather abrupt dive into something beyond my scope. I would be glad to ask Mr. Fullerton why that is so.

Mr. FULLERTON: The loan with respect to the Edmonton bonds was negotiated in the United States, and therefore is payable in the funds of that country.

Senator HIGGINS: What is the amount of the fund at present? Is it \$53 million? Are you allowed to spend any of the capital?

Dr. TRUEMAN: Of which fund are you speaking?

Senator HIGGINS: The fifty million dollar fund.

Dr. TRUEMAN: We have two fifty million dollar funds. There is the University Grants Fund of fifty million—

Senator HIGGINS: You can spend the capital there?

Dr. TRUEMAN: Yes, that is the purpose of it.

Senator HIGGINS: But what about the other fifty million dollar fund?

Dr. TRUEMAN: No, that is an endowment fund. It continues in perpetuity.

Senator HIGGINS: But you can carry over the income to the next year, and then spend it?

Dr. TRUEMAN: Yes, but we are not in that position. We spend our income without any trouble.

Senator PATERSON: You said that that fund was going to be depleted in a little more than a year. What are you going to do then?

Dr. TRUEMAN: That is the University Grants Fund. This fund was designed to be spent over a period which was variously estimated as from seven to ten years. Now, the question has been asked: What is going to happen? Well, we will not have any more money unless the Government decides that this program will be continued. I suspect the universities are beginning to interest themselves in this very point. The last figures that we saw on this matter show that on the best and most enlightened guess that can be made the university population, which this year in Canada is about 100,000 full-time students, will be, by 1970-71, 229,000 students. Whereas the teaching staff of full-time university professors is now 6,600, if the same ratio of teacher to student is maintained, there will be required in 1970-71 something over 16,000 full-time university teachers.

Senator EULER: Dr. Trueman, perhaps I am exposing my ignorance—I did come in a little late—but you can spend the whole of the \$50 million in the University Grants Fund?

Dr. TRUEMAN: Yes.

Senator EULER: The other \$50 million remains intact, and you spend only the income from it?

Dr. TRUEMAN: Yes, that is right. Of course, the fund can appreciate in value, and has appreciated in value, but my point here is that with the university population increasing, if this prediction is correct—and all former predictions have been too modest—then the need of bricks and mortar in our Canadian universities is going to increase rather than decrease in the next decade. I suspect that the universities are beginning to agitate themselves about this matter and wonder where the additional funds for buildings are coming from. We are restricted, as you know, to buildings for the arts, humanities and social sciences. The expensive chemistry buildings and nuclear research buildings are outside our responsibility.

Senator EULER: Does that include Waterloo University?

Dr. TRUEMAN: It is on the list of eligible institutions, although they have been having a little difficulty about what is going on.

Senator REID: If another university is going to be built in the interior of British Columbia, would that have to go through the University of British Columbia?

Dr. TRUEMAN: A new university? No, it would not have to go through the University of British Columbia. It would depend on what the establishing organization was. It could exist in its own right, and make appeals to the council in its own right.

Senator PATERSON: Have you had any indication that the support will be continued?

Dr. TRUEMAN: Do you mean from governmental sources?

Senator PATERSON: Yes.

Dr. TRUEMAN: No, we have not gone into this. The same thing could easily be true of the Endowment Fund. We are spending quite easily the interest on that. With respect to our scholarships, we are giving one for every five or six applications. If this is the kind of scheme which recommends itself to the general public—and it seems to have worked out very well—I can certainly see how, particularly in the scholarship field and in grants to organizations, the Council could usefully use more money in the next few years.

Senator PATERSON: You and your associates are willing to recommend the continuation?

Dr. TRUEMAN: I cannot speak for the council because no official action has been taken on that, but an enlightened guess would suggest that the Council is quite prepared to suggest that eventually these funds might be replenished.

The ACTING CHAIRMAN: The Council can receive funds from other sources?

Dr. TRUEMAN: Yes, the act sets it up as a charitable organization, and it can receive bequests and gifts.

The ACTING CHAIRMAN: And has it?

Dr. TRUEMAN: It has received small sums for specific purposes only. I had a couple of cheques for \$4,000 each, and that money was to be spent in our program for assistance to publications.

We had another sum which was to be used for the purchase of books for the Maison des Étudiants Canadiens in Paris.

Senator EULER: They would be exempt from income tax, I suppose?

Dr. TRUEMAN: Yes.

Senator BURCHILL: Just on the matter of capital grants, I would like to say, as a member of the Senate of the University of New Brunswick, how much we appreciate what the Council has done for us. Dr. Trueman, as a former president of the University of New Brunswick, knows something of our growth down there and the demand for capital funds to increase our buildings. I do not know what we would have done without the advance we got from the Canada Council, and I think it will be a sorry day if that cannot continue in the future because, as Dr. Trueman says, the horizons ahead of us are almost unlimited.

Dr. TRUEMAN: That is a very good case in point. The University of New Brunswick, Senator Burchill, which we both know and love, rose from a student population in the last year of the war between 400 and 500 to over 1,600 this year. Its student population has more than trebled, and it has not stopped yet. The president says he anticipates that without any difficulty there will be 2,500 to 3,000 students within foreseeable years. This is going to impose a terrific strain on the resources of the university as well as on the teaching personnel. That is why we think our fellowship program is important, because the need for instructors is increasing at just as great a rate, and we have to keep on training them.

Senator BEAUBIEN: Have the grants made by the Council diminished those from other sources?

Dr. TRUEMAN: No, I do not think so. The fact that we have been giving money from this fund has not dried up other sources of grants, and I think the proof of that is that more building is going on now than ever before. No, I would not think so.

The ACTING CHAIRMAN: The University of Toronto has just raised the largest amount of money ever raised by any university for capital expenditures.

Dr. TRUEMAN: Yes, and the first section was over subscribed by some \$3 million.

Senator WALL: In the context what Dr. Trueman said about the increased numbers of students seeking awards, the bursaries available and the amount of assistance that Canada Council can give is going to be diluted year by year. Is it fair to assume that if the Government or Parliament decided to vote \$5 million a year, say, to the Council to be spent for scholarships, and so on, that facilities would be available for this purpose?

Dr. TRUEMAN: I would think so. Whether the Government would prefer to do it in that way or in another way, I do not know; we are financed now out of revenue from an endowment fund. You can increase the endowment fund or make an annual appropriation for specific purposes.

Senator WALL: There is one more question I would like to ask you. This arises from a request that has come to me for observation. In the context of our philosophy that we are developing a gradual mosaic, what are the possibilities for awards being made to people who want to write a book or study some problem dealing with, say, the German section of our population or the Ukrainian section or the Polish section? Such a book might be written in the German or Ukrainian

or Polish language. Are awards of that type considered and processed in the regular way?

Dr. TRUEMAN: Yes. I do not know that the precise situation has ever arisen.

Senator WALL: I have been asked about it several times.

Dr. TRUEMAN: I will tell you what we have not done. We have not made grants to ethnic organizations to support them as such. If a scholar from a university or from some other source says "I have a serious piece of research to do upon what is happening to the use of the Ukranian language in the far west of Canada or the impact of the Icelandic language on the west" and this is a scholarly and academic project, then in our view this is as much entitled to consideration as anything else. We have refused, however, to give grants to organizations of an ethnic variety for a program of ethnic propagation, so to speak, if you see what I mean.

Senator WALL: In that context it could be that an ethnic organization could expend these funds for the safeguarding of folklore or their arts.

Dr. TRUEMAN: We get at that through other ways. We have given grants to the Canadian Folklore Society. In fact, we are supporting a world conference in Canada next year.

Senator REID: Would it be wise to hand over funds of that kind and lose control of them?

Dr. TRUEMAN: That is another matter the Council has been careful of.

Senator REID: I would be careful about handing over funds to groups and losing the control of the funds.

Dr. TRUEMAN: We do not do that. When we make a grant to an organization we do not make it as a block grant. We make it for a specific purpose and program, the financial and administrative details of which they have given to us. Here is a group that wants to do a certain piece of research, perhaps on the subject of economics, and they tell us what it will cost to do it. They give us a financial statement, the personnel involved, an outline of the project in detail, and so on, and any grant given is for this purpose and no other purpose, and an accounting of the project must be given to us at the end of the period for which the grant is made. Generally speaking, we do not make block grants. I think that answers the very proper point which you have raised.

The ACTING CHAIRMAN: Are there any other questions?

Senator REID: Could we continue with the remaining charts?

Dr. TRUEMAN: This chart discloses the types of grants which are made. With reference to University Capital Grants Fund the amount spent up to March 31, 1958, is shown at \$4,084,300; up to March 31, 1959, at \$8,732,264, and up to February 22nd, 1960, \$9,191,154. These are the unaudited figures. As I have said, about \$22 million which has been authorized out of the University Capital Grants Fund to the present time.

This column indicates the estimated number of scholarships and fellowships. To the end of March 31, 1958, we made 467 scholarship and fellowship awards, spending about \$945,000. In the year ending March 31, 1959, the year under review, we made 571 awards at a cost of \$1,215,000. I think this bears on the question raised by Senator Macdonald. Up to February 22, 1960, we had made 491 awards at a cost of \$1,120,000. The number of these awards will go up over the 500 mark when the end of the year 1959-60 is brought to a conclusion, making a total up to February 22, 1960, of 1,529 fellowship and scholarship awards at a cost of \$3,280,000. This, of course, is an estimated figure, because the travelling expenses have to be taken into consideration, and until it is all over and done and the account is in, it is difficult to give a precise figure of what the operations cost.

As to grants to individuals for travel and special projects—special investigating projects of one kind and another—up to March 31, 1958, there were twelve such

grants at a cost of \$27,950; up to March 31, 1959, there were 50 grants totalling \$81,430; up to February 22nd, 1960, 41 grants totalling \$33,469, making an overall total of \$142,849.

Senator MACDONALD: Could you give us an example of a grant made for travel?

Dr. TRUEMAN: Well, a Canadian scholar writes to us and says, "I am the delegate of the National Conference of Economists and there is an international conference going on in London, England, at which I am invited to present a paper." In such a case we have replied, "If you are the official delegate of this national organization and you have been asked to go to this international conference for some specific purpose, to chair a committee or to present a paper, we will consider giving you travelling assistance." We have usually given simply the return fare from, say, Toronto to London, England. That is one type of assistance. Sometimes a Canadian scholar at a university will want to do research which involves travel. We may give him a small travel grant. There are other illustrations of this.

With respect to grants to organizations, as you see, these represent organizations of the arts and organizations of the humanities and social sciences of which, of course, the first are tremendously more numerous. These organizations for the arts include the theatre, ballet, opera, symphonic music, choirs, the visual arts, painters, galleries and so on.

Senator MACDONALD: Do you give grants to local symphony orchestras?

Dr. TRUEMAN: We have given grants to about ten symphony orchestras across Canada.

Senator MACDONALD: No doubt you have had many applications.

Dr. TRUEMAN: Yes, many more applications than grants. Our problem has been to draw the line. We could not possibly, out of our fund, give a grant to every little orchestra in every small community that would like to have the money.

Senator REID: Do you grade these orchestras?

Dr. TRUEMAN: Do we give them all the same amount?

Senator REID: No, but there are orchestras and there are orchestras.

Dr. TRUEMAN: That is very true. I will tell you what we have done. We have asked Sir Bernard Heinze, the very distinguished Australian musician and conductor, to carry out a survey of the whole orchestra situation in Canada. It took him several months this year during which time he travelled from coast to coast listening to the major orchestras and many of the minor ones. He is to give us a report of what he found out and he will tell us privately the grading he would give them, the ones that he thinks are top-flight, those that are second class, and the ones that are not so good. He is also estimating what their needs and problems are.

Senator EULER: It might be that if some of the money was given to the orchestras that were not so good they might become much better.

Dr. TRUEMAN: That is an argument that might very well be raised, and within limits we have to do that. On the other hand, there is no use giving money to an organization about which you cannot get any favourable report.

Senator STAMBAUGH: Do the bagpipes qualify for this assistance?

Dr. TRUEMAN: I would find that difficult to answer.

Senator MACDONALD: We have one piper here who does not need a grant.

Dr. TRUEMAN: These were amounts that went to the organizations: Up to March 31, 1958, \$739,200. From April 1, 1958 to March 31, 1959, \$1,436,591. From April 1, 1959 to February 22, 1960, \$1,228,695. By the end of the year no doubt the amount will be as much as the previous year. The distribution by subjects is as follows: During the first year the arts got about \$859,000, and the humanities about \$852,000—a nearly 50-50 split. I do not know how the figures will turn out this year, but during the first two years of our operation it worked out that we spent roughly

about 55 per cent of our income on the arts, and about 45 per cent on the humanities and social sciences. But in the big scholarship scheme where we have ten different categories—the total cost being \$1,215,000, for use in 1959-60—about 75 per cent of that amount went to the humanities and social sciences, and about 25 per cent to the representatives of the fine arts. Of the organizational grants something like 75 per cent goes to the arts, and only 25 per cent to the humanities and social sciences. What it will be at the end of this year, I cannot say. Taking it as a whole, however, 55 per cent has gone to arts and 45 per cent to humanities. That total cost of \$1,215,000 is about what we hope to spend on the same programme of scholarships and fellowships during the next year, that is, in 1960-61. I have before me an extract from the Canada Council Bulletin, No. 4, for autumn, 1959. It gives the names of companies and orchestras sent across the country by the Council. They are as follows: the Jeunesses Musicales du Canada, which has gone all over Canada; the National Ballet Guild; the Canadian Opera Company; the Grands Ballets Canadiens; the Royal Winnipeg Ballet; the Baroque Trio of Montreal; the Canadian Players; and the Hart House Orchestra. This is one way in which the Council has tried to reach out to the more sparsely settled territories. You cannot give an orchestra a grant when it is attached to a little town with a population of 10,000 or 15,000 and having perhaps a dozen players. So we try to move organizations across the country, as much as our funds allow, in order that orchestras, plays, and opera, may be enjoyed by people who cannot ordinarily see or hear these things.

Senator MACDONALD: Do I recall correctly that you did make a grant to the Stratford Festival?

Dr. TRUEMAN: Yes, we have done so each year.

Senator MACDONALD: That is an annual grant?

Dr. TRUEMAN: We don't call it an annual grant. The fact is that we have given it each year.

Senator EULER: How much do you give them?

Dr. TRUEMAN: We gave them \$50,000, another \$50,000; and we allowed it this year to go to \$75,000. They had a \$25,000 grant from us for a special project. Actually, this was an invitation from Soviet Russia to bring the Festival there to play in Moscow. This rather fell through, and although \$25,000 was granted for that purpose, we said they could add that to their general fund. We haven't given them any building grants; we cannot do that under the act.

Senator EULER: But out of the other \$50 million?

Dr. TRUEMAN: Well, that is confined to universities by the act. Incidentally, we have been asked for capital grants from local communities, which say, "We are building a theatre, or we are enlarging our auditorium, or we need a better library." However, we have no provision for this.

Senator BARBOUR: You gave \$12,000 to the Festival?

The ACTING CHAIRMAN: That was in addition to the \$50,000.

Dr. TRUEMAN: That was for a special purpose.

The ACTING CHAIRMAN: Are there any other questions for Dr. Trueman?

Dr. TRUEMAN: Our other witnesses are here to back me up and to help me out of trouble if I get into trouble.

The ACTING CHAIRMAN: I understand that no formal resolution is required, that it is just the duty of the Canada Council to submit this report to us.

Senator ASELTINE: I move that the committee be authorized to print 800 copies in English and 200 copies in French of its proceedings with respect to this report.

Senator EULER: I second that motion.

Motion agreed to.

The ACTING CHAIRMAN: May I express the thanks of the committee to you, Dr. Trueman, to Mr. Henderson, and your associates, for coming here and giving us such a good presentation of the work of the Canada Council.

Dr. TRUEMAN: Thank you very much, sir.

—Whereupon the committee adjourned.



